

July 6, 2007

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street N.E.
Washington, D.C. 20426

**Re: *New York Independent System Operator, Inc.*
Docket Nos. ER04-449-003, ER04-449-007, and ER04-449-008;
Status of Work to Address Deliverability of Generating Capacity**

Dear Ms. Bose:

The New York Independent System Operator, Inc. (“NYISO”) hereby files this status report in the above-referenced proceedings. On June 7, 2006, the NYISO submitted a Compliance Filing and Motion for a Further Extension of Time. The NYISO requested additional time to continue working with its Market Participants on issues related to the implementation of a deliverability requirement in the New York Control Area. The NYISO submitted a proposed revised Work Plan and moved for a one-year extension to resolve the many issues associated with capacity deliverability by June 2007. The New York Transmission Owners submitted a separate compliance filing requesting a time extension to December 31, 2006. The Commission has not yet acted on either filing.¹

Since June 7, 2006, the NYISO has been engaged in intensive and wide-ranging discussions with the NYISO’s Market Participants on how best to address capacity deliverability in New York. During this time, the NYISO and its Market Participants have met several times and engaged in discussions concerning the NYISO’s and Market Participants’ concerns and positions on the deliverability issue. Early in 2007, the NYISO presented a straw proposal to the Interconnection Issues Task Force (“IITF”), which described an approach for implementing a deliverability requirement. Market Participants expressed a number of substantive concerns with this proposal. On May 9, 2007, the Transmission Owners, with input from some suppliers, presented the NYISO with a proposal for a deliverability requirement. After substantive discussions, certain clarifications were added to the proposal on June 27, 2007. This modified proposal was discussed at the IITF meeting on June 29th. At this meeting, the NYISO outlined its areas of concern and suggested several modifications to the Transmission Owners’ proposal.

¹ The NYISO notes that the Commission has granted ISO New England, Inc. a further extension of time until February 29, 2008, to work with its stakeholders to prepare a report to the Commission on how intra-zonal deliverability standards should be designed and the method and time frame for implementation of such standards. New England Power Pool, Docket Nos. ER04-433-000, ER04-433-001, *Notice of Extension of Time* (June 28, 2007).

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While progress has been made between the NYISO and its Market Participants concerning the conceptual framework in which to apply a deliverability requirement, certain areas of disagreement remain among the parties. The NYISO is committed to developing a deliverability proposal that has the broadest possible Market Participant support and is consistent with New York's existing locational capacity market design. All parties are currently in continuing substantive discussions with the goal of promptly resolving the remaining contentious issues in July. The NYISO will submit a further status report to the Commission on these discussions by the end of July.

Very truly yours,

/s/ Karen Georgenson Gach

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CERTIFICATE OF SERVICE

I hereby certify that I have caused the foregoing document to be served electronically to all parties on the official service list designated by the Secretary in this proceeding and also certify that I have caused to be served electronically a copy of this filing on the official representative of each of the NYISO's Market Participants, on each participant in its stakeholder committees, on the New York State Public Service Commission and the New Jersey Board of Public Utilities, and, in hard copy form, on the Pennsylvania Public Utility Commission.

Dated at Washington, D.C. this 6th day of July, 2007.

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