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November 16, 2009

By Hand

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

**Re: New York Independent System Operator, Inc.'s Proposed Tariff Revisions to the
Credit Requirements for Energy and Ancillary Services; Docket No. _____**

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act,¹ the New York Independent System Operator, Inc. ("NYISO"), by counsel, hereby submits revisions to its Open Access Transmission Tariff ("OATT") and its Market Administration and Control Area Services Tariff ("Services Tariff") to better align the credit requirements for purchases of energy and ancillary services ("Energy Credit Requirements") with the corresponding customer payment obligations.² The NYISO is also proposing to make non-substantive revisions to its tariffs to eliminate unnecessary duplication. The tariff revisions proposed in this filing are described in detail in Section V below.

I. List of Documents Submitted

The NYISO submits the following documents:

1. This filing letter;
2. A clean version of the proposed revisions to OATT and Services Tariff (Attachment I); and

¹ 16 U.S.C. § 824d (2009).

² Capitalized terms that are not otherwise defined herein shall have the meanings specified in Article 2 of the Services Tariff.



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3. A blacklined version of the proposed revisions to the OATT and Services Tariff (Attachment II).

II. Copies of Correspondence

Copies of correspondence concerning this filing should be served on:

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* -- Persons designated for service.

III. Service List

The NYISO will electronically send a link to this filing to the official representative of each of its customers, to each participant on its stakeholder committees, to the New York Public Service Commission, and the New Jersey Board of Public Utilities, and send a copy of this filing by first class mail to the Pennsylvania Public Utilities Commission. In addition, the complete filing will be posted on the NYISO's website at www.nyiso.com. The NYISO will also make a paper copy available to any interested party that requests one. To the extent necessary, the NYISO requests waiver of the requirements of Section 35.2(d) of the Commission's Regulations (18 C.F.R. § 35.2(d) (2009)) to permit it to provide service in this manner.

³ The NYISO respectfully requests waiver of 18 C.F.R. § 385.203(b)(3) (2009) to permit service on counsel for the NYISO in both Washington, D.C. and Richmond, VA.

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IV. Background

The NYISO currently calculates a customer's Energy Credit Requirement based on the customer's historical purchases at historical energy prices. As set forth in Section III.B.(i) of Attachment K to the Service Tariff,⁴ a customer's Energy Credit Requirement equals the greater of the customer's average daily purchases during either (i) the month with the highest purchases in the Prior Equivalent Capability Period, or (ii) the prior 10 days, extrapolated out for 50 days.⁵

Market participants expressed concerns that this methodology does not adjust for fluctuations in energy prices from year to year, which could result in inflated credit requirements during periods when energy prices are lower than in the prior year. For example, the decrease in energy prices from summer 2008 to summer 2009 has resulted in current Energy Credit Requirements materially exceeding actual payment obligations for many customers because the summer 2009 credit requirements were based on the summer 2008 energy prices.

To address these concerns, the NYISO and market participants developed an enhanced methodology for calculating Energy Credit Requirements (when based on the Prior Equivalent Capability Period purchases) that would adjust the dollar amount of the historical purchases for projected fluctuations in energy prices. The NYISO would use the projected fluctuations in gas prices to forecast fluctuations in energy prices, as gas prices and energy prices tend to be highly correlated.

V. Description of Proposed Revisions

Under the proposed tariff revisions, for each month in the Prior Equivalent Capability Period, the NYISO would calculate a "Price Adjustment" quotient by dividing (a) the Henry Hub futures gas price for the like month in the current/upcoming Capability Period by (b) the average Henry Hub spot gas price for that month during the Prior Equivalent Capability Period. The NYISO would apply the Price Adjustment by multiplying the Price Adjustment quotient for a given month in the Prior Equivalent Capability Period by the amount of the customer's historical purchases in that month. The NYISO would then compare the six price-adjusted purchase

⁴ See Sheet Nos. 495 and 496.

⁵ The NYISO uses a multiplier of 50 because there are approximately 50 days between the day a customer first accrues charges for purchases of energy and ancillary services and when the customer is required to pay the NYISO for those charges. This multiplier is reduced to three if the customer has entered into a prepayment agreement with the NYISO. See Section III.B.(i)(b) of Attachment K to the Services Tariff (Sheet No. 496).



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amounts to determine the month of the customer's highest purchases (i.e., the Basis Month) in the Prior Equivalent Capability Period.

The NYISO proposes to add the term "Price Adjustment" to the Services Tariff to establish the methodology described above for adjusting the previous year's energy purchases to reflect current year energy prices. The NYISO would also revise the definitions of "Basis Month" and "Basis Amount" to indicate that the NYISO would make those determinations based on the price-adjusted amounts. The Basis Amount, consequently, would equal the price-adjusted purchase amount for the Basis Month.

