

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

Regional Transmission Organizations ) Docket No. RT01-99-000

**NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.  
COMMENTS ON WHOLESALE MARKET ACTIVITIES**

In accordance with the Commission's Notice Inviting Comments on Wholesale Market Activities, in Docket No. RM01-12-000 and Docket No. RT01-99-000, *et al.* (November 20, 2001), the New York Independent System Operator, Inc. ("NYISO") submits the following comments.

In previous filings in Docket No. RM01-12-000, a number of transmission owners ("TOs") in the Northeast have expressed their potential interest in the formation of an Independent Transmission Company ("ITC") as part of the proposed Northeast Regional Transmission Organization ("Northeast RTO"). *See* Comments of Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., LIPA, Niagara Mohawk Corporation, Orange and Rockland Utilities, Inc., the Power Authority of the State of New York and Rochester Gas and Electric Corporation on the Commission's RTO Workshop Discussions (November 15, 2001) ("New York TOs' Comments"); *and* Joint Comments of Multiple Northeastern Transmission Owners on RTO Structure (November 9, 2001) ("Northeast TOs' Comments"). As stated in the Northeast TOs' Comments, at 4, "negotiations among all three existing ISOs in the Northeast and the Northeast TOs to establish an appropriate allocation of responsibilities between an ITC [Independent Transmission Company] and IMA [Independent

Market Administrator] commenced shortly after the [RTO] mediation was over, and are ongoing.”

The NYISO has participated in two meetings with ISO-NE, PJM and several Northeastern TOs to discuss ITC issues, and the accommodation of an ITC within a Northeast RTO, and anticipates participating in further such discussions in the immediate future. Based on its current understanding of the purposes and objectives to be served by an ITC, the NYISO believes that with a proper allocation of ITC and market operation functions, an ITC can be successfully incorporated in a Northeast RTO. Indeed, the NYISO can see a number of reasons to believe that an appropriately designed ITC could provide valuable innovation and efficiency incentives for the transmission system, for the expansion of transmission capacity, and for the siting of new generation, in the Northeast. An appropriately designed ITC could also be an effective means of attracting capital to the upgrading or expansion of transmission, and could facilitate an open and responsive transmission planning process. As a result, an ITC could be a means to advance significantly the Commission’s objectives in connection with further development of competitive wholesale markets in the Northeast.

At this early stage of the discussions relating to the possible formation of an ITC in the Northeast, however, the NYISO is not in a position to propose a definitive allocation of functions between an ITC as the manager of transmission assets, and an RTO as the market and control area operator. The NYISO’s experience as the operator of energy and ancillary services markets in New York does indicate that there are strong reasons to conclude that to maximize market efficiency, both day-ahead commitment and scheduling and real-time dispatch should be the responsibility of a single entity, and that entity should be the RTO as market operator.

Correspondingly, there are core transmission functions, such as system maintenance, that (perhaps subject to appropriate outage scheduling procedures) could readily lie in the hands of an ITC as the manager of the underlying assets. Beyond these general principles, however, articulation of other specifics and details of possible allocations of functions and responsibilities between an ITC and an RTO in the Northeast should await further development of the underlying ITC concepts and proposals in the on-going discussions and negotiations.

Respectfully submitted,  
New York Independent System Operator, Inc.

By \_\_\_\_\_

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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document on all parties in Docket No.

Docket No. RT01-99-000.

Dated at Washington, DC this \_\_\_\_ day of December, 2001.

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