

ORIGINAL**HUNTON &
WILLIAMS**FILED
SECRETARY OF THE
COMMISSION

2008 DEC -5 P 4: 20

FEDERAL ENERGY
REGULATORY COMMISSIONHUNTON & WILLIAMS LLP
1900 K STREET, N.W.
WASHINGTON, D.C. 20006-1109TEL 202 • 955 • 1500
FAX 202 • 778 • 2201TED J. MURPHY
DIRECT DIAL: 202-955-1588
EMAIL: tmurphy@hunton.com

FILE NO: 55430.0000043

December 5, 2008

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

ERO9. 378 .000

**Re: New York Independent System Operator, Inc.'s Proposed Revisions to the
Transmission Congestion Contract Creditworthiness Provisions**

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 Attachment W to its Open Access Transmission Tariff ("OATT") and Attachment K to its Market Administration and Control Area Services Tariff ("Services Tariff") to revise the formula for calculating the Transmission Congestion Contract ("TCC") mark-to-market credit requirement.² The NYISO is implementing an integrated credit management system ("CMS") that will allow the NYISO to automate many of the credit calculations and processes administered by its credit department. The NYISO will deploy CMS in five phases. Phase 1 is scheduled for deployment in the first quarter of 2009 and will automate the TCC credit requirements. The automation of the TCC credit requirements will enable the NYISO to implement the credit enhancements proposed in this filing letter and described in detail in Section IV below.

I. List of Documents Submitted

The NYISO submits the following documents:

1. This filing letter;

¹ 16 U.S.C. § 824d (2000).

² Capitalized terms that are not otherwise defined herein shall have the meanings specified in Article 1.0 of the OATT and Article 2 of the Services Tariff.



Kimberly D. Bose, Secretary
December 5, 2008
Page 2

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

II. Copies of Correspondence

Copies of correspondence concerning this filing should be served on:

Robert E. Fernandez, General Counsel
Elaine D. Robinson, Director of External Affairs
*Mollie Lampi, Assistant General Counsel
New York Independent System Operator, Inc.
10 Krey Boulevard
Rensselaer, NY 12144
Tel: (518) 356-6000
Fax: (518) 356-4702
rfernandcz@nyiso.com
erobinson@nyiso.com
mlampi@nyiso.com

*Ted J. Murphy
Hunton & Williams LLP
1900 K Street, N.W.
Suite 1200
Washington, D.C. 20006-1109
Tel: (202) 955-1500
Fax: (202) 778-2201
tmurphy@hunton.com

*Kevin W. Jones³
Hunton & Williams LLP
951 East Byrd Street
Richmond, VA 23219
Tel: (804) 788-8200
Fax: (804) 344-7999
kjones@hunton.com

* – Persons designated for service.

³ The NYISO respectfully requests waiver of 18 C.F.R. § 385.203(b)(3) (2008) to permit service on counsel for the NYISO in both Washington, D.C. and Richmond, VA.



Kimberly D. Bose, Secretary
December 5, 2008
Page 3

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 Utility 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) (2008)) to permit it to provide service in this manner.

IV. Description of Proposed Revisions

The NYISO proposes to revise the formula in Attachment W to the OATT and Attachment K to the Services Tariff for calculating the TCC mark-to-market credit requirement so that the credit requirement is calculated daily based on a rolling ninety day average of the net congestion rents instead of monthly based on the average net congestion rents for the prior three months.⁴ The proposed revisions will allow the NYISO to better manage credit risks in its TCC market by providing the NYISO with more timely information about fluctuations in the amount and direction of congestion and thereby facilitate more timely margin calls to cover collateral deficiencies.

V. Effective Date

The NYISO respectfully requests that this filing become effective on February 10, 2009, which date is the targeted deployment date for CMS—Phase 1.

VI. Requisite Stakeholder Approval

The tariff revisions proposed in this filing were discussed with stakeholders in meetings of the Market Issues Working Group on September 5, 2008, and the Credit Policy Task Force on September 8, 2008. The revisions were approved unanimously by a show of hands of the NYISO's Business Issues Committee at its meeting on October 22, 2008, and unanimously by

⁴ The proposed tariff revisions to the OATT and the Services Tariff are identical. As such, only one description is necessary to explain the revisions to both tariffs.



