

February 8, 2005

BY HAND

Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Second Quarterly Report by New York Independent System Operator, Inc. in
Docket Nos. ER04-230-002, ER04-230-003, ER04-230-004, ER04-230-005,
ER01-3155-005, ER01-1385-014 and EL01-45-013.

Dear Secretary Salas:

On September 9, 2004 the New York Independent System Operator, Inc. (“NYISO”) sought rehearing on the Commission’s order to introduce improved combined cycle modeling within 150 days of the implementation of Real-Time Scheduling (“RTS”) market reforms.¹ The NYISO sought rehearing only for the purpose of extending the deadline for implementing combined cycle modeling.

Pursuant to the NYISO’s commitment in its Request for Rehearing, the NYISO submits its second quarterly report on the progress it has made in pursuing changes to software modeling requirements and market rules that are necessary to adequately recognize combined cycle units within the NYISO markets. NYISO filed its first quarterly report November 8, 2004.

NYISO deployed RTS on February 1, 2005. As detailed herein, the delay in this deployment from December 1, 2004 to February 1, 2005 has delayed, slightly, the efforts the NYISO described in its September 9, 2004 Request for Rehearing as necessary before its market rules and software could adequately recognize combined cycle units.

As NYISO discussed in its previous quarterly report, NYISO staff spent November and December meeting with plant staff from most of the existing and planned combined cycle plants in New York. NYISO staff met with operators and managers responsible for bidding and operating six combined cycle facilities to gain a more complete and accurate view of the characteristics and configurations of, and business objectives for, the combined cycle portfolio in New York. To adequately integrate combined cycle units into the New York markets, NYISO staff must understand what the new model needs to provide. Since those visits, NYISO has completed the first phase of a comprehensive concept document containing a broad description

¹ 108 FERC ¶ 61,188 (2004).

of the results of these investigations. NYISO reviewed this document with Market Participants on January 13, 2005, at a Market Structures Working Group (MSWG) meeting.²

NYISO staff is now engaged in developing the next phase of this Concept of Operations document to describe in more detail the bidding, scheduling, and real-time operational aspects of combined cycle units in the energy, ancillary services, day ahead and real-time markets. To that end, NYISO staff is consulting with NYISO's vendor ABB for guidance on feasible and practical methods to address specific modeling requirements. NYISO intends to review the results of this effort with Market Participants in early March. Following those discussions, the NYISO will complete the Concept of Operations, offer it again to Market Participants for final review and approval, and begin its detailed design and development effort. The NYISO will then begin reviewing with its Market Participants the tariff sections that are implicated by these desired modeling enhancements.

The NYISO's next quarterly report will be filed with the Commission May 6, 2005.

The NYISO has served a copy of this filing on the parties in this docket.

Respectfully submitted,

/s/Mollie Lampi

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² The status of these efforts was also discussed with Market Participants at a MSWG meeting on December 14, 2004.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties listed on the official service list maintained by the Secretary of the Commission in docket numbers in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure 18 C.F.R. § 385.2010 (2003).

Dated at this.
