

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Regional Transmission Organizations

)

Docket No. RM99-2-000

**NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.’S
INITIAL COMMENTS ON PROPOSED TECHNICAL CONFERENCE**

Pursuant to the Commission’s March 28, 2001 *Notice of Filing* in the above-captioned proceeding, the New York Independent System Operator, Inc. (“NYISO”) respectfully submits its Initial Comments on the Electricity Consumers Resource Council, *et al.*’s joint motion (“Motion”)¹ asking the Commission to convene a technical conference to provide guidance on the implementation of Order No. 2000’s² Inter-Regional Coordination requirement. The NYISO urges the Commission to reject the Motion, because: (i) the proposed conference would distract attention from, and potentially disrupt, ongoing efforts to resolve seams issues in the Northeast; (ii) the ongoing process in the Northeast is already addressing the issues that the Motion suggests the technical conference cover; and (iii) a conference aimed at standardizing national “seams” practices would be so unwieldy as to be unworkable and extremely unlikely to achieve its goals. The Commission should also resist the temptation to impose seams solutions that have worked in one region on others, or to impose arbitrary deadlines for the resolution of seams issues.

¹ *Joint Motion of Electricity Consumers Resource Council (ELCON), Electric Power Supply Association, Enron Power Marketing, Inc., Reliant Energy Power Generation, Inc., Dynegy, Inc. to Convene a Technical Conference on Inter-Regional Coordination*, Docket No. RM99-2-000 (December 15, 2000).

Accordingly, the NYISO recommends that the Commission not hold the proposed seams conference, or, at a minimum, convene a conference which excludes the Northeast and any other region that already has a comprehensive process in place to address seams issues.

I. BEGINNING AN EFFORT TO DEVELOP STANDARD NATIONAL SEAMS PRACTICES WOULD DISRUPT ONGOING EFFORTS TO RESOLVE SEAMS ISSUES IN THE NORTHEAST

The Motion seeks to justify its call for a national seams conference by asserting that the first wave of Order No. 2000 compliance filings, which were submitted on October 16, 2000, made insufficient progress on seams issues. In addition, the Motion claimed that it was “clear that the Northeast [Memorandum of Understanding] process has also proven to be ineffective as a means to achieving a ‘seamless trading area’ in a timely manner.” The NYISO takes no position on the adequacy of other regions’ seams resolution efforts, but strongly disagrees with the Motion’s assertion that progress has not been made in the Northeast. The NYISO’s January 16, 2001 Order No. 2000 compliance filing,³ and its subsequent answer to certain protests filed in its RTO proceeding,⁴ demonstrated that the Motion’s allegations about the Northeast were already inaccurate at the time they were made. Subsequent NYISO progress towards harmonizing its market rules and systems with its neighbors further disproves the Motion’s claims. Moreover, before it convenes a national technical

² *Regional Transmission Organizations*, Order No. 2000, III FERC Stats. & Regs. ¶ 31,089 (1999); Order No. 2000-A, III FERC Stats. & Regs. ¶ 31,092 (2000).

³ New York Independent System Operator, Inc., *et al.*, *Order No. 2000 Compliance Filing*, Docket No. RT01-95-000 at 20-21, 43-58 (January 16, 2001).

⁴ New York Independent System Operator, Inc., *et al.*, *Answer to Certain Motions and Request for Leave to Answer and Answer to Certain Comments and Protests*, Docket No. RT01-95-000, *et al.*, (March 23, 2001).

conference on seams and interface practices, the Commission should consider the likelihood that such a conference would disrupt, or completely override, ongoing efforts in the Northeast..

