

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

In Reply Refer To:  
Office of Enforcement  
Docket No. PA08-14-000  
August 22, 2008

New York Independent System Operator, Inc.  
Attention: Mr. Robert E. Fernandez  
Vice President and General Counsel  
10 Krey Boulevard  
Rensselaer, NY 12144

Dear Mr. Fernandez:

1. The Division of Audits within the Office of Enforcement (OE) has completed the audit of New York Independent System Operator (NYISO) for the period of March 17, 2008 through April 30, 2008. The enclosed audit report explains our audit findings and recommendations.
2. On July 25, 2008, you notified us that NYISO will not contest our audit findings and our recommendations. A copy of your verbatim response is attached to this report. I hereby approve the recommended corrective action.
3. The Commission delegated the authority to act on this matter to the Director of OE under 18 C.F.R. § 375.314 (2008). This letter order constitutes final agency action. You may file a request for rehearing with the Commission within 30 days of the date of this order under 18 C.F.R. § 385.713 (2008).
4. This letter order is without prejudice to the Commission's right to require hereafter any adjustments it may consider proper from additional information that may come to its attention. In addition, any instance of non-compliance not addressed herein or that may occur in the future may also be subject to investigation and appropriate remedies.

New York Independent System Operator, Inc.

Docket No. PA08-14-000

5. I appreciate the courtesies extended to the auditors. If you have any questions, please contact Mr. Bryan K. Craig, Director, Division of Audits at (202) 502-8741.

Sincerely,

Susan J. Court  
Director  
Office of Enforcement

Enclosure



Federal Energy Regulatory Commission

**Audit of Open Access Same-  
Time Information System  
Requirements at New York  
Independent System  
Operator, Inc.**

Docket No. PA08-14-000  
August 22, 2008

**Office of Enforcement**  
**Division of Audits**

## TABLE OF CONTENTS

<b>I. Executive Summary .....</b>	<b>1</b>
A. Overview.....	1
B. New York Independent System Operator, Inc.....	1
C. Conclusion .....	1
<b>II. Introduction .....</b>	<b>3</b>
A. Objective.....	3
B. Scope and Methodology .....	3
C. Order Nos. 890, 890-A, & 890-B .....	4
D. OASIS Platform.....	5
E. Waivers .....	6
<b>III. Findings and Recommendations.....</b>	<b>8</b>
1. Posting TRM Values by Prescribed Time Periods .....	8
2. Posting Performance Measures within 15 Days of the End of the Quarter.....	10

## I. Executive Summary

### A. Overview

The Division of Audits (DA) in the Office of Enforcement (OE) has completed the audit of New York Independent System Operator, Inc. (NYISO or the Company). The audit was initiated to evaluate NYISO's compliance with Open Access Same-Time Information System (OASIS) requirements under 18 C.F.R. § 37.6 (2008), focusing primarily on the modifications from Order No. 890.<sup>1</sup> The audit covered the period from March 17, 2008 through April 30, 2008.

### B. New York Independent System Operator

NYISO is a not-for-profit corporation. NYISO's predecessor was the New York Power Pool, a consortium of eight investor-owned utilities. NYISO was formed in 1997 and commenced operations in 1999. Since December 1, 1999, NYISO has grown into a 400-person organization. NYISO provides power to 19.2 million people in New York.

NYISO manages New York's electricity transmission grid, a 10,775-mile network of high-voltage lines that carry electricity throughout the state. NYISO also oversees and administers the New York State wholesale electricity markets. According to NYISO, more than \$50 billion has been transacted in its wholesale electricity markets since 1999. NYISO operates a locational based marginal pricing system (LBMP). Its market is comprised of 11 zones: North, West, Genesee, Central, Mohawk Valley, Capital, Hudson Valley, Millwood, Dunwoodie, NYC, and Long Island. NYISO's fuel mix includes natural gas and oil - (25%), hydro - (17%), and nuclear - (28%).

### C. Conclusion

Audit staff based its audit findings on NYISO's postings on its OASIS site, interviews with NYISO personnel, and supporting documentation provided by NYISO.

