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January 28, 2005

**BY HAND**

Honorable Magalie R. Salas  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Compliance Filing, Notice of Effective Date, and Informational Notice of the  
New York Independent System Operator, Inc.  
in Docket No. ER04-230-**

Dear Ms. Salas:

Pursuant to the Commission's February 11, 2004 order ("RTS Order") in this proceeding,<sup>1</sup> the New York Independent System Operator, Inc. ("NYISO") respectfully submits this compliance filing. The compliance filing establishes the effective date for the RTS-related tariff provisions, replaces references in specified tariff sheets to its legacy software with references to the new RTS software, and makes miscellaneous corrections to RTS-related tariff provisions. In addition, the NYISO is providing official notice that the RTS market enhancements will go into effect on February 1, 2005. Finally, the NYISO submits, for informational purposes, a table depicting the settlement correction procedures that it intends to follow in the event that a problem with RTS disrupts the production of accurate settlements during the first two weeks following implementation.

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<sup>1</sup> *New York Independent System Operator, Inc.*, 106 FERC ¶ 61,111, *order on reh'g and compliance filings*, 108 FERC ¶ 61,188 (2004).



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**I. List of Documents Submitted**

1. This filing letter;
2. A clean version of the NYISO's compliance revisions to its Open Access Transmission Tariff ("OATT") and Market Administration and Control Area Services Tariff ("Services Tariff") ("Attachment I");
3. A redlined version of the same ("Attachment II");
4. An informational table depicting emergency settlement procedures ("Attachment III"); and
5. A form of *Federal Register* Notice ("Attachment IV").

**II. Copies of Correspondence**

Copies of correspondence concerning this filing should be served on:

Robert E. Fernandez, General Counsel and Secretary  
Mollie Lampi, Assistant General Counsel  
Elaine Robinson, Director of Regulatory Affairs  
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**III. Service**

The NYISO has electronically served this filing upon the official representative of each of its customers, on each participant in its stakeholder committees, and on the New York State Public Service Commission. The NYISO has also served a copy of the filing on the electric utility regulatory agencies in New Jersey and Pennsylvania. A copy of this filing will also be posted on the NYISO's website.

**IV. Description of Proposed Tariff Changes**

**A. Effective Date**

In the RTS Order, the Commission approved the NYISO's proposal to implement new RTS software and associated market rules. The NYISO explained in its filing that it was not requesting a specific effective date for the corresponding tariff changes because there was uncertainty as to when the new RTS software would be ready for deployment. Because the RTS software is now ready, the NYISO will be able to implement the RTS market enhancements, effective February 1, 2005.

The NYISO has revised the RTS-related tariff sheets to reflect a February 1, 2005 effective date. Redlined versions of the applicable OATT and Services Tariff sheets reflecting this change are included in Attachment II hereto.

**B. Revisions to Attachment H of the Services Tariff**

The NYISO intends that the RTS software will commence operations effective February 1, 2005. This development necessitates revisions to certain tariff provisions, as described below.

In its March 12, 2004 compliance filing ("March 12 Compliance Filing") in this proceeding, the NYISO included a "Notice of Implementation of Certain Mitigation Measures." The NYISO explained that many of the RTS-related mitigation measures could be activated prior to the implementation of the RTS software and that market participants would benefit if these features went into effect as soon as possible. The notice stated that these Attachment H provisions would become effective on May 1, 2004. Because the RTS software was not ready by that date, these new mitigation provisions went into effect at that time using the NYISO's existing Day-Ahead and Real-Time Market software instead of the RTS software. As mentioned above, the RTS software is now ready, and the proposed tariff changes submitted herein simply replace references to the legacy software with the new RTS software. These modifications do not change the substance of the currently effective tariff provisions.

In addition, the March 12 Compliance Filing noted that two of the Attachment H RTS revisions would be held in abeyance because they could not be implemented at all without the new software being available.<sup>2</sup> As this software is now ready to be implemented, the NYISO is submitting revised tariff sheets making effective those provisions. First, the NYISO proposes to

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<sup>2</sup> See March 12 Compliance Filing at 8.

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delete existing language in § 4.2.2(d)(3) that was necessary to retain until such time as start-up bids can be submitted on an hourly basis under RTS.<sup>3</sup> Now that the RTS software is ready, start-up bids can be submitted on an hourly basis and the language can be deleted. Second, the NYISO had retained existing language in § 5.1 which provided that generating units located in a Constrained Area shall “operate On Dispatch” if they are able to do so. The NYISO proposed that, once the RTS software could be implemented, these units will be required to “respond to RTD base point signals.”<sup>4</sup> Therefore, the NYISO here proposes to replace the words “operate On Dispatch” with “respond to RTD base point signals.”