By way of review, the NYISO has: (i) played a leading role in the Northeastern ISO Memorandum of Understanding (“MOU”) process; (ii) supported a soon-to-be finalized study of the feasibility of establishing a Northeast-wide day-ahead energy market (“Northeast DAM Study”);⁵ (iii) executed a joint agreement with ISO New England, Inc. (“ISO-NE”) to expedite the MOU process and facilitate inter-ISO market monitoring; and (iv) participated in the Northeast Power Coordinating Council’s (“NPCC”) inter-regional coordination program. A number of seams issues have been addressed through these initiatives, as is noted below in Section II. Most recently, the MOU process has led to the creation of a “Best Practices” proposal that would address the eight most important short-term seams issues on an expedited basis, and focus immediate attention of the first seven of them. Under the proposal, the Northeastern ISOs, and the Ontario Independent Electricity Market Operator (“IMO”), will identify and uniformly adopt the best ISO practice regarding each seams issue. The best practice may be one that is already being used by one of the four entities, which would then be adopted by the others, or a new hybrid that is acceptable to all four. Functional requirements documents have been, or are in the process of being, developed for these practices for review by Northeastern market participants. Once these documents are finalized, implementation schedules will be created and the

⁵ The Northeast DAM Study was sponsored by ISO-NE, the IMO and the NYISO. PJM’s participation has been actively solicited and PJM has begun to make a limited contribution to the project. An initial draft of the study was released on January 19. A second draft, revised to reflect stakeholder feedback, was issued on April 20, 2001, and the final version is scheduled to be complete on May 4.

resources will be allocated to necessary implementation tasks. The NYISO's Project Prioritization Team, which is comprised of senior NYISO staff and the chairs of its major market participant committees, has included all of these tasks on its priority project list.

The issues covered by the Best Practices proposal are: (i) improving inter-ISO transaction "checkout" procedures through the implementation of a "Common Interface Tool;" (ii) requiring each of the Northeastern ISOs to adopt compatible protocols governing ramping, including common ramping frequency rules; (iii) moving towards common transaction scheduling practices; (iv) developing inter-ISO congestion management and transaction curtailment mechanisms; (v) introducing common standards for calculating and posting Available Transmission Capacity ("ATC") and Total Transmission Capacity ("TTC"); (vi) creating common installed capacity ("ICAP") market rules; (vii) implementing uniform ICAP recall procedures; and (viii) establishing trading hubs to promote greater market liquidity.⁶ The NYISO understands that the most recent version of this proposal was approved by the NYISO's Management Committee on April 18, the New England Power Pool ("NEPOOL") Markets Committee on April 25, and the PJM Interconnection L.L.C. ("PJM") Members Committee on April 25-26. The NYISO and its neighbors have made implementing Best Practices in these areas an extremely high priority. Additional action is to be taken at the May 2 meeting of the MOU's Business Practices Working Group ("BPWG").

The next step in the MOU process will be the development of common transmission products by all of the Northeastern ISOs. This will free market participants from having to purchase fundamentally different transmission products, with varying levels of firmness and liability to pay

⁶ See Attachment.

congestion rents, when they enter into transactions that span more than one of the ISOs. This initiative will begin by ensuring that each ISO offers the same basic set of transmission products. The ISOs will then focus on eliminating minor differences between their products and, eventually, on jointly establishing whatever new types of transmission products market participants desire. The NYISO expects that this initiative will be addressed at the May 2 BPWG meeting.

In addition, as ISO-NE noted in its March 29th comments in this proceeding, PJM and ISO-NE are beginning to work together on a “Standard Market Design.” Subject to Commission and stakeholder approvals the Standard Market Design would “use PJM’s current market design as a starting point and combine and standardize the ISO and PJM market designs, including common future enhancements.”⁷ The NYISO anticipates that this effort will complement the Best Practices initiative, and intends to collaborate with PJM and ISO-NE to ensure that the three Northeastern ISOs’ market designs converge to the greatest extent possible. The Standard Market Design will also facilitate the Northeast’s move towards standardized transmission products. By bringing PJM’s and ISO-NE’s products closer together, the Standard Market Design will make it easier for the NYISO to make its products compatible with theirs. All of this will help to reduce seams problems.