---

<sup>1</sup> *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, 72 Fed. Reg. 12,266 (Mar. 15, 2007), FERC Stats. & Regs. ¶ 31,241 (2007), *order on reh'g*, Order No. 890-A, 73 Fed. Reg. 2984 (Jan. 16, 2008), FERC Stats & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 73 Fed. Reg. 39092 (July 8, 2008), 123 FERC ¶ 61,299 (2008) (Order No. 890).

### Compliance Findings

Audit staff's review identified the following two compliance issues:

1. *Posting of TRM Values for Unconstrained Interfaces by Prescribed Time Periods*: NYISO's posted transmission reliability margin (TRM) values on unconstrained internal and external interfaces were not posted according to the prescribed time period as required by 18 C.F.R. § 37.6(b)(3)(ii)(A) (2008).
2. *Posting Performance Measures within 15 Days of the End of the Quarter*: NYISO's performance measures related to system impact and facilities studies were not posted within 15 days of the end of the calendar quarter for Quarter 4 2007 and Quarter 1 2008 as required by 18 C.F.R. § 37.6(h)(2) (2008).

### Summary of Recommendations

We recommend NYISO:

1. Post TRM according to the prescribed time periods as required by 18 C.F.R. § 37.6(b)(3)(ii)(A) (2008).
2. Modify its procedures to ensure NYISO posts performance measures related to information summarizing the time to complete transmission service request studies within 15 days of the end of the calendar quarter as required by 18 C.F.R. § 37.6(h)(2) (2008).

## II. Introduction

### A. Objective

The objective of the audit was to determine how and whether NYISO complied with all relevant OASIS requirements associated with the modifications from Order No. 890.<sup>2</sup> To accomplish the objective, audit staff reviewed and evaluated information posted on NYISO's OASIS before and during the period of the audit, i.e., March 17, 2008 through April 30, 2008.

### B. Scope and Methodology

The audit of NYISO included a review of the information posted on its OASIS to ensure NYISO conformed to the changes to the Commission's regulations at 18 C.F.R. § 37.6 adopted by Order No. 890, *et al.* Audit staff's review and evaluation did not include additional obligations imposed in Order Nos. 890, 890-A, and 890-B that are contingent on the on-going development of Business Standards by the North American Energy Standards Board (NAESB).

Audit staff identified the additional information and functionality required by the modified regulations. Audit staff then reviewed NYISO's OASIS to determine if the OASIS contained the additional information or functionality, as required. Audit staff ensured NYISO was:

- Posting capacity benefit margin (CBM) and TRM for all posted paths as required by 18 C.F.R. § 37.6(b)(3)(i) and (ii) (2008).
- Posting the calculation of CBM as required in 18 C.F.R. § 37.6(b)(3)(iii) (2008).
- Posting load forecasts, including underlying assumptions, and actual daily peak load for the prior day as required in 18 C.F.R. § 37.6(b)(3)(iv) (2008).
- Providing a link to all of the rules, standards, and practices that relate to transmission services posted on the Transmission Providers' public web sites as required by 18 C.F.R. § 37.6(c)(2) (2008).
- Offering resale transmission capacity as required by 18 C.F.R. § 37.6(c)(5) (2008).

---

<sup>2</sup> *Id.*

- Posting designated and terminated network resource requests and responses as required by 18 C.F.R. § 37.6(e)(1) (2008).
- Posting information summarizing the time to complete transmission service request studies as prescribed in 18 C.F.R. § 37.6(h) (2008).
- Posting data related to grants and denials of service as prescribed in 18 C.F.R. § 37.6(i) (2008).
- Posting redispatch data as prescribed in 18 C.F.R. § 37.6(j) (2008).

Audit staff conducted a preliminary review of NYISO's OASIS and identified areas of inquiry including the configuration of its OASIS platform and current OASIS business practices and procedures. Shortly after the preliminary review was completed, audit staff presented the results to NYISO's General Counsel, NYISO's outside counsel from Hunton & Williams, and other members of NYISO's management. Extensive discussions followed via teleconference. During the teleconference, audit staff and NYISO personnel collectively discussed compliance with the Commission's regulations while viewing NYISO's OASIS via the internet. Following the teleconference, NYISO provided written narrative responses and support to document compliance. Audit staff evaluated these responses and support and determined compliance according to 18 C.F.R. § 37.6 (2008).

