

July 31, 2008

**Electronically Filed**

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

Re: Report on Lake Erie Circulation Following New York Independent System Operator, Inc. Implementation of Proposed Tariff Rules on July 22, 2008;  
Docket No. ER08-1281-000.

Dear Secretary Bose:

In accordance with the implementation plan set forth in Section VII. of the New York Independent System Operator, Inc.'s ("NYISO's") July 21, 2008 *Exigent Circumstances Filing Requesting Authority to Amend its Tariffs to Preclude the Scheduling of Certain External Transactions, Requesting Prospective Limited Tariff Waivers, Seeking Expedited Commission Action, Requesting Shortened Notice and Comment Periods, and Contingent Request for Consideration Under Section 206 of the Federal Power Act*, at noon on July 22, 2008 the NYISO began to prohibit the scheduling of External Transactions<sup>1</sup> over circuitous Scheduling Paths<sup>2</sup> around Lake Erie. For the seven-day period beginning July 23, 2008 and ending July 29, 2008, on average 67 MW of Lake Erie circulating power flowed in a counter-clockwise direction.<sup>3</sup> This flow result can be contrasted with flows from the first 21 days of July, during which average hourly Lake Erie circulation power flows were 457 MW in a clockwise direction.<sup>4</sup> The change in average hourly Lake Erie circulation from 457 MW in a clockwise direction to 67 MW in a counter-clockwise direction is a statistically significant decrease.<sup>5</sup>

Based on the initial results for the first seven operating days following implementation, it appears that denying Market Participants the ability to schedule External Transactions over the eight circuitous Scheduling Paths identified in the NYISO's July 21, 2008 filing has, on average, reduced Lake Erie circulating power flows. The NYISO notes, however, that it is difficult to predict future circulation patterns with accuracy. As explained in its July 21, 2008 filing letter, the NYISO does not

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<sup>1</sup> External Transactions include imports to, exports from and wheels-through the New York Control Area.

<sup>2</sup> A "Scheduling Path" is the transmission service arrangements reserved by the purchasing or selling entity (as appropriate) for an External Transaction.

<sup>3</sup> From July 23 to July 29, 2008 hourly flows were variable and ranged from an hourly average of 1069 MW in a clockwise direction to an hourly average of 1143 MW in a counter-clockwise direction. The average hourly Lake Erie circulation power flow over the entire period was 67 MW in a counter-clockwise direction.

<sup>4</sup> From July 1 to July 21, 2008 hourly flows were variable and ranged from an hourly average of 2074 MW in a clockwise direction to an hourly average of 1176 MW in a counter-clockwise direction. The average hourly Lake Erie circulation power flow over the entire period was 457 MW in a clockwise direction.

<sup>5</sup> Using a one tail t-test and assuming unequal variances;  $P(t \leq T) = 0.0000$ .

expect that Commission acceptance of its proposed Tariff revisions will control or eliminate all Lake Erie circulation. Rather, the NYISO's goal is to reduce Lake Erie circulation, to the extent possible, until there are adequate operational controls in place to ensure that actual and scheduled flows around Lake Erie are reasonably closely aligned.

Please contact the undersigned with any questions regarding this letter or the NYISO's July 21, 2008 filing.

Respectfully submitted,

/s/ Alex M. Schnell

Alex M. Schnell  
New York Independent System Operator, Inc.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each person designated on the official service lists compiled by the Secretary in this proceeding in accordance with the requirements of Rule 2010 of the Rules of Practice and Procedure, 18 C.F.R. § 385.2010.

Dated at Rensselaer, New York this 31<sup>st</sup> day of July, 2008.

*/s/ Alex M. Schnell* \_\_\_\_\_  
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