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October 26, 2000

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**BY HAND**

The Honorable David P. Boergers  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

New York Independent System Operator, Inc.'s  
Status Report in Docket Nos. ER00-3591-000 and ER00-3591-001

Dear Mr. Boergers:

In its September 1, 2000 Combined Compliance Filing and Report, as corrected on September 8, 2000 (“Report”), in the above-captioned proceeding, the New York Independent System Operator, Inc. (“NYISO”) stated that it would submit a status report, prior to November 1, 2000, informing the Commission of any reductions it decided to make to its locational reserve requirements.<sup>1</sup> The NYISO also promised to inform the Commission prior to November 1 if unexpected problem arose that would prevent its other short-term improvements from taking effect by November 1.<sup>2</sup> The NYISO hereby submits this status report to notify the Commission that: (i) it has made significant reductions in its locational reserve requirements; and (ii) that the other short-term improvements described in the Report have already been successfully implemented, or are being implemented on schedule.

Accordingly, the NYISO respectfully informs the Commission that it is prepared to begin to gradually lift the interim bid caps on the 10-Minute Non-Synchronized Reserves (“10-Minute NSR”) portion of its reserves market starting on November 1, 2000, as proposed in the Report. The NYISO hopes that the Commission will issue an order authorizing it to do so prior to November 1. However, as is discussed below, in the event that the Commission does not issue such an order by November 1, the NYISO has concluded that it would be appropriate to keep the currently effective \$2.52 (plus lost opportunity costs) interim 10-Minute NSR bid cap in place until November 8, *i.e.*, sixty days from the date that the

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<sup>1</sup> Report at 9-10.

<sup>2</sup> Report at 24.

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NYISO submitted revised tariff sheets setting forth its proposal to gradually lift the interim bid cap.

## **I. Locational Reserve Requirement Reductions**

The NYISO has investigated its current locational reserve requirements which are based on the physical limitations of New York's bulk power system. Specifically, it has evaluated: (i) the Central-East interface limit that necessitates an eastern New York locational reserve requirement; and (ii) the Long Island interface limit that necessitates a Long Island locational reserve requirement. The NYISO has concluded that it can significantly reduce the currently effective eastern New York and Long Island locational reserve requirements, thereby facilitating greater participation by western suppliers and reducing reserves market concentration,<sup>3</sup> without jeopardizing reliability.<sup>4</sup> No NYISO tariff changes are necessary in connection with these reductions. The NYISO's reductions have been reviewed by the NYISO's System Operations Advisory Subcommittee ("SOAS") and Operating Committee ("OC").

The existing NYISO reserve requirements for the entire New York Control Area ("NYCA") specify that there must be at least: (i) 1200 MW of 10-Minute Reserves; (ii) 600 MW of 10-Minute Spinning Reserves; and (iii) at least 1800 MW of 30-Minute Reserves, in the NYCA. The existing NYISO reserve requirements for eastern New York specify that there must be at least: (i) 1200 MW of 10-Minute Reserves; (ii) 490 MW of 10-Minute Spinning Reserves; and (iii) 1470 MW of 30-Minute Reserves. The existing NYISO reserve requirements for Long Island specify that there must be at least: (i) 180 MW or 360 MW of 10-Minute Reserves; (ii) 90 MW or 180 MW of 10-Minute Spinning Reserves; and (iii) 270 MW or 540 MW of 30-Minute Reserves.<sup>5</sup>

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<sup>3</sup> In particular, the NYISO estimates that its reduced locational reserve requirements will increase the potential participation by western suppliers in the 10-Minute Spinning Reserves market by approximately 190 MW.

<sup>4</sup> NERC Rules preclude the NYISO from altering the total 1200 MW New York Control Area reserves requirement.

<sup>5</sup> The NYISO currently has two separate Long Island reserve requirements, one applicable to off-peak periods, the other to on-peak periods, to reflect the difference in loading patterns on the Long Island interface during the two periods.

