

December 15, 2006

Magalie R. Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: *Ninth Quarterly Report* by New York Independent System Operator, Inc. in
Docket Nos. ER04-230-006, ER01-3155-006, ER01-1385-015, EL01-45-014

Dear Secretary Salas:

Pursuant to the NYISO's commitment in its Request for Rehearing and the Commission's directive in its Order on Rehearing,¹ the NYISO submits its *Ninth Quarterly Report* ("Report") concerning its efforts to efficiently utilize combined cycle units in the NYISO markets. In this *Report*, the NYISO: (i) reviews its efforts to improve the efficiency of combined cycle units in the NYISO markets; (ii) reports on two improvements made since the last Report; and (iii) discusses further its proposed future management of the issues in this docket.

In its *Eighth Quarterly Report*, the NYISO summarized the efforts it has undertaken since fall 2004 to improve the manner in which the NYISO recognizes combined cycle units in its commitment and dispatch software.² As the NYISO discussed, the NYISO has improved the efficiency of its combined cycle unit commitment and dispatch by deploying, with its SMD2 system in February 2005, the pseudo-unit model³ and by including combined cycle units in the persistent undergeneration penalties exemption for Start-Up and Shutdown Periods. This exemption also covers configuration transition periods, an important issue for combined cycle owners.⁴

¹ 111 FERC ¶ 61,468 (2005)

² See presentation materials for the August 7, 2006 Market Structures Working Group meeting at http://www.nyiso.com/public/webdocs/committees/bic_mswg/meeting_materials/2006-08-07/MSWG_CC_Modeling_Status_080706.pdf.

³ Combined cycle units are split into individual 'pseudo-units' to represent the unit's separate configurations in the commitment and dispatch software.

⁴ See Market Administration and Control Area Services ("Services") Tariff, Rate Schedule 3a and Technical Bulletin #146 at http://www.nyiso.com/public/webdocs/documents/tech_bulletins/TB_146.pdf. Penalty exemptions for configuration changes benefit combined cycle unit owners starting second and third GTs.

The NYISO also discussed in its last Quarterly Report, its recognition that a major overhaul of its commitment and dispatch software, to add the functionality necessary to better represent combined cycle units, would be, at present, too time consuming and risky to pursue. Such an effort, the NYISO reported, was likely to require a lengthy development process, costly software testing and iterative revisions, with no certainty of a satisfactory outcome. In addition, the NYISO reported that such an extensive overhaul would require the NYISO to delay other market enhancements without the assurance that such a project would successfully produce benefits warranting the expense and delay in other efforts.

In addition, the NYISO reiterated that there did not appear to be either multi-state model approaches or other existing technologies, that were both technically feasible to implement and acceptable to suppliers, to address the combined cycle modeling challenges in an LBMP market environment.⁵

The NYISO also explained, however, that it would continue to explore incremental enhancements in its existing software to improve the manner in which it commits combined cycle units. This exploration, which the NYISO carries out in its Market Rules Assessment process and in direct conversations with combined cycle owners, is the best available avenue for the improvements combined cycle owners are looking for and the NYISO intends to continue this process.⁶ Recently, this exploration has produced additional improvements.

In response to issues raised by a combined cycle unit owner, the NYISO clarified its operating practices to ensure its pseudo-unit modeling of combined cycle units is appropriately recognized in all NYISO processes. These clarifications will ensure that unit owners can fulfill Day-Ahead schedules with any of their pseudo-units. While this had always been the NYISO's intent, the operating practice clarifications will ensure this result.

As well, the NYISO has provided information to combined cycle owners on how to use the bidding system to avoid perceived limits on bidding their available capacity. Combined

⁵See: Study Conducted by Kinetrics Inc. of Toronto, Ontario and managed by CEA Technologies of Montreal, Quebec, at:

http://www.nyiso.com/public/webdocs/committees/bic_mswg/meeting_materials/2006-02-15/3103_Commitment_Techniques_for_CCGUs.pdf. The NYISO has also learned that ISO-NE and PJM have accommodated combined cycle units in their commitment software by using a variation of the NYISO's pseudo-unit model.

⁶This regular recurring discussion with Market Participants at monthly Market Structures Working Group meetings will identify and prioritize market improvements in areas such as Bid Production Cost Guarantees and persistent undergeneration penalties. This process has already identified further exemptions from undergeneration penalties that will benefit combined cycle owners, and others, engaged in testing new or recently maintained equipment. See the most recently posted outline of this effort at:

http://www.nyiso.com/public/webdocs/committees/bic_mswg/meeting_materials/2006-06-29/6292006_MSWG_Rules_Issue_structure.pdf

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cycle units, and others that have temperature-dependent output curves, may be physically able to offer capacity into the Energy Market in excess of their DMNC on days that are colder than the DMNC-design day. The NYISO's bidding protocol is designed to allow the offer of such energy at the option of the owner and the NYISO is ensuring this information is widely available.

Finally, the NYISO will delay filing its Motion to close this proceeding. In the meantime, the NYISO will discuss more fully with its Market Participants its intention to continue pursuing incremental market improvements for the benefit of, among other Market Participants, combined cycle owners notwithstanding its conclusion that the goals of this docket have been achieved.⁷ The NYISO intends to have these discussions over the next three months and will report to the Commission on any resulting consensus in its *Tenth Quarterly Report* to be filed March 15, 2007.

The NYISO respectfully requests that the Commission accept this *Ninth Quarterly Report*. The NYISO has served a copy of this filing on the parties in this docket.

Respectfully submitted,

s/Mollie Lampi
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⁷The NYISO also awaits the Commission's response to the Market Participant Protest of its last Report concerning NYISO's contemplated procedural effort to close this docket.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties listed on the official service list maintained by the Secretary of the Commission in Docket Numbers ER04-230-006, ER01-3155-006, ER01-1385-015 and EL01-45-014 in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure 18 C.F.R. § 385.2010 (2003).

Dated at Rensselaer, New York this 15th day of December 2006.

s/John C. Cutting _____
John C. Cutting
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