### **C. Order Nos. 890, 890-A, & 890-B**

#### Order No. 890

On February 16, 2007, the Commission issued Order No. 890.<sup>3</sup> The reforms adopted in Order No. 890 apply to all transmission providers, including Commission-approved regional transmission organizations and independent system operators, and non-public utility transmission providers with reciprocity obligations. Among other things, Order No. 890 established new functionality and posting requirements for the OASIS to be implemented by May 14, 2007. The Commission extended the implementation deadline to July 13, 2007.<sup>4</sup> Moreover, the Commission directed public utilities to work through the North American Electric Reliability Corporation (NERC) to modify the Available Transfer Capability (ATC) Reliability Standards and through NAESB to develop business practices that complement NERC's new reliability standards,

---

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at P 61,133.



New York Independent System Operator, Inc.

Docket No. PA08-14-000

as well as business practices to implement other reforms adopted in Order No. 890. The development of these reliability standards and business practices is underway.

#### Order No. 890-A

On December 28, 2007, the Commission issued Order No. 890-A effective March 17, 2008.<sup>5</sup> This order revised the requirements to more clearly state the obligations imposed in Order No. 890. In consideration of the foregoing, the Commission reformed the information to be posted on OASIS and amended 18 C.F.R. § 37.6.

#### Order No. 890-B

On June 23, 2008, the Commission issued Order No. 890-B.<sup>6</sup> Although not effective until September 8, 2008, the Commission reforms affirmed in this order were designed to: strengthen the pro forma Open Access Transmission Tariff to ensure that it achieves its original purpose of remedying undue discrimination; provide greater specificity to reduce opportunities for undue discrimination and facilitate the Commission's enforcement; and increase transparency in the rules applicable to planning and use of the transmission system. Order No. 890-B did not include any reforms to the information to be posted on OASIS or amendments to 18 C.F.R. § 37.6.

### **D. OASIS Platform**

NYISO's IT Department supplies and maintains NYISO's OASIS platform and online market functionality. NYISO does not use a third party contractor, such as OATI or Areva, to provide or maintain these functions. NYISO is currently responsible for performing maintenance and application development. NYISO is solely responsible for all data, posting, and other content on its OASIS. NYISO's market, transmission, and operational information is made available online using an automatic posting process. As the data is calculated within NYISO's internal market systems, the automated posting process takes the data and posts links to it in three different formats. NYISO's IT Department has written all of the code and is responsible for all of the environments that are used to post market, transmission, and operational data. NYISO's IT Department maintains the code, the hardware, and the networks that make these data available to

---

<sup>5</sup> *Order on Rehearing and Clarification*, Order No. 890-A, 73 Fed. Reg. 2984 (Jan. 16, 2008), FERC Stats & Regs. ¶ 31,261 (2007).

<sup>6</sup> *Order on Rehearing and Clarification*, Order No. 890-B, 123 FERC ¶ 61,299 (2008).

New York Independent System Operator, Inc.

Docket No. PA08-14-000

NYISO's customers and to the public. Further, NYISO is responsible for posting and updating information in compliance with Commission directives.

## E. Waivers

NYISO has been granted several permanent and temporary waivers from the Commission regarding OASIS posting requirements. In Docket No. EL99-77-000, the Commission granted NYISO a limited waiver of the following OASIS Phase IA requirements:

- 37.6(c)(1) (posting prices and summary of the terms and conditions associated with offered transmission products);
- 37.6(c)(3) (posting of discount offers);
- 37.6(c)(4) (posting of various information related to specific transactions, including price, quantity, delivery/receipt points, length and type of service, and other information);
- 37.6(c)(5) (posting of resale offers of transmission capacity);
- 37.6(d)(1) (posting of ancillary services required to be provided or offered under the *pro forma* tariff);
- 37.6(d)(3) (posting of information associated with specific ancillary services transactions, including date/time the agreement was entered into, price, quantity, length and type of service, *etc.*);
- 37.6(d)(5) (posting by entities offering ancillary services to the extent required to be offered by the transmission provider); and
- 37.6(e)(1) (posting of all requests for transmission and ancillary services offered by the transmission provider, including requests for discounts and the posting of a current list of designated network resources).<sup>7</sup>

