

October 15, 2008

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

**Status Report of the New York Independent System Operator, Inc.
in Docket Nos. ER03-552-011 and ER03-984-009**

Dear Secretary Bose:

In its order issued on February 22, 2006, *New York Independent System Operator, Inc.*, 114 FERC ¶ 61,198 (“February 22 Order”), the Federal Energy Regulatory Commission (“Commission”) directed the New York Independent System Operator, Inc. (“NYISO”) to file within 60 days a “timetable for implementation of the Netting Bilaterals Project (the “Project”) that includes, *inter alia*, specific dates for completion of the COO [*i.e.* Concept of Operation], and realistic dates for implementation.”¹ In addition, the Commission directed the NYISO to submit “quarterly status reports on its progress with the Commission, within 15 days after the end of each calendar quarter, beginning with the calendar quarter ending June 30, 2006.”²

In response to the February 22 Order, the NYISO submitted a compliance filing on April 24, 2006, and quarterly status reports on July 17, 2006, October 16, 2006, January 16, 2007, April 16, 2007, July 16, 2007, October 16, 2007, January 28, 2008, April 15, 2008 and July 15, 2008. In its order issued on October 6, 2006, *New York Independent System Operator, Inc.*, 117 FERC ¶ 61,026 (“October 6 Order”), the Commission referred the matter to the Commission’s Dispute Resolution Service “to see if the parties can reach agreement on the scope of work and on a timetable for implementation of the Project.”³ The parties reached an understanding which was memorialized in the quarterly status report filed on January 16, 2007. The instant quarterly report discusses the progress made on the Project from July 2008 to the present.

The NYISO project team is in the midst of the detailed requirements phase of the Project. The details of the trading hub feature, which is the key component of the Project, were presented to market participants at the June 16, 2008 and August 13, 2008 Market Issues Working Group (“MIWG”) meetings. A detailed presentation on the credit requirements of trading hubs will be presented to market participants at the November 3, 2008 MIWG meeting. The trading hubs feature will primarily be supported by the following systems at NYISO:

- NYISO’s Market Information System will support all functions involved in bilateral transaction bidding for trading hubs, including the user interfaces for submitting and retrieving trading hub bids and schedules, as well as the registration of trading hubs.

¹ *New York Independent System Operator, Inc.*, 114 FERC ¶ 61,189 at P 14 (2006).

² *Id.*

³ *New York Independent System Operator, Inc.*, 117 FERC ¶ 61,026 at P 16 (2006).

- NYISO's Credit Management System ("CMS") will support all of the credit rules required for trading hub activity. The CMS is a new system being implemented in several phases. The second phase of CMS, scheduled for September 2009, calls for integration of the CMS with NYISO's Energy Markets, including its trading hubs feature. Therefore, the implementation of trading hubs is dependent on the September 2009 deployment of the new CMS.
- NYISO's Customer Settlement Systems – Daily and monthly invoice processes will support the calculation of new settlements related to their trading hub activities.

The following is the current estimated schedule for the Project assuming it does not meet resistance in the governance process. To the extent the Project meets resistance in the governance process, the dates will shift accordingly and such a situation is beyond the NYISO's control.

- January 2009 - Business Issues Committee tariff changes review and recommendation for Management Committee approval
- February 2009 - Management Committee approval of tariff changes
- March/April 2009 – NYISO Board approval of tariff changes
- May 2009 - Filing of tariff changes with FERC
- September 2009 – NYISO CMS implementation, integrated with Energy Markets and the Trading Hub credit rules
- September 2009 - Production implementation of the Project (deployed with the NYISO CMS for credit handling)

Direct Energy Services, LLC, the successor company that purchased Strategic Energy, LLC, has authorized the NYISO to state that it concurs with this quarterly status report.

WHEREFORE, for the foregoing reasons, the NYISO respectfully submits this quarterly progress report as directed in the February 22 Order.

Respectfully submitted,

/s/Andrew S. Antinori
Andrew S. Antinori
Senior Attorney
NEW YORK INDEPENDENT
SYSTEM OPERATOR, INC.

cc: Shelton Cannon Larry Gasteiger Michael Bardee
 Connie Caldwell Kathleen Nieman Lance Hinrichs
 Roy Cheruvellil John Yakobitis Rachel Spiker
 Gregory Berson