By revising the definitions of Basis Month and Basis Amount, the NYISO could implement the proposed price-adjustment methodology without having to modify the text of the formulas for calculating the Energy Credit Requirements for existing customers, set forth in Section III.B.(i) of Attachment K to the Services Tariff,⁶ because those formulas are expressed as:

$$\frac{\text{Basis Amount for Energy and Ancillary Services}}{\text{Days in Basis Month}} \times 50^7$$

Additionally, the NYISO proposes to revise the definition of "AEP" in the formula for determining the Energy Credit Requirements for new customers, set forth in Section III.B.(i)(c) of Attachment K to the Services Tariff,⁸ to mean the price-adjusted average energy and ancillary services price during the Prior Equivalent Capability Period so that the credit requirements for new customers would also adjust for fluctuations in energy prices.

Commission approval of these proposed tariff changes would enable the NYISO to implement Energy Credit Requirements that are better aligned with actual market risk and more accurately reflect the current payment obligations of NYISO customers.

VI. Effective Date

The NYISO respectfully requests that this filing become effective on January 16, 2009, which date complies with the Commission's notice requirements.⁹

⁶ See Sheet Nos. 495 and 496.

⁷ This multiplier is reduced to 3 for customers that have a prepayment agreement with the NYISO.

⁸ See Sheet No. 496.

⁹ 18 C.F.R. § 35.3 (2009)



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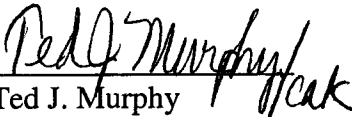
VII. Requisite Stakeholder Approval

The NYISO's Business Issues Committee unanimously approved (with abstentions) the tariff revisions proposed in this filing at its meeting on September 9, 2009. The NYISO's Management Committee unanimously approved these revisions at its meeting on September 30, 2009. On October 20, 2009, the NYISO's Board of Directors approved a motion directing the NYISO to file the proposed tariff revisions approved by the Management Committee.

VIII. Conclusion

WHEREFORE, for the foregoing reasons, the New York Independent System Operator, Inc. respectfully requests that the Commission accept the proposed tariff changes identified in this filing.

Respectfully submitted,


Ted J. Murphy
Counsel for
New York Independent System Operator, Inc.

cc: Michael A. Bardee
Gregory Berson
Connie Caldwell
Anna Cochrane
Lance Hinrichs
Jeffrey Honeycutt
Michael McLaughlin
Kathleen E. Nieman
Rachel Spiker
John Yakobitis

ATTACHMENT I

- 1.3f Base Point Signals:** Electronic signals sent from the ISO and ultimately received by Generators specifying the scheduled MW output for the Generator. Real-Time Dispatch ("RTD") Base Point Signals are typically sent to Generators on a nominal five (5) minute basis. AGC Base Point Signals are typically sent to Generators on a nominal six (6) second basis.
- 1.3f.1 Basis Amount:** As defined in the ISO Services Tariff.
- 1.3f.2 Basis Month:** As defined in the ISO Services Tariff.
- 1.3g Bid/Post System:** An electronic information system used to allow the posting of proposed transmission schedules and Bids for Energy and Ancillary Services by Market Participants for use by the ISO and to allow the ISO to post Locational Based Marginal Prices and schedules.
- 1.3h Bid:** Offer to purchase and/or sell Energy, Demand Reductions, Transmission Congestion Contracts and/or Ancillary Services at a specified price that is duly submitted to the ISO pursuant to ISO Procedures.
- 1.3h.1 Reserved.**
- 1.3i Bid Price:** The price at which the Supplier offering the Bid is prepared to provide the product or service, or the buyer offering the Bid is willing to pay to receive such product or service.
- 1.3j Bid Production Cost:** Total cost of the Generators required to meet Load and reliability Constraints based upon Bids corresponding to the usual measures of Generator production cost (e.g., running and Minimum Generation Bid, and Start-Up Bid).
- 1.3j.1 Bidding Requirement:** As defined in the ISO Services Tariff.

2.126	On-Peak	55
2.127	Open Access Same-Time Information System ("OASIS").....	55
2.128	Operating Capacity	55
2.128a	Operating Committee	55
2.128b	Operating Data	55
2.128c	Operating Requirement	55
2.129	Operating Reserves	55A
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2.132	Optimal Power Flow ("OPF").....	56A
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2.134	Order Nos. 889 et seq.	57
2.135	Original Residual TCC.....	57A
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2.136	Performance Index	58
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2.138	Point to Point Transmission Service	58A
2.139	Point(s) of Injection ("POI" or "Point of Receipt")	58A
2.140	Point(s) of Withdrawal ("POW" or "Point of Delivery")	59
2.141	Pool Control Error ("PCE")	59
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2.149	Proxy Generator Bus	61
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2.10 Reserved for future use.

2.11 Base Point Signals

Electronic signals sent from the ISO and ultimately received by Generators or Demand Side Resources specifying the scheduled MW output for the Generator. Real-Time Dispatch (“RTD”) Base Point Signals are typically sent to Generators or Demand Side Resources on a nominal five (5) minute basis. AGC Base Point Signals are typically sent to Generators or Demand Side Resources on a nominal six (6) second basis.