### **C. Miscellaneous Corrections**

The NYISO also proposes to use this filing to correct miscellaneous errors in the original RTS filing. Most of these errors involve the technical question of which component of the RTS software would be used to make certain calculations. The NYISO’s proposed corrections, described below, rectify these technical errors. Specifically:

- Services Tariff Sheet No. 106: The NYISO is proposing to correct this sheet to specify that it shall use RTD prices and schedules to calculate and pay real-time Bid Production Cost guarantees to Customers that schedule Imports. The tariff sheets submitted in the original RTS filing incorrectly indicated that it would be the Real-Time Commitment (“RTC”) software that would calculate those payments.
- Services Tariff Sheet No. 106.01: The NYISO is proposing to correct this sheet to delete language which incorrectly suggested that RTC would be used to calculate and pay Bid Production Cost guarantees to Customers that schedule Imports. As noted above, RTD performs these functions.
- Services Tariff Sheet No. 276A: The NYISO is proposing to make a ministerial correction.
- Services Tariff Sheet No. 331: The NYISO is proposing to make a ministerial correction, and to delete a reference to External Transactions. The tariff sheet included in the

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<sup>3</sup> As the NYISO explained in the March 12 Compliance Filing, the language needed to be retained to ensure that certain generating units were able to recovery costs. *See id.*

<sup>4</sup> “RTD” refers to Real-Time Dispatch software, one of the RTS components.

original RTS filing incorrectly describes the role of the RTC software in setting prices for External Transactions.

- Services Tariff Sheet No. 339: The NYISO is proposing to delete a reference to using RTC for External Transactions in calculating the Real-Time Marginal Losses Component, as well as a corresponding numbering correction. Again, the tariff sheet included in the original RTS filing incorrectly described the role of RTC in setting prices for these transactions.

#### **V. Notice of Effective Date**

The NYISO hereby gives notice that the RTS software will commence operations and the related tariff changes will go into effect on February 1, 2005. Pursuant to the requirements of the RTS Order, the NYISO will also post this notice on its website at least 48 hours prior to the effective date. *See* RTS Order at P 5, 10.

#### **VI. Informational Notice of Emergency Settlement Procedures**

The NYISO has notified its stakeholders that it will use its "Temporary Extraordinary Procedures" ("TEP") authority in the unlikely event that an RTS software problem in the first two weeks after February 1 disrupts its production of accurate settlements. The NYISO's TEP authority allows it to recalculate prices or payments in the event of a major software or system failure.<sup>5</sup>

The NYISO has attached, for informational purposes, a table depicting the settlement correction procedures that will direct its efforts to establish valid prices in the event of an RTS failure (Attachment III). The table addresses six scenarios, each of which addresses a potential problem in the Day-Ahead and/or Real-Time Markets. The NYISO has discussed these procedures with its market participants so that all are on notice of the NYISO's intentions in this regard.

As Attachment III indicates, the NYISO's basic approach will be to correct RTS-generated results to the extent possible. If RTS results for the Real-Time Markets are not usable the NYISO's next option would be to substitute RTS-generated Day-Ahead Market results for them. If even that approach cannot work, the NYISO would then rely on results generated by its legacy software system for settlement purposes. The NYISO will have the ability to do this during the

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<sup>5</sup> *See* Services Tariff, Attachment E; OATT Attachment Q.

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first two weeks after RTS implementation because it will be running the legacy software in parallel with RTS during this period just in case such an emergency arises.

**VII. Federal Register Notice**

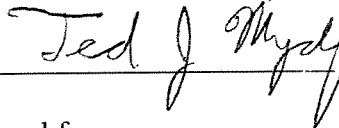
A form of *Federal Register* Notice is attached as Attachment IV hereto. In addition, the *Federal Register* Notice has been provided in Microsoft Word format on the attached diskette.

**VIII. Conclusion**

Wherefore, for the foregoing reasons, the New York Independent System Operator, Inc., respectfully requests that the Commission accept this compliance filing and notice of planned implementation of RTS.

Respectfully submitted,

**NEW YORK INDEPENDENT  
SYSTEM OPERATOR, INC.**

By 

Counsel for  
New York Independent System Operator, Inc.