It should be emphasized that seams resolution efforts in the Northeast, including PJM’s and ISO-NE’s development of a Standard Market Design, are being conducted pursuant to an open process with active stakeholder participation. The issues that are being addressed, and the timetable

⁷ See *Preliminary Report of ISO New England, Inc. Regarding “Standard Market Design,”* Docket No. RM99-2-000 at 1 (March 29, 2001) (The “Standard Market Design” is a collaborative effort that will require both ISO-NE and PJM to make modifications, not a “superimposition of PJM CMS/MSS software on existing New England markets, which continues to be infeasible.”)

pursuant to which work is being undertaken, reflect the priorities of both the ISOs themselves, and substantial majorities of their stakeholders. The Motion’s suggestion that the Commission use the proposed technical conference to “require RTOs to adopt stakeholder processes to assure broad input from all segments of the industry concerning barriers to trading” is therefore irrelevant to the Northeast, where such a process is already firmly in place.⁸

In short, contrary to the Motion’s claim, there is already an established and highly successful seams resolution process in the Northeast. The NYISO therefore respectfully submits that it would be irrational to disregard, or worse, discard, what has been accomplished in the Northeast, in favor of as yet uncreated, one-size-fits-all, national standards. The Northeast is well on its way towards instituting standardized Northeastern interface and seams practices that will govern the overwhelming majority of transactions engaged in by Northeastern stakeholders. The Commission should thus reject the Motion, or, in the alternative, convene a conference focused on regions that have not made progress towards the resolution of seams issues.

II. THE ONGOING EFFORT TO RESOLVE SEAMS ISSUES IN THE NORTHEAST HAS ALREADY ADDRESSED THE ISSUES THAT THE MOTION SUGGESTS BE COVERED AT A TECHNICAL CONFERENCE

The Motion recommends that a number of topics be addressed at its proposed technical conference. Virtually all of these issues are already being handled pursuant to the ISO-MOU process,

⁸ The NYISO also opposes the Motion’s assertion that a technical conference is necessary to “establish more stringent [Inter-Regional Coordination] requirements for smaller RTOs” This requirement is already part of Order No. 2000, which requires smaller RTOs to obtain the “effective scope” required to fully satisfy all of the Commission’s minimum RTO characteristics and to perform all of the minimum RTO functions. *See* Order No. 2000 at 31,038. The purpose of the NYISO’s efforts to create a virtual RTO, and seamless trading area, in the Northeast is to obtain the requisite effective scope and to create an RTO structure that surpasses Order No. 2000’s minimum requirements.

or other existing seams resolution mechanisms in the Northeast. It would therefore be redundant, and extremely wasteful, to initiate a new national seams proceeding that would force Northeastern stakeholders to start over. The sections that follow describe the NYISO's efforts with respect to each topic identified in the Motion.

A. Scheduling and Reserving Transmission (Scheduling Protocols, Emergency Procedures, Curtailment, Market Closing Times)

The Northeast DAM Study recommended that the Northeastern ISOs and the IMO seriously consider creating an integrated day-ahead energy market based on a combined unit commitment system with combined scheduling. Ultimately, this would be achieved by implementing either a hierarchical or single unit commitment system. If these arrangements are in place there would no longer be day-ahead inter-regional schedules between control areas, eliminating the possibility of day-ahead inter-regional scheduling mismatches.⁹ It will not be possible, however, to implement these long-term solutions until a full-fledged real-time inter-regional congestion redispatch and pricing mechanism is in place, which is likely to take at least a year. Thus, the Northeast DAM Study recommends that the creation of an integrated Northeastern day-ahead market begin with the ISOs' adoption of a sequential approach to unit commitment and scheduling, which can be implemented before inter-regional congestion management mechanisms are perfected. If sequential scheduling is endorsed by Northeastern stakeholders, the NYISO expects that it can readily be put in place in the near or intermediate term and that it would be likely to substantially reduce scheduling-related seams in the Northeast. Within the MOU process, a functional requirements specification ("FRS") is being developed for a

⁹ See Northeast DAM Study at 2. The current draft of the study can be downloaded from the NYISO's web-site at <<http://www.nyiso.com/markets/index.html#regdam>>.

“Collaborative Scheduling System” (“CSS”) which will meet the scheduling needs of all regional stakeholders, including those located in the Hydro-Quebec control area.¹⁰ The CSS will be compatible with the scheduling standards that are being established by the “Electronic Scheduling Collaborative” that is being conducted under NERC’s auspices. The MOU participants anticipate that the FRS for this initiative will be complete by this summer.