Kimberly D. Bose, Secretary
December 5, 2008
Page 4

a show of hands of the NYISO's Management Committee at its meeting on October 29, 2008. On November 17, 2008, the NYISO's Board of Directors approved a motion directing the NYISO to file the proposed tariff revisions approved by the Management Committee.

VII. 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,

A handwritten signature in black ink that reads "Ted J. Murphy" with a stylized flourish at the end.

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

cc: Michael A. Bardee
Gregory Berson
Connie Caldwell
Shelton M. Cannon
Larry Gasteiger
Lance Hinrichs
Kathleen E. Nieman
Rachel Spiker
John Yakobitis

ATTACHMENT I

New York Independent System Operator, Inc.
 FERC Electric Tariff
 Original Volume No. 1
 Attachment W

Fifth Revised Sheet No. 726
 Superseding Fourth Revised Sheet No. 726

TCCs in the Primary Holder's portfolio, as defined for these purposes, according to the formula below:

$$\sum_{n \in N} \left\{ \frac{NAP_n}{90} \times RD_n \right\}$$

where: NAP = the net amount of Congestion Rents (positive or negative) between the POI and POW composing each TCC_n during the previous ninety days

RD = the remaining number of days in the life of TCC_n; *provided, however*, that in the case of Grandfathered TCCs, RD shall equal the remaining number of days in the life of the longest duration TCC sold in an ISO-administered auction then outstanding; and

N = the set of TCCs held by the Primary Holder.

New York Independent System Operator, Inc.
 FERC Electric Tariff
 Original Volume No. 2
 Attachment K

Fifth Revised Sheet No. 498
 Superseding Fourth Revised Sheet No. 498

all TCCs in the Primary Holder's portfolio, as defined for these purposes, according to the formula below:

$$\sum_{n \in N} \left\{ \frac{NAP_n}{90} \times RD_n \right\}$$

where: NAP = the net amount of Congestion Rents (positive or negative) between the POI and POW composing each TCC_n during the previous ninety days

RD = the remaining number of days in the life of TCC_n; *provided, however*, that in the case of Grandfathered TCCs, RD shall equal the remaining number of days in the life of the longest duration TCC sold in an ISO-administered auction then outstanding; and

N = the set of TCCs held by the Primary Holder.

ATTACHMENT II

New York Independent System Operator, Inc.
 FERC Electric Tariff
 Original Volume No. 1
 Attachment W

~~Fourth~~ Fifth Revised Sheet No. 726
 Superseding ~~Third~~ Fourth Revised Sheet No. 726

TCCs in the Primary Holder's portfolio, as defined for these purposes, according to the formula below:

$$\sum_{n \in N} \left\{ \frac{NAP_n}{390} \times RMD_n \right\}$$

where: NAP = the net amount of Congestion Rents (positive or negative) between the POI and POW composing each TCC_n during the previous ~~three months~~ ninety days

RMD = the remaining number of ~~months~~ days in the life of TCC_n; *provided, however,* that in the case of Grandfathered TCCs, RMD shall equal the remaining number of ~~months~~ days in the life of the longest duration TCC sold in an NYISO-administered Auction then outstanding; and

N = the set of TCCs held by the Primary Holder.

New York Independent System Operator, Inc.
 FERC Electric Tariff
 Original Volume No. 2
 Attachment K

~~Fourth~~ Fifth Revised Sheet No. 498
 Superseding ~~Substitute Third~~ Fourth Revised Sheet No. 498

all TCCs in the Primary Holder's portfolio, as defined for these purposes, according to the formula below:

$$\sum_{n \in N} \left\{ \frac{NAP_n}{390} \times RMD_n \right\}$$

where: NAP = the net amount of Congestion Rents (positive or negative) between the POI and POW composing each TCC_n during the previous ~~three months~~ ninety days

RMD = the remaining number of ~~months-days~~ in the life of TCC_n; *provided, however*, that in the case of Grandfathered TCCs, RMD shall equal the remaining number of ~~months-days~~ in the life of the longest duration TCC sold in an NYISO-administered auction then outstanding; and

N = the set of TCCs held by the Primary Holder.