In Docket No. OA07-76-000, the Commission granted NYISO a temporary waiver of TRM posting requirements until August 31, 2007 due to software modifications. The Commission stated the following in its order:

---

<sup>7</sup> *Order Granting Request for Limited Waiver of OASIS Phase IA Requirements on Information Used to Reserve Transmission Service*, 88 FERC ¶ 61,253 (1999).

New York Independent System Operator, Inc.

Docket No. PA08-14-000

[W]e will grant NYISO's request for temporary waiver of the posting requirements related to TRM. Unlike the other waivers requested in this proceeding, NYISO states that it currently uses TRM and is subject to the new posting requirements. NYISO states that software modifications have prevented it from coming into compliance with these requirements by the July, 13, 2007 deadline, and that it anticipates coming into compliance by August 31, 2007. In light of these circumstances, we find that NYISO has shown good cause to be granted a temporary waiver of the posting requirements related to TRM.<sup>8</sup>

However, in this Commission order, subsequent Commission orders, and NYISO filings, there have not been any waivers of TRM posting regulations nor have there been any requests by NYISO to waive any of these requirements for any time period after August 31, 2007.

---

<sup>8</sup> *Order Granting Request for Temporary Waivers in Part and Denying Request for Temporary Waivers in Part*, 120 FERC ¶ 61,283 at P 12 (2007) (TRM Waiver order).

### **III. Findings and Recommendations**

#### **1. Posting TRM Values by Prescribed Time Periods**

NYISO's posted TRM values on internal and external interfaces were not posted according to the prescribed time period.

#### **Pertinent Guidance**

18 C.F.R. § 37.6(b)(3)(ii)(A) (2008) states that postings of firm and nonfirm ATC, TTC, CBM, and TRM shall be posted separately by the day, showing for the current day and the next six days following and thereafter, by the month for the 12 months next following. If the Transmission Provider charges separately for on-peak and off-peak periods in its tariff, ATC, TTC, CBM, and TRM will be posted separately for the current day and the next six days following for each period. These postings are to be updated whenever the ATC changes by more than 20 percent of the Path's TTC.

#### **Background**

Upon completion of audit staff's preliminary review on April 24, 2008, audit staff determined that NYISO posts TRM for the pre-schedule, day-ahead, and real-time markets in a static document on its OASIS. In this document, two values of TRM are posted for each path; one for the pre-schedule market and one for both the day-ahead and real-time markets. However, the TRM postings do not state for what time periods these values apply. NYISO posted TRM values on August 30, 2007, and has not updated the document containing the values since that date. Thus, there is no way to identify for which day or month a TRM value for an applicable interface applies.

Audit staff held a teleconference with NYISO personnel on April 28, 2008 to discuss the posting of TRM values. Audit staff inquired into NYISO's TRM postings and the location of these values to ensure that audit staff had located the appropriate information. NYISO submitted written responses on May 7, 2008 in response to the April 28 teleconference. Based on the information contained in NYISO's written responses, and considering the Commission's determination in its TRM Waiver order and NYISO's October 2, 2007 filing in response to that order, audit staff concludes that NYISO is required to post TRM values according to prescribed time periods as required by 18 C.F.R. § 37.6(b)(3)(ii)(A) (2008). NYISO posts TRM values at the following location:

New York Independent System Operator, Inc.

Docket No. PA08-14-000

[http://www.nyiso.com/public/webdocs/market\\_data/power\\_grid\\_info/margin\\_with\\_external\\_trm.pdf](http://www.nyiso.com/public/webdocs/market_data/power_grid_info/margin_with_external_trm.pdf).