In addition, the NYISO has joined ISO-NE in seeking a change to a New England market rule that prohibits exports which can result in real-time price increases in New York. This rule has previously served to artificially reduce imports from New England to New York and contributed to the underutilization of the New York - New England interties.¹¹

B. Operational Practices (Ramp Rates, Definition of Proxy Buses)

The Northeastern ISOs are pursuing a variety of initiatives to harmonize key operational practices as quickly as possible. Substantial progress has been made on the two issues specifically identified by the Motion, *i.e.*, ramp rates and proxy bus definitions. First, on April 1, PJM modified its ramp calculator to ensure that transactions involving PJM and the NYISO would only be permitted to reserve ramp in PJM if they are actually scheduled to flow by both ISOs. This is a helpful, but short-term, measure that will give the MOU participants more time to investigate longer-term ramping refinements. Second, PJM has conformed its practice to the NYISO’s by beginning to model the NYISO as one, rather than two, external proxy buses. This simplified convention has eliminated

¹⁰ Hydro-Quebec is not currently a MOU participant.

¹¹ See *Initial Comments of the New York Independent System Operator, Inc.*, Docket Nos. ER00-3591-000, *et al.*, at 25 (February 8, 2001).

significant gaming opportunities, and the NYISO anticipates that ISO-NE will eventually adopt it as well.

C. ATC Calculations (Including TTC)¹²

As was noted above, the Northeast ISOs are working to standardize their ATC and TTC posting requirements as part of the Best Practices initiative and a separate NERC/NPCC compliance program. The NYISO has worked with NPCC and NERC to develop the a NPCC “Methodology and Guideline for Forecasting and ITC and ATC.” Moreover, in connection with the efforts of the NPCC’s ATC Working Group, the NPCC control areas are developing procedures that will permit the posting of consistent ATC and TTC values on control area interties. The ultimate goal is to establish a single website where a single ATC and TTC would be posted for common interfaces. The NPCC is currently developing the functional requirements and implementation timetable.

D. Transmission Rights

As was described above, and in the Northeast DAM Study, the MOU participants are developing common transmission products and common scheduling and common reservation processes to accompany them.

E. Congestion Management

In connection with the MOU’s contemplated long-term development of a full-fledged inter-ISO real-time congestion management system, the NYISO and PJM intend to implement an “Inter-Regional Transmission Congestion Management Pilot Program” (“Program”) this year. The Program is intended

¹² The Motion suggested that discussion on this issue should also address “Capacity Benefit Margin” (“CBM”) policies. However, because CBM is not a relevant concept in the NYISO’s market design, it is not discussed herein.

to permit one of the ISOs to re-dispatch its system, in appropriate circumstances, when doing so will help to alleviate constraints in the other ISO's territory. The Program will be limited to certain specific known constraints that are known to result in inter-regional congestion, and will only be activated when one of the ISOs is about to issue a TLR or implement other emergency procedures. It is intended that the pilot program will not cause artificial cost-shifting among utilities, although when one of the ISO requests a redispatch, it will be responsible for paying the costs of generation that was adjusted pursuant to the Program. The ultimate goal is to learn lessons from the pilot program that will aid the Northeastern ISOs in the development of a fully functional, real-time congestion management system.

F. Interconnection Issues

The MOU's Planning Working Group ("PWG") is addressing Interconnection issues in the Northeast. Indeed, since March, the PWG has focused primarily on a comprehensive review of the Northeastern ISO's generation interconnection procedures.

G. Ancillary Services Standards

The development of common ancillary services standards is not formally part of the MOU process. However, the Standard Market Design will eventually standardize ancillary services provided in PJM and ISO-NE and facilitate greater coordination with the NYISO. Moreover, inter-ISO regulation and reserves markets are already being developed and the Functional Requirements document for implementing the first phase of a regional regulation market is complete. Implementation of the "Area Diversity Interchange" project is slated for the fall. A "Project Scope" document for a common reserves market has been written and a schedule has been developed for a phased implementation process. All Security Coordinators in the NPCC are participating in this effort which is expected to result in increased market efficiency.

