

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Office of Markets, Tariffs and Rates

7/13/05  
New York Independent System  
Operator, Inc.  
Docket No. ER04-230-010

New York Independent System Operator, Inc.  
290 Washington Avenue Extension  
Albany, NY 12203

Attention: Karen Georgenson Gach  
Counsel for the New York Independent System Operator, Inc.

Reference: Compliance Filing

Dear Ms. Gach:

On June 1, 2005, you filed on behalf of the New York Independent System Operator, Inc. (NYISO) a compliance filing pursuant to the Commission's February 11, 2004 Order, as clarified by Commission Order issued on August 10, 2004, in this proceeding.<sup>1</sup> The NYISO's compliance filing reported on the status of discussions with Stakeholders regarding the ability of Demand Side Resources (DSR) to participate in the NYISO's markets.

The Commission's August 10 Order directed the NYISO to file, no later than 120 days after the implementation of RTS (Real-Time Scheduling) software, a report on the status of DSR provisions, or the actual implementation of such provisions. On February 1, 2005, the NYISO implemented RTS and now submits the status report required by the Commission's August 10 Order.<sup>2</sup> Please be advised that your filing is deficient and that

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<sup>1</sup> *New York Independent System Operator, Inc.*, Order Accepting Tariff Filing Subject to Modification, 106 FERC ¶ 61,111 (2004); Order on Rehearing and Compliance Filing, 108 FERC ¶ 61,188 (2004).

<sup>2</sup> 108 FERC ¶ 61,188 at Paragraph 30.

the NYISO needs to provide additional information to assist the Commission in making a decision on your submittal.

1. In its report, the NYISO listed three possible approaches to accomplish the goal of permitting DSR participation in the RTS market. Please summarize these three proposals in greater detail. Please provide information on (a) the extent of changes in RTS software that would be required for each proposal, and estimated time required to make these changes; (b) the bidding options being considered for DSR in each of the three proposals; and (c) what the NYISO means by providing reserves outside of the RTS.
2. The NYISO does not provide specific information regarding the stakeholder discussions that have taken place over these proposals. Please provide information regarding the number and scope of stakeholder meetings that have taken place during the past two years. In addition, please provide specific information regarding the results of each meeting. Please describe what work needs to be done to resolve any issues associated with the proposals.
3. The NYISO's filing states that it plans to undertake a cost-benefit analysis of implementing market changes to allow DSR participation in the RTS market. Given the three possible approaches identified in the filing letter, please indicate which approaches will be examined in the cost-benefit analysis? When does the NYISO intend to perform the cost-benefit analysis? Will the stakeholders be provided a copy of the analysis for discussion at stakeholder meetings? Which approach does the NYISO believe will result in the most favorable cost-benefit outcome and why?

The NYISO's response to this letter will constitute an amendment to the filing. Notice of the amendment will be issued upon receipt of your response. Accordingly, you are directed to submit a form of notice amendment pursuant to Section 35.8 of the Commission's regulations.

This letter is issued pursuant to 18 C.F.R. § 375-307(n)(2) and is interlocutory. This letter is not subject to rehearing pursuant to 18 C.F.R. § 385.713, and a response to this letter must be filed within thirty days of the date of this letter. File your response in accordance with the provisions of the Commission's Rules of Practice and Procedure. In particular, 18 C.F.R. § 385.2010 (Rule 2010) requires that you serve a copy of the response on each person whose name appears on the official service list for this proceeding. Please submit seven copies of your response to this deficiency letter; six copies of your response should be sent to:

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Federal Energy Regulatory Commission  
Office of the Secretary  
888 First Street, N.E.  
Washington, D.C. 20426

The seventh copy should be sent to:

Federal Energy Regulatory Commission  
Attention: Jane Stelck  
Division of Tariffs and Market Development-East  
Room 82-46  
Washington, D.C. 20426

Failure to respond to this order within the time period specified may result in a further order rejecting your filing. Pending receipt of the above information, a filing date will not be assigned to your submittal.

Sincerely,

Anna V. Cochrane, Director  
Division of Tariffs and Market  
Development - East