## **Recommendation**

We recommend NYISO:

1. Post TRM according to the prescribed time periods as required by 18 C.F.R. § 37.6(b)(3)(ii)(A) (2008).

## **2. Posting Performance Measures within 15 Days of the End of the Quarter**

NYISO's performance measures related to system impact and facilities studies were not posted within 15 days of the end of the calendar quarter for Quarter 4 2007 and Quarter 1 2008.

### **Pertinent Guidance**

18 C.F.R. § 37.6(h)(1)(i-vi) (2008) states that the Responsible Party shall post information summarizing the time to complete transmission service request studies.

18 C.F.R. § 37.6(h)(2) (2008) states that the Responsible Party is required to post the measures in paragraph (h)(1)(i) through paragraph (h)(1)(vi) of this Section for each calendar quarter within 15 days of the end of the calendar quarter. The Responsible Party will keep the quarterly measures posted on OASIS for three calendar years.

### **Background**

On April 24, 2008, audit staff determined that NYISO did not post the required performance metrics related to system impact and facilities studies within 15 days of the end of the calendar quarter as required. NYISO posted performance measures for Quarter 4 2007 on January 24, 2008, which was 9 days after the required posting deadline. NYISO posted Quarter 1 2008 on April 16, 2008, which was 1 day after the required posting deadline. Audit staff held a teleconference with NYISO personnel on April 28, 2008 to discuss the posting of these performance metrics. In the conference call, NYISO acknowledged the late posting, but did not provide an explanation for the delay. In NYISO's May 7, 2008 written response to the April 28 teleconference, NYISO stated that it will ensure that all future quarterly reports are posted no later than the deadline established by the Commission's regulations. NYISO posts its performance measures and the posting date at the following location:

[http://www.nyiso.com/public/services/planning/studies\\_transmission.jsp](http://www.nyiso.com/public/services/planning/studies_transmission.jsp)

### **Recommendation**

We recommend NYISO:

2. Modify its procedures to ensure NYISO posts performance measures related to information summarizing the time to complete transmission

New York Independent System Operator, Inc.

Docket No. PA08-14-000

service request studies within 15 days of the end of the calendar quarter as required by 18 C.F.R. § 37.6(h)(2) (2008).



Building the Energy Markets of Tomorrow . . . Today

10 Krey Boulevard, Rensselaer, NY 12144

July 25, 2008

Bryan K. Craig, Director  
Division of Audits  
Federal Energy Regulatory Commission  
888 First Street, NE, RM 51-37  
Washington, DC 20426

**RE: Draft Report: Audit of Open Access Same-Time Information System Requirements at New York Independent System Operator, Inc. Docket No. PA08-14-000**

Dear Mr. Craig:

The New York Independent System Operator, Inc. ("NYISO") has reviewed your July 10 letter and the accompanying draft report prepared by the Division of Audits ("Draft Report").

The NYISO does not intend to contest the Draft Report's findings and intends to expeditiously implement its recommendations with respect to both: (1) the posting of Transmission Reliability Margin ("TRM") information in conformance with Section 37.6(b)(3)(ii)(A) of the Commission's regulations; and (2) the timely completion of and posting of quarterly reports on the processing of transmission studies. The NYISO has already begun to take the necessary steps in response to these recommendations and anticipates that it will have fully implemented them in the near future.

The NYISO would like to clarify a single point. The Draft Report states (at p. 8) that the "NYISO maintains that there are no constrained paths within its footprint." In fact, the NYISO has taken the position that there are no "Posted paths" within its Control Area and thus that the NYISO's internal interfaces are neither "constrained posted paths" nor "unconstrained posted paths" as those terms are defined in Sections 37.6(b)(1) of the Commission's regulations.

I greatly appreciate the efforts and the professionalism of your auditors. If you have any questions or need any additional information, please do not hesitate to contact me.

Respectfully,

A handwritten signature in black ink that reads "Robert E. Fernandez". The signature is written in a cursive style.

Robert E. Fernandez  
Vice President and General Counsel  
New York Independent System Operator, Inc.



cc: Mr. Raymond Montini  
Ms. Jennifer Ray  
Mr. Stephen Somma

Document Content(s)

19553024.PDF.....1-17