In addition, the NYISO and ISO-NE have entered into a short-term emergency reserves sharing arrangement. The first phase of this arrangement was implemented in March and a second phase will go into effect in May. In the immediate term, reserve-sharing will enhance reliability in the two participating ISO control areas. In the longer term, it will likely be the first of several steps towards the creation of common reserves markets in the Northeast.

H. Transmission Pricing (Rate Reciprocity, Pricing for Wheeling-Through and Wheeling Out)

In addition to the MOU initiatives described above, the Northeast DAM Study recommended that Northeastern stakeholders pursue a number of other programs that would bring their transmission pricing practices into closer alignment.¹³ These initiatives can be undertaken separate from, and instituted in advance of, the implementation of an integrated day-ahead energy market and it is likely that they will receive active consideration once the Best Practices measures are in place.

I. Regional Installed Capacity Standards

Finally, in addition to the topics mentioned in the Motion, the Northeastern ISOs are working to standardize their ICAP products and recall procedures and to facilitate inter-ISO ICAP trading.¹⁴ Draft ICAP standards will be presented at the May 2 meeting of the MOU's BPWG as part of the Best Practices initiative (see above.) The NYISO believes that some programs to facilitate "seamless" ICAP trading can be in place this summer.

¹³ See Northeast DAM Study at 8, 173-180.

¹⁴ The Commission has previously emphasized the importance of viable capacity market arrangements to the efficient working of competitive electricity markets. See, e.g., *San Diego Gas & Electric Co., et al.*, 93 FERC ¶ 61,294 at 62,017 (2000).

III. A NATIONAL SEAMS CONFERENCE WOULD BE UNWIELDY, UNWORKABLE AND UNLIKELY TO SUCCEED

The Motion states that “FERC should convene a technical conference to develop a specific template for seams resolution which RTOs would be required to meet.”¹⁵ Although the Motion itself does not offer any clues as to what the creation of such a “specific template” would entail it appears that the movants imagine that the conference will result in the establishment of standardized reliability¹⁶ and market interface¹⁷ practices that all RTOs, in all regions of the country, would adopt. Such an undertaking would necessarily be massive, time-consuming and impossible to complete at a one- or two-day technical conference. In fact, it may be neither feasible, nor desirable, to initiate such a process at all.

The NYISO’s participation in various efforts to reconcile seams and interface practices in the Northeast has given it a practical understanding of how challenging this work is. Seams and interface practices differ greatly from region-to-region and within individual regions. Attempting to standardize them will necessitate the resolution of numerous complex and highly technical issues by hundreds of different stakeholders from all over the United States (as well as Canada). It is unclear how the

¹⁵ Motion at 7.

¹⁶ Order No. 2000 describes the integration of “reliability practices” as “procedures for coordination of reliability practices and sharing of reliability data among regions in an interconnection, including procedures that address parallel path flows, ancillary service standards, transmission loading relief procedures, among other reliability-related coordination requirements in this Final Rule.” Order No. 2000 at 31,168.

¹⁷ Order No. 2000 describes the integration of “market interface practices” as “developing some level of standardization of inter-regional market standards and practices, including the coordination and sharing of data necessary for calculation of TTC and ATC, transmission reservation priorities, scheduling practices, and congestion management procedures, as well as other market coordination requirements covered elsewhere in this Final Rule.” *Id.*

discussion of these issues could even be efficiently managed at a brief technical conference given the diversity of interests and views that would be represented. It is virtually inconceivable that any progress on the issues could be made at the conference, or in its near-term aftermath. The reality is that developing a nation-wide consensus on a “specific template” of seams and interface practices will require years of major effort with no guarantee of success. Administering such an effort would also badly strain the Commission’s resources. Although the Commission might try to force progress by imposing particular seams and interface solutions, the NYISO does not believe that the Commission has an adequate factual record, or the expertise, to do so. Short-circuiting stakeholder discussions and technical review would also introduce a serious risk that hastily prepared rules will have unexpected adverse reliability and market effects.

