



October 16, 2007

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 Ms. Bose:

In its order issued on February 22, 2006 (“February 22 Order”), the 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, 2006, and July 16, 2007. In its order issued on October 6, 2006, 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 16, 2007 to the present.

Market Participants provided limited comments on the COO that was posted on the NYISO’s website in June 2007. The COO was revised to reflect selected comments and was presented to Market Participants at the July 31, 2007 Market Issues Working Group (“MIWG”) meeting. Strategic Energy L.L.C. (“Strategic”) voiced strong support for the Project at the MIWG.

The NYISO presented list of candidate projects for 2008 funding at the Budget Priorities Working Group (“BPWG”) on September 17, 2007. The Project was one of eight market enhancement projects competing for funding in the 2008 budget. The proposed project list for 2008 was discussed again at the October 2, 2007 BPWG where the NYISO indicated that it could only target three of the eight projects for 2008. The NYISO recommended that the Project be selected as

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

² *Id.*

³ *Id.* at P 16.

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one of the three projects to receive 2008 funding. Strategic expressed strong support for the Project and no other market participants objected. On October 10, 2007, the NYISO presented the Business Issues Committee with a refined list of the projects scheduled to receive 2008 funding. That list identified the Project as having been scheduled to receive 2008 funding.

The next step is for the NYISO is to get the 2008 Budget approved by the Management Committee and the NYISO's Board of Directors. The Budget will be presented to the Management Committee on October 24, 2007 and presented for Board approval thereafter.

Strategic 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
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NEW YORK INDEPENDENT
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