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The NYISO is revising its existing requirements by reducing: (i) the eastern New York 10-Minute-Spinning Reserves requirement from 490 MW to 300 MW; (ii) the eastern New York 30-Minute Reserves requirement from 1470 MW to 1200 MW; (iii) the Long Island total 10-Minute Reserves requirement from 180 MW or 360 MW to 120 MW;<sup>6</sup> and (iv) the Long Island 10-Minute Spinning Reserves requirement from 90 MW or 180 MW to 60 MW.<sup>7</sup>

These reductions will become effective on November 1, 2000.

## **II. Other Improvements**

In the Report, the NYISO pledged to implement two other short-term reserves market improvements no later November 1, 2000. First, the NYISO committed to complete the re-modeling of the Blenheim-Gilboa Pumped Storage Facility (“Blenheim-Gilboa”) so that each of the four Blenheim-Gilboa units would be able to bid to supply 10-Minute Spinning Reserves, 10-Minute NSR and 30-Minute Reserves, regardless of whether they are in standstill, pumping or generating mode.<sup>8</sup> The re-modeling work was completed on schedule and Blenheim-Gilboa is already fully participating in the NYISO’s reserves market.

Second, the NYISO committed to complete and test all software changes necessary to implement its proposed locational reserve pricing system, for suppliers,<sup>9</sup> no later than November 1. This work is on schedule to be completed on time and the NYISO therefore expects to implement its proposed locational reserve pricing system on November 1. It is possible, however that the NYISO will not be able to complete all of the software changes necessary to integrate the new locational reserve pricing rules into its billing system until early December. If this were to occur the NYISO would have to revise the reserves portion of its November 2000 bills once the billing related software changes are finished. Nevertheless, the

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<sup>6</sup> The NYISO has concluded that it is no longer necessary to maintain separate on-peak and off-peak Long Island total 10-Minute Reserves requirements.

<sup>7</sup> The NYISO has concluded that it is no longer necessary to maintain separate on-peak and off-peak Long Island 10-Minute Spinning Reserves requirements.

<sup>8</sup> Report at 13.

<sup>9</sup> The advantages associated with implementing a locational reserve pricing system are described at pp. 17-19 of the Report.

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NYISO believes that this potential billing delay should not be allowed to impede its implementation of locational reserve pricing.

In addition to its work on short-term improvements, the NYISO is preparing scoping studies of three proposed mechanisms that could permit market participants to obtain transmission capacity at the Central-East interface for reserves.<sup>10</sup> The NYISO is on schedule to present these scoping studies to the market participant committees at their December meetings.

### **III. Issuance of a Commission Order**

In the Report, the NYISO asked that the Commission issue an order making its reserves market proposals effective no later than November 1, 2000. The NYISO believes that this request was consistent with the Commission's May 31 order on reserves market issues, which required the NYISO to make a filing no later than September 1, to become effective by November 1.<sup>11</sup> At the same time, the NYISO recognizes that although it filed the uncorrected version of its Report on September 1, it was unable to submit tariff language addressing reserves market issues until September 8, less than sixty days before November 1.<sup>12</sup> Under the circumstances, the NYISO believes that the best course of action, pursuant to Sections 35.3 and 35.15 of the Commission's regulations,<sup>13</sup> is to leave the currently effective \$2.52 (plus lost opportunity costs) interim bid cap, and the mandatory bidding requirement for eastern suppliers of 10-Minute NSR in place until November 8, *i.e.*, sixty days from the date that the NYISO actually submitted its proposed tariff changes.

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<sup>10</sup> See Report at 11-12.

<sup>11</sup> *New York Independent System Operator, Inc., et al.*, 91 FERC ¶ 61,218 (2000).

<sup>12</sup> As was noted in the corrected, September 8 version of the Report, the NYISO delayed filing its proposed tariff language in a (largely successful) attempt to address outstanding concerns raised by affected market participants. See Report at 4, 9.

<sup>13</sup> 18 C.F.R. Section 35.3, 35.15 (2000).

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The NYISO would welcome additional guidance from the Commission on this subject.

Respectfully submitted,

NEW YORK INDEPENDENT  
SYSTEM OPERATOR, INC.

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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in Docket Nos. ER00-3591-000 and ER00-3591-001 in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure 18 C.F.R. § 2010 (1999).

Dated at Washington, D.C. this 26th day of October, 2000.

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