The Commission should recognize that the scope of the technical conference that the Motion envisions is several orders of magnitude broader than the technical conferences that the Motion offers as precedents, *i.e.*, the “regional workshops on RTO formation and technical conferences on calculation of: (i) capacity benefit margins; (ii) electronic filing; (iii) Y2K readiness; and (iv) revisions to Oil Pipeline FERC Form 6.”¹⁸ It would also involve far more issues and participants than the technical conference on NYISO market and reliability issues that was held on January 22 and 23 in Docket Nos. ER00-3591-000, *et al.* In the aftermath of that conference, the Commission concluded that it needed additional information before making substantive decisions on the comparatively small number of issues involved in that proceeding. Even the post Order No. 636 conference on natural gas pipeline Electronic Bulletin Boards (“EBBs”), which ultimately led to the emergence of the Gas Industry Standards Board

¹⁸ Motion at 7.

(“GISB”) and to standardized industry practices, was a considerably smaller, and less complex, endeavor than standardizing the electric utility industry’s seams and interface practices. There is simply no precedent for the conference that the Motion proposes. The closest analogue, *i.e.*, the gas conferences that led to the creation of standardized EBBs and gas business practices, took years to resolve. Moreover, even the GISB standards are not truly uniform and make allowances for physical differences among the various pipeline systems. Nine years after Order No. 636 was issued, interstate pipelines continue to offer different services and products and to use different tools for dealing with problems created as a result of serving customers across an interconnected pipeline grid.

Furthermore, the notion of developing standardized seams and interface practices is fundamentally flawed given that different regions have different market designs, different operational practices, different physical system realities and different embedded contractual arrangements. There are therefore legitimate regional differences in technical interface practices and there will necessarily be regional seams variations.

For example, the northeastern ISOs all use locational-based marginal pricing (“LBMP”) type congestion management systems, whereas the Midwest ISO and Alliance RTO plan to use a flow-gate based congestion management regime. This will inevitably result in varying interface practices at the border of the Northeastern and the Midwestern regions. Similarly, interfaces are governed by various contractual arrangements, often grandfathered, including transmission service agreements, bundled power purchase agreements, interconnection agreements and Phase-Angle Regulator agreements, that can have significant effects on interface operations. Attempting to re-open and standardize these arrangements would be radical, extremely difficult, if not impossible, and potentially very risky to the extent that carefully calibrated region-specific provisions were overhauled in the name of uniformity. In

addition, different states have different generation profiles, and have adopted different utility generation divestiture policies, which require individual control areas to adopt operating practices that are appropriate for their region.

The NYISO also believes that the benefits of developing national standards for seams and interface practices are questionable. As an obvious example, there does not appear to be any reason to expend resources harmonizing seams and interface practices in New York and California, since the two states are in different electric interconnections and electricity is not traded between them. The NYISO respectfully submits that the industry's, and the Commission's, energies should instead be focused on resolving seams and interface issues within natural market areas within which the vast majority of electricity transactions actually take place. The NYISO has previously maintained that the "Northeast," broadly defined as the NYISO, PJM and ISO-NE control areas, plus Ontario, is one such market area. The NYISO takes no position as to what the other natural market areas might be, although the Commission has suggested that the "Midwest," "Southeast," and "West" are possibilities.¹⁹ As is discussed in Section III below, a well-functioning and comprehensive seams resolution process is already well underway in the Northeast²⁰ which the Commission should strongly support. Convening a national conference with an agenda aimed at overriding the Northeast's achievements would be assured to undermine this process.

¹⁹ However, the Commission has found that smaller parts of these regions can be viable market areas, at least for a transitional period. *See Avista Corp., et al.*, 95 FERC ¶ 61,114 (2001); *Carolina Power & Light Co., et al.*, 94 FERC ¶ 61,273 (2001).

²⁰ In addition, the NYISO understands that PJM is pursuing joint rate and seams resolution arrangements with the Midwest ISO, Alliance RTO and GridSouth RTO that would ensure that seams between the Northeast and neighboring regions are managed effectively.

