

September 1, 2009

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

Re: *Nineteenth Quarterly Report* by New York Independent System Operator, Inc.
in Docket Nos. ER04-230-000, ER01-3155-006, ER01-1385-015, EL01-45-014
and Docket ER04-230-034

Dear Secretary Bose:

Pursuant to the Commission's directives in its Order on Rehearing in these dockets,¹ and in its May 23, 2008 Order on Tariff Revisions in Docket ER04-230-034,² the NYISO hereby files its *Nineteenth Quarterly Report*.

In previous Quarterly Reports, the NYISO has reported on its efforts to improve the efficient utilization of combined cycle units within the NYISO markets. Most recently, the NYISO has begun to report on its effort to accommodate new technologies in its Ancillary Services markets.

A. Accommodating Energy Storage Technologies and Batch Loads in the NYISO-Administered Markets

The NYISO reported in May that it had met with representatives of a batch load (Nucor) to discuss the current New York State Reliability Council ("NYSRC") rules that are or could be potential obstacles to Nucor's participation in the NYISO Ancillary Services markets. We discussed how the NYISO could assist Nucor in presenting proposed rule changes to the NYSRC to allow Nucor an opportunity to participate in the NYISO markets. The NYISO remains ready to assist in this effort.

¹111 FERC 61,468 (2005)

²123 FERC 61,203 (2008) ("May Order")

B. Efforts to Improve the Efficient Utilization of Combined Cycle Units

As the NYISO reported in its *Eleventh and Thirteenth Quarterly Reports*, the NYISO has decided that it can better pursue improved utilization of combined cycle facilities in its markets by enhancing its existing market rules rather than by embarking on a significant and potentially very expensive overhaul of its market software. The NYISO is pleased to report that another enhancement to its existing market rules for combined cycle units has emerged as a result of the NYISO / stakeholder comprehensive examination of NYISO market rules to identify potential enhancements which began in 2006.³ The NYISO briefly described this enhancement, a two-hour minimum run time for the gas turbines in a combined cycle owner's facility, in its *Eighteenth Quarterly Report*. The NYISO filed tariff amendments allowing it to incorporate a two-hour minimum run time evaluation in its real-time software on August 17, 2009.⁴

By incorporating a real-time two-hour minimum run time for these units, and locking their energy offers for that two-hour period, the NYISO can analyze the economic viability of the gas turbine's commitment over a two-hour period. Since the two-hour minimum run period allows the combined cycle owner to more realistically price its energy offer, this new functionality will allow the real-time dispatch software to better match the physical operating characteristics of the equipment with its economic value to the market.

The NYISO continues to examine the revisions that would be necessary to market software and its Tariffs with regard to the second issue of interest to combined cycle owners – allowing market participants to increase real-time offers for energy they scheduled in the Day-Ahead Market.⁵ It remains apparent that any change to real-time offer rules will require improvements in the NYISO's market power mitigation procedures, including the opportunity for the NYISO to, in real-time, reflect revisions to real-time reference prices due to changes in fuel costs, when appropriate, as generators provide the NYISO with verification of their exposure to real-time production cost increases. This functionality is being evaluated in the NYISO's market power mitigation process automation project and has been presented as a possible enhancement in the NYISO's 2010 budget process. In the next Quarterly Report, the NYISO will advise the Commission if this becomes a project commitment for 2010 and, if it has, the NYISO will propose that the NYISO's compliance obligation in this docket has concluded.

³See scheduled meetings and agendas at: http://www.nyiso.com/public/committees/documents.jsp?com=bic_miwg

⁴See Letter to Secretary Bose from Elizabeth Grisaru, ER09-1596-000, August 27, 2009

⁵See MIWG presentation at: http://www.nyiso.com/public/webdocs/committees/bic_miwg/meeting_materials/2008-07-01/Fuel_Related_Offer_Increases.pdf. Additionally, the NYISO continues to monitor the efforts of the California ISO to improve its modeling of Multi-Stage Generating Units (such as combined cycle generating plants) Should those efforts be successful, the NYISO will investigate whether that approach would be useful in New York and whether such an approach would fit within the context of the NYISO's software.

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The NYISO respectfully requests that the Commission accept this *Nineteenth Quarterly Report*.
The NYISO will electronically serve all parties in these dockets with a copy of this report.

Respectfully submitted,

/s/Mollie Lampi

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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 ER04-230-000 and 034, 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 1st day of September, 2009.

/s/ John C. Cutting _____
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