

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

In Reply Refer To:
Office of Enforcement
Docket No. PA08-3-000
October 17, 2007

New York Independent System Operator, Inc.
Attention: Mr. Robert E. Fernandez
Vice President and General Counsel
10 Krey Boulevard
Rensselaer, NY 12144

Dear Mr. Fernandez:

The Division of Audits (DA) in the Office of Enforcement (OE) of the Federal Energy Regulatory Commission (Commission) is commencing an audit of New York Independent System Operator, Inc. (NYISO). The audit will address NYISO's responsibilities as an Independent System Operator (ISO). The audit will determine whether NYISO is operating in compliance with a selected set of its responsibilities under (1) the NYISO Independent System Operator Agreement,¹ (2) the NYISO Membership Agreement,² (3) the NYISO Market Services Tariff,³ (4) the NYISO Open Access Transmission Tariff,⁴ and (5) other obligations and responsibilities as approved by the Commission. The audit will cover the period from January 1, 2006 through the present.

This audit is being conducted pursuant to Section 301 of the Federal Power Act, 16 U.S.C. § 825 (2006), and is subject to the confidentiality provisions of that section. Documents and information obtained by the Commission staff during the audit, as well as all working papers developed, will be placed in non-public files. Section 301(b) of the Federal Power Act allows the audit team to keep copies of any accounts, records, or memoranda that pertain to the audit; requires companies to furnish, within reasonable time frames, any information which the Commission may require; and requires companies to grant agents of the Commission free access to its property, accounts, records and memoranda. Section 301(c) of the Federal Power Act allows the audit team to examine the books, accounts, memoranda, and records of any person who controls,

¹ *New York Independent System Operator, Inc.*, 88 FERC ¶ 61,229 (1999).

² *New York Independent System Operator, Inc.*, 90 FERC ¶ 61,015 (2000).

³ *New York Independent System Operator, Inc.*, 90 FERC ¶ 61,015 (2000).

⁴ *New York Independent System Operator, Inc.*, 119 FERC ¶ 61,237 (2007).

directly or indirectly, a licensee or public utility subject to the jurisdiction of the Commission, and of any other company controlled by such person, insofar as they relate to transactions with or the business of such licensee or public utility.

Consistent with the requirements of Section 301, 304, and 311 of the Federal Power Act, 16 U.S.C. §§ 825, 825c, and 825h (2006) and Part 125 of the Commission's regulations, 18 C.F.R. Part 125 (2007), the Company must preserve and retain all existing and future records relevant to this audit. For purposes of this compliance audit, OE considers all relevant records to be all documents and communications (including emails, instant messages, text messages, and voice recordings) which are in the possession, custody or control of the Company and its affiliates and either (1) are used in preparation of responses to the attached data requests; (2) relate to any service provided or to be provided by, on behalf of, or for the benefit of the Company and its affiliates or any facility owned or operated by, on behalf of, or for the benefit of the Company and its affiliates; (3) are communications, transactions, agreements or arrangements between the Company and any of its affiliates, or between any director, officer, manager, or other employee of the Company, and any director, officer, manager, or other employee of the Company's affiliates; or (4) relate to the subject matter of any data requests made to the Company in this audit.

We will contact you shortly to schedule an entrance conference to discuss the nature of the audit engagement. The purposes of the conference call are to (1) explain the audit process to NYISO; (2) address any questions about the audit that NYISO may have; (3) provide the audit team an opportunity to clarify basic information about NYISO; and (4) discuss the initial data request. Ms. Jesse Halpern, Auditor-in-Charge, will contact you to set up this conference call. If you have any questions concerning this letter, please contact Ms. Halpern at (202) 502-6036. Other members of the audit team include Mr. Stephen Somma and Ms. Katie Gartmann.

In addition, if you would like to discuss the audit with DA management at any time during the course of this audit, please contact Mr. Arnie Quinn, Branch Chief, at (202) 502-8693, or Mr. Bryan Craig, the Director of the Division of Audits, at (202) 502-8741.

Sincerely,

Susan J. Court
Director
Office of Enforcement