The NYISO would also have serious reservations about holding a technical conference, and starting work on national seams issues, this summer. Such a conference would involve numerous issues of fundamental importance to the NYISO that would demand a major commitment of its resources and the attention of its senior staff during the peak demand season. The NYISO should be permitted to focus on maintaining reliability and administering New York's various wholesale markets, rather than countering efforts by certain market participants to use the conference to advance their own self-interested agendas, and to revisit issues that have already been decided. The NYISO believes that New York, and the Northeast as a whole, can survive the summer without experiencing the kinds of problems that have plagued California. Convening a technical conference and launching a major new rulemaking process at this time will be an expensive distraction that could undermine the NYISO's ability to devote its full attention to its primary responsibilities this summer.

Finally, the NYISO respectfully asks that the Commission not lose sight of Order No. 2000's conclusion that "Inter-Regional Coordination" requires only that RTO practices be compatible, not identical.²¹ This approach is much more efficient than insisting on a uniformity that will be extremely difficult, time-consuming, and expensive to achieve, and that is likely to have, at most, extremely limited benefits. The Commission should therefore reject the Motion's request for a technical conference, and instead support and encourage the resolution of seams and interface issues within natural market areas.

²¹ See Order No. 2000 at 31,167 ("This provision does not mean that all RTOs necessarily must have a uniform practice, but that RTO reliability and market interface practices must be comparable with each other, especially at the 'seams.' RTOs must coordinate their practices with neighboring regions to ensure that market activity is not limited because of different regional practices")

IV. ATTEMPTS TO IMPOSE SEAMS SOLUTIONS DEVELOPED IN ONE REGION ON OTHER REGIONS, OR TO EXPEDITE SEAMS RESOLUTION BY SETTING ARBITRARY DEADLINES, ARE UNLIKELY TO SUCCEED

The Commission should reject the Motion's suggestion that it identify inter-regional solutions successfully implemented by particular RTOs and determine whether they "would be promising models for other RTOs to adopt."²² Although the Northeast has made the most progress towards the goal of harmonizing its interface practices and addressing seams issues, it would be a serious policy mistake for the Commission to impose Northeastern solutions on other regions. As was noted above, there may well be legitimate regional technical differences that would make it inadvisable to require other regions to comply with Northeastern standards. It would also be inappropriate to force a region's stakeholders to implement practices that they have not reviewed and may not support, especially given the potential that the practices will prove unworkable when introduced to new markets.

At the same time, it would be equally unwise to push the Northeast to embrace proposed "national" standards that are developed to suit physical reservation based systems contemplated by Order No. 888's *pro forma* open-access transmission tariff that do not account for Northeastern variations, such as the use of LBMP-type financial reservation models. The NYISO has already experienced a number of problems with proposed OASIS standards that are inconsistent with, or simply irrelevant to, the way its LBMP-based system operates.²³ For the Commission to do otherwise would be to go beyond the seeking to standardize interface practices and to move to standardizing the

²² Motion at 7.

²³ The Commission has granted the NYISO a limited waiver of those OASIS standards that are inconsistent with its market design. *See, e.g., New York Independent System Operator, Inc.*, 94 FERC ¶ 61,215 (2001).

various regions' market designs. This would be an even more ambitious, and difficult, undertaking that would be flatly inconsistent with Order No. 2000's emphasis on voluntary RTO formation and recognition that there is no single, "ideal" market design.

The Commission should also reject the Motion's recommendation that it consider establishing a "a supplemental timetable for Function 8 compliance."²⁴ Establishing a single, national timetable would be inherently arbitrary since a one-size-fits-all approach cannot account for the differences in the problems each region faces. If the Commission ultimately decides to provide region-specific guidance it should work with regional stakeholders to avoid setting unrealistic implementation timetables that cannot be met and which will only serve to disrupt ISOs', RTOs' and transmission owners' existing market implementation priorities.

IV. CONCLUSION

WHEREFORE, for the foregoing reasons, the New York Independent System Operator respectfully asks that the Commission: (i) reject the Motion and decline to convene the technical conference that it requests; or, in the alternative (ii) convene a technical conference limited in scope to the resolution of seams issues in regions that have not made as much progress as the Northeast.

Respectfully submitted,

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²⁴ Motion at 6.

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April 27, 2001

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in the above-captioned proceedings in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure 18 C.F.R. § 2010 (1999).

Dated at Washington, D.C. this 27th day of April, 2001.

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