July 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 ¶ 61,189 ("February 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 Order, the NYISO submitted a compliance filing on April 24, 2006, and quarterly status reports on July 17, 2006, October 6, 2006, January 16, 2007, April 16, 2007, July 16, 2007, October 16, 2007, January 28, 2008 and April 15, 2008. In its order issued on October 6, 2006, *New York Independent System Operator, Inc.,* 117 FERC ¶ 61,026 ("October 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 April 16, 2008 to the present.

As noted in the April 15, 2008 status report, the NYISO project team is completing the planning and requirements process and moving into the design portion of the Project. Since April 16, 2008, the NYISO has presented the concept proposal to the market participants at the June 16, 2008 Market Issues Working Group committee meeting.[4] Additionally, the NYISO has met with

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[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).
[4] A copy of that presentation can be found on the NYISO's website at:
http://www.nyiso.com/public/webdocs/committees/bic_miwg/meeting_materials/2008-06-16/BilateralTradingHub.pdf

several market participants to solicit further input on the design to assure that desired features are being considered. The NYISO is now engaged in the design effort and, in response to requests by market participants, will present more details on the design at the next Market Issues Working Group meeting, planned for August 13, 2008. After the next Market Issues Working Group meeting, the NYISO will finalize the design and begin the implementation. The NYISO intends to include the implementation schedule in the next quarterly update.

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 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

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 these proceedings in accordance with the requirements of Rule 2010 of the Rules of Practice and Procedure, 18 C.F.R. § 385.2010 (2008).

Dated at Washington, DC this 15th day of July, 2008.

By: _/s/ Catherine A. Karimi_
Catherine A. Karimi
Sr. Professional Assistant
Hunton & Williams LLP
1900 K Street, NW
Washington, DC 20006-1109
(202) 955-1500