

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

New York Independent System Operator, Inc.)	Docket Nos. ER00-3591-000,
)	ER00-1969-000,
)	ER01-94-000, and
)	ER01-180-000

**MOTION OF THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.
FOR EXTENSION OF TIME TO IMPLEMENT LOCATIONAL RESERVE PRICING**

Pursuant to Rule 212 of the Commission's Rules of Practice and Procedure,¹ the New York Independent System Operator, Inc. ("NYISO") hereby respectfully requests an extension of time, until September 30, 2001, to implement its new Locational Reserve Pricing ("LRP") methodology.

I. Copies of Correspondence

Communications regarding this proceeding should be addressed to:

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II. Motion for Extension of Time

¹ 18 C.F.R. § 385.212 (2000).

A. Background on Locational Reserve Pricing

LRP is a Commission-approved mitigation mechanism for the NYISO's operating reserves markets that will prevent prices in eastern New York State and on Long Island from setting the state-wide clearing price during periods when eastern New York and Long Island transmission constraints are binding and suppliers in those locations may have opportunities to exercise market power. The NYISO included the LRP proposal in its "Combined Compliance Filing and Report" filed September 1, 2000 (as corrected September 8, 2000) in Docket Nos. ER00-3591-000, *et al.*² The Commission accepted the LRP proposal and suspended it for five months, pending the outcome of a Commission-ordered technical conference, in an order issued November 8, 2000.³ The Commission issued an order on March 29, 2001 ("March 29 Order") addressing some of the myriad issues discussed at the technical conference, including LRP.⁴ The March 29 Order reaffirmed the Commission's acceptance of the LRP proposal and directed the NYISO to re-file the necessary tariff sheets within 15 days. The NYISO proceeded to file sheets on April 13, 2001 to implement LRP, proposing an effective date of May 1, 2001, the beginning of the NYISO's Summer Capability Period.

B. The Need for an Extension of Time to Implement Locational Reserve Pricing

The combination of a multitude of factors makes it necessary for the NYISO to request a delay in the implementation of LRP. After the NYISO submitted its Combined Compliance Filing and Report, the NYISO staff prepared to deploy LRP in November, 2000. However, when the

² The description of the operation of LRP contained in the Compliance Filing and Report is incorporated by reference herein.

³ *New York Independent System Operator, Inc.*, 93 FERC ¶ 61,142 (2000).

⁴ *New York Independent System Operator, Inc.*, 94 FERC ¶ 61,371 (2001).

Commission suspended the implementation of LRP, leaving the NYISO staff uncertain as to whether LRP would ever be approved, the NYISO staff shifted resources from LRP to other high priority reliability and market improvement projects.

The NYISO staff is working at maximum capacity to implement a series of high priority reliability and market enhancement programs in time for Summer 2001. The Commission has already approved the NYISO's Emergency Demand Response Program⁵ and its hybrid fixed block pricing rule,⁶ and is considering another demand-side management mechanism, the Day-Ahead Incentivized Load Curtailment Program.⁷ Each program requires its own set of software modifications. Beyond those programs already filed with the Commission, the NYISO staff is also working on the software changes required to implement additional high-priority rule changes that will help to increase supply in New York State. Those include removal of penalties for Generators providing Regulation Service, payment for certain uninstructed overgeneration, and more efficient use of Energy Limited Resources and Capacity Limited Resources.⁸ In addition, the NYISO will also implement several market enhancements over the next few months, including virtual bidding. These programs all require staff resources that might otherwise be focused on LRP implementation.

The NYISO staff is currently in the middle of the extensive testing required before full implementation of the above-mentioned programs. Implementation of LRP in the NYISO's existing

⁵ *New York Independent System Operator, Inc.*, Docket No. ER01-1520-000, order issued April 27, 2001.

⁶ *New York Independent System Operator, Inc.*, Docket Nos. ER00-3591-000, *et al.*, order issued April 26, 2001.

⁷ The NYISO filed its plan on April 5, 2001 in Docket No. ER01-1740-000.

software environment would effectively render worthless the testing of the high-priority summer programs which has been conducted thus far. Adding LRP to the software mix would impact the overall system against which the other programs would have to be tested. NYISO staff does not believe that interjecting LRP at this point would be prudent. In addition to the need to test the LRP software in the new market and accounting software environments, the LRP program will require some recoding in order to adjust for the software modifications of the past several months. The LRP recoding and testing should not begin until work on the high priority summer programs is complete.

The NYISO also wishes to emphasize that LRP is not as important to effective functioning of operating reserves markets as it was when first proposed in September, 2000, because the Commission has decided not to lift the \$2.52/MWh bid cap and mandatory bidding requirement in the 10-Minute Non-Spinning Reserve market. The NYISO proposed LRP to operate in the absence of these market mitigation measures. Until such time as the Commission eliminates the existing mitigation measures, the need for LRP will not be as critical as envisioned in September, 2000.

All of the above factors contribute to the need to defer implementation of LRP. Based upon the LRP requirements, and the NYISO's present set of projects, NYISO staff believes that it would be prudent to delay the implementation of LRP until September 30, 2001.

III. Conclusion

WHEREFORE, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission grant its request for an extension of time to implement Locational Reserve Pricing, until September 30, 2001.

⁸ The NYISO will file these proposals with the Commission in the next few weeks.

Respectfully submitted,

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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 30th day of April, 2001.

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