Attachments

cc: Daniel L. Larcamp  
Anna Cochrane  
Michael A. Bardee  
Connie N. Caldwell

ATTACHMENT I

ATTACHMENT II



ATTACHMENT III

**CONTINGENCY SETTLEMENT GUIDELINES FOR SETTING PRICES  
IN THE EVENT THAT SMD2 FAILS TO PRODUCE VALID SOLUTIONS  
DURING THE PARALLEL OPERATIONS PERIOD**

Pursuant to the NYISO's Temporary Extraordinary Procedures ("TEP") the NYISO may recalculate LBMPs if, because of an "Emergency System Condition" or "Market Implementation Error" the NYISO could not calculate LBMPs, or the LBMPs that were calculated deviated from the LBMPs that would have been produced absent the emergency or implementation error.

These contingency settlement guidelines will direct the NYISO's efforts, pursuant to its TEP authority, to establish prices and schedules if the SMD2 (also known as RTS) software fails to produce valid solutions during the first two weeks after its implementation (the parallel operations period). SMD2 failure could be limited to simple calculation errors that are readily correctible or it could fail so significantly that the ISO is required to fall back to legacy operations and legacy pricing rules.

The scenarios below provide a set of proposed solutions for developing valid LBMPs in a variety of hypothetical situations. Unless the NYISO has fallen back and is operating the system under its tariff provisions in operation before SMD2 (the legacy system), the NYISO intends to apply all SMD2 tariff settlement rules, including the SMD2 BPCG and Day Ahead Margin Assurance calculations, provided that it has valid data to produce those calculations.

Scenario	Status of Day-Ahead Market (DAM)	Status of Real-Time Market (RTM)	Prices Based on---
Baseline	Valid SMD2 DAM Solution	Valid SMD2 RTM Solution	As Run System --No Corrections
1	Valid SMD2 DAM Solution	SMD2 RT solution capable of being corrected	RT Prices Corrected to SMD2 Rules [correction could incorporate a valid SMD2 solution for a previous interval, should it appear appropriate].
2	SMD2 DAM Solution Capable of being Corrected	Valid SMD2 RT Solution	DA Prices Corrected to SMD2 Rules
3	SMD2 DAM Solution Capable of being Corrected	SMD2 RT solution capable of being corrected	DA and RT prices Corrected to SMD2 Rules [correction could incorporate a valid SMD2 solution for a previous interval, should it appear appropriate].
4	Valid SMD2 DAM Solution	No SMD2 RT Solution	RT Prices Set to SMD2 DA Prices
5	SMD2 DAM Solution Capable of being Corrected	No SMD2 RT Solution	RT Prices Set to Corrected SMD2 DA Prices
6	No SMD2 DAM Solution	No SMD2 RT Solution	DA and RT Prices Set to Legacy Solutions, available during parallel operations

**ATTACHMENT IV**

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

New York Independent System Operator, Inc.     )     Docket No.   ER04-230-\_\_\_

**NOTICE OF FILING**

Take notice that on January 28, 2005, the New York Independent System Operator, Inc. (“NYISO”) tendered for filing compliance revisions to the ISO Market Administration and Control Area Services Tariff (the “Services Tariff”) and its Open Access Transmission Tariff (“OATT”) to establish the effective date for certain provisions, to update software references, and to make ministerial corrections. The filing also provides information concerning emergency settlement procedures that the NYISO would follow in the event that its Real-Time Scheduling software were disrupted during the first two weeks after its implementation.

The NYISO has electronically served a copy of this filing on the official representative of each of its customers, on each participant in its stakeholder committees, on the New York Public Service Commission, and on the electric utility regulatory agencies of New Jersey and Pennsylvania. In addition, the complete filing has been posted on the NYISO’s website at [www.nyiso.com](http://www.nyiso.com) and the NYISO will make a paper copy available to any interested party that requests one.

Any person desiring to be heard or to protest this filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission’s Rules of Practice and Procedure (18 CFR §§ 385.211 and 385.214). Protests will be considered by the Commission to determine the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. All such motions or protests should be filed on or before the comment date, and, to the extent applicable, must be served on the applicant and on any other person designed on the official service list. This filing is available for review at the Commission or may be viewed on the Commission’s website at [www.ferc.gov](http://www.ferc.gov), using the FERRIS link. Enter the docket number excluding the last three digits in the docket number filed to access the document. For assistance, call (202) 502-8222 or TTY, (202) 208-1659. Protests and interventions may be filed electronically via the Internet in lieu of paper. See, 18 CFR 385.2001(a)(1)(iii) and the instructions on the Commission’s website under the “e-filing” link. The Commission strongly encourages electronic filings.

Comment Date:

Magalie R. Salas  
Secretary