2.11a Basis Amount

The amount owed to the ISO for purchases of Energy and Ancillary Services in the Basis Month, after applying the Price Adjustment, as further adjusted by the ISO to reflect material changes in the extent of the Customer’s participation in the ISO-administered Energy and Ancillary Services markets.

2.11b Basis Month

The month during the Prior Equivalent Capability Period in which the amount owed by the Customer for Energy and Ancillary Services, after applying the Price Adjustment, was greatest.

2.12 Bid/Post System

An electronic information system used to allow the posting of proposed transmission schedules and Bids for Energy and Ancillary Services by Market Participants for use by the ISO and to allow the ISO to post LBMPs and schedules.

2.146 Power Flow

A simulation which determines the Energy flows on the NYS Transmission System and adjacent transmission systems.

2.146a Pre-Scheduled Transaction Request

An offer submitted, pursuant to ISO Procedures, for priority scheduling of Transactions between the ISO and neighboring Control Areas to: (i) purchase Energy from the LBMP Market at the LBMP Market Price and deliver it to an External Control Area; (ii) sell Energy delivered from an External Control Area to the LBMP Market at the LBMP Market Price; or (iii) wheel Energy through the New York Control Area from one External Control Area to another External Control Area at the market-determined Transmission Usage Charge. Pre-Scheduled Transaction Requests accepted for scheduling reserve Ramp Capacity and Transfer Capability and receive priority scheduling in the LBMP Market.

2.146b Pre-Scheduled Transaction

A Transaction accepted for scheduling in the designated LBMP Market pursuant to a Pre-Scheduled Transaction Request. Pre-Scheduled Transactions may be withdrawn only with the approval of the ISO pursuant to the ISO Procedures.

2.146c Price Adjustment

For each month in the Prior Equivalent Capability Period, the Price Adjustment equals the quotient of dividing (a) the Henry Hub futures gas price for the like month in the succeeding same-season Capability Period by (b) the average Henry Hub spot gas price for that month in the Prior Equivalent Capability Period.

2.147 Primary Holder

A Primary Holder of each TCC is the Primary Owner of that TCC or the party that purchased that TCC at the close of the Centralized TCC Auction. With respect to each TCC, a

- (b) For Customers that qualify for a prepayment agreement, subject to the ISO's credit analysis and approval, and execute a prepayment agreement in the form provided in Appendix W-1, the greater of either:

$$\frac{\text{Basis Amount for Energy and Ancillary Services} \times 3}{\text{Days in Basis Month}}$$

-or-

$$\frac{\text{Total Charges Incurred for Energy and Ancillary Services for Previous Ten (10) Days} \times 3}{10}$$

- (c) For new Customers, the ISO shall determine a substitute for the Basis Amount for Energy and Ancillary Services for use in the appropriate formula above equal to:

$$\text{EPL} \times 720 \times \text{AEP}$$

where: EPL = estimated peak Load for the Capability Period; and

AEP = average Energy and Ancillary Services price during the Prior Equivalent Capability Period after applying the Price Adjustment.

- (ii) **UCAP Component.** The UCAP Component shall be equal to the total of all amounts then-owed (billed and unbilled) for UCAP purchased in the ISO-administered markets.
- (iii) **TCC Component.** The TCC Component shall be equal to the greater of either:

ATTACHMENT II

1.3f Base Point Signals: Electronic signals sent from the ISO and ultimately received by Generators specifying the scheduled MW output for the Generator. Real-Time Dispatch ("RTD") Base Point Signals are typically sent to Generators on a nominal five (5) minute basis. AGC Base Point Signals are typically sent to Generators on a nominal six (6) second basis.

1.3f.1 Basis Amount: ~~The greatest amount owed to the ISO for purchases of Energy and Ancillary Services in any month during the Prior Equivalent Capability Period, as adjusted by the ISO to reflect material changes in the extent of the Customer's participation in the ISO-administered Energy and Ancillary Services Markets.~~ As defined in the ISO Services Tariff.

1.3f.2 Basis Month: ~~The month during the Prior Equivalent Capability Period in which the amount owed by the Customer for Energy and Ancillary Services was greatest.~~ As defined in the ISO Services Tariff.

1.3g Bid/Post System: An electronic information system used to allow the posting of proposed transmission schedules and Bids for Energy and Ancillary Services by Market Participants for use by the ISO and to allow the ISO to post Locational Based Marginal Prices and schedules.

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1.3i Bid Price: The price at which the Supplier offering the Bid is prepared to provide the product or service, or the buyer offering the Bid is willing to pay to receive such product or service.

1.3j Bid Production Cost: Total cost of the Generators required to meet Load and reliability Constraints based upon Bids corresponding to the usual measures of Generator production cost (e.g., running and Minimum Generation Bid, and Start-Up Bid).

1.3j.1 Bidding Requirement: As defined in the ISO Services Tariff.

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2.11b Basis Month

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