

June 29, 2007

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: Informational Filing of the New York Independent System Operator, Inc. in
Docket No. ER04-230-023**

Dear Ms. Bose:

The New York Independent System Operator, Inc. (“NYISO”) hereby respectfully submits its June Informational Filing in response to the Commission’s July 20, 2006 *Order Accepting Compliance Filing*¹ in this docket.

In its July Order, the Commission accepted NYISO’s plan to implement a Demand Side Response (“DSR”) real-time market integration project in the third quarter of 2007, following successful implementation of the NYISO’s settlement system replacement (“SSR”) project. The DSR integration project would be the first set of updates to the new settlement system. The Commission requested, however, that the NYISO report on September 29, 2006, and quarterly thereafter, concerning its progress on the SSR project and its expected completion date.

As reported in its September 2006 Informational Filing, the SSR project will replace the NYISO’s current settlement software with a more robust and flexible system. SSR is a top organizational priority that enjoys widespread stakeholder support. As it noted in its September filing, the NYISO has frozen its existing settlement code allowing no other coding changes to the settlement software until the new system is in place. Other market or software design changes, including the DSR integration project, will be made subsequent to SSR deployment.

The Commission accepted the NYISO proposal to implement its DSR integration project -- the Demand Side Ancillary Services Program (“DSASP”) -- as the first set of enhancements to the new settlement system, in the third quarter of 2007. The DSASP will allow DSR providers to participate in the NYISO’s real-time energy and ancillary services markets in much the same way that generators do today.

¹ 116 FERC PP61,043 (“July Order”)

The NYISO has now completed the SSR project although it has not yet deployed the new code. During the final week of SSR testing in late May, the NYISO discovered some potential formatting issues with a report generated by a downstream NYISO system, the Decision Support System (“DSS”). This report is utilized by some NYISO Market Participants to reconcile their settlements. The NYISO currently is working with Market Participants to resolve the formatting issues as quickly as possible, before proceeding with the SSR project deployment. To ensure Market Participants remain satisfied with the quality of the settlement process and existing reporting functionality, the NYISO has revised its SSR project deployment target for later this summer, early in the third quarter of the year.

NYISO continues to develop the necessary settlement code to support the integration of demand side resources into the NYISO’s real-time ancillary services and energy markets. The NYISO has developed, and shared with Market Participants, more detail concerning the bidding, scheduling, settlement and metering requirements for the DSASP and is in the process of drafting the necessary amendments to its Market Administration and Control Area Services Tariff to reflect this new functionality.²

Indeed, the significant development effort in which the NYISO and its Market Participants have engaged for the last 18 months has resulted in an improved DSASP product. In addition to participating in the 10 minute and 30 minute nonsynchronous reserves markets, the program is being expanded to allow DSASP participation in the regulation market. NYISO also continues its work with the New York State Reliability Council to review the option of allowing curtailable load to participate in the synchronous reserves market.

A tariff filing fully describing the rules surrounding this new product will be made this fall. Following the tariff filing and FERC approval, final DSASP software development and quality assurance testing, the NYISO intends to deploy the DSASP code to production.

The window for DSASP software implementation falls between the time that the SSR software has been implemented and the fourth quarter code freeze. Sarbanes Oxley reporting obligations require the NYISO to be sensitive to implementing software code that could affect financial settlements during the fourth quarter of every year. As a general matter, the NYISO limits the implementation of projects impacting settlements to very early in the fourth quarter.

While actual DSASP implementation will depend on specific software development and testing time frames, the NYISO remains committed to the original scheduling milestones -- that the DSASP code integration happen as soon as possible after SSR deployment and that it be the first new project code introduced following replacement of the NYISO’s settlement engine. It now appears, however, that this deployment will not occur until the first quarter of 2008. It is

² See description of this new functionality at:
http://www.nyiso.com/public/webdocs/committees/bic_miwg/meeting_materials/2007-05-24/MIWG_Demand_Side_Ancillary_Services_Update_52407.pdf

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not possible for the NYISO to finalize its DSASP software development, test and implement the code prior to the fourth quarter of 2007.

The NYISO intends to push aggressively for implementation as early as possible in the first quarter of 2008. Necessary tariff amendments will have been filed with the Commission in the second half of 2007 to allow time for the incorporation into the final software design of any market rules adjustments that the Commission may require in a compliance filing. Early compliance-issue identification and incorporation into the software code improves the efficiency of the DSASP code testing process that will take place in late 2007 and early 2008. Necessary market participant training materials will also be developed during the fourth quarter of 2007.

Throughout the DSASP development process, NYISO has remained committed to bringing greater DSR participation to its markets. It has worked to find a solution that meets the needs of DSR providers without compromising the benefits of NYISO's single, co-optimized economic dispatch. Should the NYISO determine that it will not be able to meet the revised schedule proposed herein, it will inform the Commission. The NYISO will file its next Informational Filing on or before September 30, 2007.

Respectfully submitted,

/s/ Mollie Lampi

Mollie Lampi

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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 this proceeding.

Dated at Rensselaer, New York this 29th day of June 2007.

/s/ Salisa Brandon
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