

July 17, 2006

Honorable Magalie R. Salas  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Status Report of the New York Independent System Operator, Inc.  
in Docket Nos. ER03-552-011 and ER03-984-009**

Dear Ms. Salas:

In its order issued on February 22, 2006, the Commission directed the New York Independent System Operator, Inc. (“NYISO”) to file within 60 days a “timetable for implementation of the Netting Bilaterals Project that includes, *inter alia*, specific dates for completion of the COO, and realistic dates for implementation.”<sup>1</sup> The February 22 Order also required that the NYISO 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.”<sup>2</sup>

In response to the February 22 Order, the NYISO submitted a compliance filing on April 24, 2006 (“April 24 Filing”) outlining the details and analysis of the Netting Bilaterals Project and its implementation. In this first status report, the NYISO is presenting its current progress toward implementation of the Netting Bilaterals Project, as required by the February 22 Order.

As stated in the NYISO’s April 24 Filing, implementing this project requires a deliberate approach and careful coordination with projects already underway to upgrade major, existing NYISO systems, namely the Market Information System (“MIS”) and the Billing and Accounting System (“BAS”). The upgrades planned for the MIS and BAS systems are intended to provide enhanced platform flexibility, availability, and performance, and are essentially prerequisites for providing the type of functionality necessary to implement the Netting Bilaterals Project. The NYISO does not have the resources, nor would it be cost-effective, to implement the Netting Bilaterals Project before all of the platform improvements required to support the functionality are in place. Attempting to complete the Netting Bilaterals Project before these other projects are finished would be imprudent

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<sup>1</sup> *New York Independent System Operator, Inc.*, 114 FERC ¶ 61,189, 61,192 (2006) (“February 22 Order”).

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

and would delay these important system upgrades. As such, the NYISO is providing an update on the status of these efforts, as an important step toward implementing the Netting Bilaterals Project.

The MIS is the software used by customers to submit bids and offers to the NYISO. The NYISO is replacing the major components of the MIS through a project to develop a successor platform, the Comprehensive Bid Management System project. This effort needs to be completed before the Netting Bilaterals Project is integrated into the NYISO's bidding interface. The plan for replacing the MIS is divided into several major tracks, and the NYISO is currently mid-way through implementing the first track that will establish the basic framework of the new system and will replace the load bidding interface. The NYISO is planning to deploy the first phase of the new software during the first quarter of 2007, and will then move on to the remaining tracks.

The BAS is used to generate the financial settlements for all NYISO-administered transactions. There are three major components to the settlement systems, the Settlements Engine, the Consolidated Invoice system, and the Web-based Reconciliation system for managing meter data; all of these applications are being replaced through what is known as the System Settlement Replacement Project. Since the April 24 Filing, the NYISO has made progress on this effort, having now integrated over half of the NYISO's settlement rules into the new system. The NYISO is planning to begin subsequent tracks of work in 2007.

While the efforts described above are not directly related to the Bilateral Netting Project, these projects are effectively prerequisites to its implementation, as the NYISO explained in its April 24 Filing. As such, the NYISO is providing an update on the progress of these efforts here.

WHEREFORE, for the foregoing reasons, the NYISO respectfully requests that the Commission accept this report in compliance with the February 22 Order.

Respectfully submitted,

By: /s/ Andrew S. Antinori  
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Senior Attorney  
NEW YORK INDEPENDENT  
SYSTEM OPERATOR, INC.