



10 Krey Boulevard • Rensselaer, NY 12144

July 16, 2007

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

**Status Report of the New York Independent System Operator, Inc.
 in Docket Nos. ER03-552-011 and ER03-984-009**

Dear Secretary Bose:

In its order issued on February 22, 2006 (“February 22 Order”), the Commission directed the New York Independent System Operator, Inc. (“NYISO”) to file within 60 days a “timetable for implementation of the Netting Bilaterals Project (the “Project”) that includes, *inter alia*, specific dates for completion of the COO [*i.e.* Concept of Operation], and realistic dates for implementation.”¹ In addition, the Commission directed the NYISO to submit “quarterly status reports on its progress with the Commission, within 15 days after the end of each calendar quarter, beginning with the calendar quarter ending June 30, 2006.”²

In response to the February 22 Order, the NYISO submitted a compliance filing on April 24, 2006, and quarterly status reports on July 17, 2006, October 16, 2006, January 16, 2007 and April 16, 2006. In its order issued on October 6, 2006, the Commission referred the matter to the Commission’s Dispute Resolution Service “to see if the parties can reach agreement on the scope of work and on a timetable for implementation of the Project.”³ The parties reached an understanding which was memorialized in the quarterly status report filed on January 16, 2007. The instant quarterly report discusses the progress made on the Project from April 16, 2007 to the present.

The NYISO completed the draft COO on May 31, 2007 after being assured by Strategic Energy, L.L.C. (“Strategic”) that the initial draft of the COO contained the functionality and user features necessary to provide the trading flexibility that Strategic desires. On June 25, 2007 the NYISO presented the concept at the Market Issues Working Group Meeting (“MIWG”) to solicit comments from market participants.⁴ This session was devoted primarily to answering clarifying questions before the next step of developing a cost benefit analysis is undertaken. The concept is similar to the PJM e-schedules function for internal bilaterals and the initial response was positive. In

¹ *New York Independent System Operator, Inc.*, 114 FERC ¶ 61,189 at P 14 (2006).

² *Id.*

³ *New York Independent System Operator, Inc.*, 117 FERC ¶ 61,026 at P 16 (2006).

⁴ The NYISO’s presentation entitled “Bilateral Netting – Concept of Operation” can be found on the internet at: http://www.nyiso.com/public/webdocs/committees/bic_miwg/meeting_materials/2007-06-25/MIWG__Netting_of_Bilaterals_62507_rev.pdf so.com

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addition to the concept review, the NYISO presented the schedule for the remaining activity and requested market participant's comments and recommendations in time to influence the cost benefit analysis. The NYISO will review market participants' comments and the cost benefit preparation processes with market participants at the August 2007 MIWG meeting.

The next step is for the NYISO is to begin preparation of the cost benefit analysis that will be utilized by the NYISO stakeholders for consideration during the 2008 budget preparation, project selection and budget approval process. Following the integration of the market participants' input to the design and preparation of the cost benefit analysis, the concept will be brought to the Business Issues and Management Committees and the Board of Directors for review and disposition. Strategic has authorized the NYISO to state that it concurs with this quarterly status report.

WHEREFORE, for the foregoing reasons, the NYISO respectfully submits this quarterly progress report as directed in the February 22 Order.

Respectfully submitted,

/s/Andrew S. Antinori
Andrew S. Antinori
Senior Attorney
NEW YORK INDEPENDENT
SYSTEM OPERATOR, INC.

cc: Shelton Cannon
Larry Gasteiger
Michael Bardee
Connie Caldwell
Kathleen Nieman
Dean Wight
Lance Hinrichs

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