

July 20, 2000

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FILE NO: 55430.000005

By Hand

The Honorable David P. Boergers, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

New York Independent System Operator, Inc.
Revisions to TCC Auction Process

Dear Mr. Boergers:

Pursuant to Section 205 of the Federal Power Act and 18 C.F.R. § 35.13(a)(2)(iii), the New York Independent System Operator, Inc. (“NYISO”), by counsel, hereby files a revision to its procedures governing auctions of Transmission Congestion Contracts (“TCCs”), which are set forth in Attachment M to the NYISO Open Access Transmission Tariff (“OATT”).

List of Documents Submitted

The NYISO submits the following documents:

1. this filing letter;
2. a revised Attachment M to the OATT (Attachment I);
3. a redlined version comparison of the revised Attachment M to the current Attachment M (Attachment II);
4. a list of the names and addresses of persons to whom a copy of the rate schedule change has been mailed (Attachment III); and

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5. a form of *Federal Register* Notice (Attachment IV).

Copies of Correspondence

Copies of correspondence concerning this filing should be served on:

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Director of Regulatory Affairs	Edwin G. Kichline
Robert Fernandez	Hunton & Williams
General Counsel	1900 K Street, N.W., Suite 1200
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Names and Addresses of Persons to Whom
a Copy of the Rate Schedule Change Has Been Mailed

See Attachment III.

Brief Description of the Rate Schedule Change

For the reasons described below, the NYISO proposes to modify its procedures governing TCC auctions.

Statement of the Reasons for the Rate Schedule Change

Attachment M of the NYISO's OATT currently requires the NYISO to hire an outside auctioneer to conduct TCC auctions.¹ In compliance with this requirement, the NYISO hired a third-

¹ See Attachment M, Section 2.0 ("The ISO shall hire an auctioneer to conduct the Auctions (with the exception of the Transitional Auction of which the ISO may elect to hire an auctioneer. The auctioneer will run a security constrained Power Flow to determine the simultaneous feasibility of the TCCs to be auctioned.") (Original Sheet No. 284).

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party auctioneer which administered the NYISO's "Transitional TCC Auction," in September 1999, and its "Initial TCC Auction," in April 2000. Subsequently, the NYISO used the same auctioneer in its monthly TCC reconfiguration auctions for June and July 2000.

Based on this experience, the NYISO has concluded that its staff is capable of administering future TCC auctions as well as an outside auctioneer, and believes that there is no reason to continue to use an outside auctioneer. By administering the auctions itself, the NYISO will save money and will no longer need to pass auctioneer costs on to its customers through Rate Schedule 1 of the OATT. As is noted below, an overwhelming majority of NYISO market participants agree that the NYISO should not be required to continue to use an outside auctioneer, and support the NYISO's assumption of this function.

Accordingly, the NYISO proposes to amend Attachment M of its OATT to allow it to administer TCC auctions itself. The NYISO does not believe that moving away from the use of an outside auctioneer should raise competitive or efficiency concerns of any kind. As an additional safeguard, the NYISO proposes to continue to use an independent auditor to monitor the TCC auction process.

Requisite Approvals

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The changes to the NYISO's procedures for auctioning Transmission Congestion Contracts described above have been approved by an approximately 96% vote² of NYISO market participants at the NYISO Management Committee's July 6, 2000 meeting, and by the NYISO's Independent Board of Directors.

Proposed Effective Date

The NYISO requests waiver of the usual 60-day notice period and proposes to make this filing effective on July 21, 2000. By granting an early effective date, the Commission will enable the NYISO to conduct the August TCC reconfiguration auction, to be held on July 21, 2000, without incurring the unnecessary expense of hiring an outside auctioneer. The NYISO does not believe that any market participant will be harmed if its request for an early effective date is granted.

No Costs Relating to Discriminatory Employment Practices

The NYISO has no expenses or costs that have been alleged or judged to be illegal, duplicate, or unnecessary costs that are demonstrably the product of discriminatory employment practices.

Federal Register Notice

A form of *Federal Register* Notice is provided as Attachment IV hereto. A diskette of the Notice is also provided in WordPerfect format.

² A 58% vote is required for approval.

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Respectfully submitted,

By _____
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July 20, 2000

cc: Signatories to Service Agreements under NYISO OATT
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Attachment I

Attachment II

(4) rounds, unless the Transmission Owners unanimously consent to fewer rounds. A portion of that capacity will be auctioned in each of those rounds. In Stage 1, the TCCs available for sale in the Auction will include the Residual TCCs and ETCNL initially allocated to the Transmission Owners (but not sold through a Direct Sale) and any other TCCs offered for sale by a Primary Holder. In Stage 2, holders of TCCs may indicate whether they wish to sell those TCCs into a given round before that round begins. All of the TCCs that have been offered for sale in each round of Stage 2 will be auctioned in that round. Each Primary Owner, purchaser of a TCC in a previous round of the Auction, or purchaser of a TCC in a Direct Sale (if it meets the ISO's creditworthiness standards) may offer its TCCs for sale in any round of Stage 2. No one will be required to offer TCCs for sale in Stage 2.

The ISO shall hire an auditor to audit the TCC auction process. ~~The ISO shall hire an auctioneer to conduct the Auctions (with the exception of the Transitional Auction, for which the ISO may elect to hire an auctioneer).~~ The auctioneer will run a security constrained Power Flow to determine the simultaneous feasibility of TCCs to be auctioned. The Power Flow model will treat all Grandfathered Rights and all Grandfathered TCCs (that have not been offered for sale in the Auction) and all Residual TCCs sold through a Direct Sale (that have not been offered for sale in the Auction) as fixed injections and withdrawals corresponding to the Points of Injection and Withdrawal for each of those Grandfathered Rights or Grandfathered TCCs, or Residual TCCs. As each ETA terminates, the Grandfathered Rights or TCCs associated with the

Attachment III

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Attachment IV

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

New York Independent System Operator, Inc.) Docket No. ER00-_____

NOTICE OF FILING

Take notice that on July 20, 2000, the New York Independent System Operator, Inc. (“NYISO”) filed a Revision to Procedures Governing Auctions of Transmission Congestion Contracts and a proposed tariff change related thereto.

A copy of this filing was served upon all parties who have executed Service Agreements under the ISO OATT.

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, NE, Washington, DC 20426, in accordance with Rules 211 and 214 of the Commission’s Rules of Practice and Procedure (385.211 and 385-214). All such motions or protests should be filed on or before _____. Protests will be considered by the Commission in determining 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. Copies of this application are on file with the Commission and are available for public inspection.

David P. Boergers
Secretary

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated as a signatory of the New York Independent System Operator, Inc. Open Access Transmission Tariff in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure 18 C.F.R. § 2010 (1999).

Dated at Washington, D.C. this 20th day of July, 2000.

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