

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

New York Independent System Operator, Inc.) Docket No. ER03-836-004

**MOTION OF THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.
FOR EXTENSION OF TIME TO SUBMIT COMPLIANCE FILING
AND REQUEST FOR EXPEDITED COMMISSION ACTION**

Pursuant to Rule 212 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.212 (2004), the New York Independent System Operator, Inc. (“NYISO”) respectfully requests an extension of 150 days to submit the compliance filing required by the Commission’s March 15, 2005 *Order Conditionally Accepting Compliance Filing And Granting Motion For Deferred Implementation Of A Self-Supply Option For Operating Reserves* (“March Order”)¹ in this proceeding.

The Commission granted the NYISO’s earlier request to defer this compliance filing in order to, among other things, provide the NYISO and its Market Participants an opportunity to evaluate reserves pricing and availability under the new real Time System (“RTS”) market design.² If the difference in costs between Western, Eastern, NYC, and Long Island reserves was insignificant, the NYISO posited, the threat of exposure to expensive locational operating reserve costs would be nearly nonexistent and the need for a self-supply option correspondingly small.³

¹ *New York Independent System Operator, Inc.*, 110 FERC ¶ 61,287 (2005).

² *Id.*

³ See: January 14, 2005 *New York Independent System Operator, Inc.’s Motion To Temporarily Defer Additional Development Work Related To A “Non-Bid Based Self-Supply” Option For Operating Reserve* (“January Motion”) in this docket.

Due to the press of its RTS implementation obligations and its efforts to implement post-RTS operational enhancements, the NYISO and its Market Participants have not been able to complete the analysis of reserves pricing and availability under the NYISO's new Real Time System ("RTS") market design.⁴ The NYISO and its Market Participants also have not completed their examination of alternative market mechanisms for hedging the cost of Operating Reserves in New York's markets should the need arise. Both these efforts should inform the manner in which the NYISO complies with the March Order and should be completed before addressing the issues arising in this docket. The NYISO, therefore, seeks an extension of 150 days to allow it to complete the analysis of reserves pricing and financial hedges before making its compliance filing in this docket.

Because the compliance filing is currently due on September 30, 2005, the NYISO respectfully requests that the Commission act expeditiously on this Motion.

I. Background

In its March Order, the Commission directed the NYISO to file either (i) a revised schedule showing that work on the self supply option has resumed with a new in service date for reserve self supply, or (ii) its plan to implement a self-supply option in the New York market, including an updated timetable for full implementation of a self-supply option for Operating Reserves, in compliance with the May 2003 and July 2004 Orders.

In 2004, the Commission directed the NYISO to provide its Market Participants with an option by which they could self-supply all or a portion of their Operating Reserves

⁴ See Informational Reports of the New York Independent System Operator, Inc. Addressing Price Corrections and Software Corrections filed bi-weekly in Docket No. ER04-230-009 and *Order Accepting Tariff Revisions*, 112 FERC ¶61,075 (2005) accepting NYISO tariff amendments to remedy problems of price volatility.

requirements from qualified units without being required to bid into the NYISO markets (“non-bid self-supply”).⁵ The Commission explained that it was concerned with “the potential lack of competitive alternatives” for non-synchronous reserves (“NSR”).⁶ While acknowledging that improvements in the NSR market had warranted substantially removing the special NSR bid cap the previous year, the Commission reiterated its commitment to the principle that “a market participant should have the option of self-supplying without bidding [into the NYISO markets], when it believes it can self supply at a lower cost than the NYISO.”⁷

In the Commission’s view, Market Participants should be able to self-supply a given level of Operating Reserves without bidding, so long as they bear the costs of that decision, even if it is likely to be economically unattractive.⁸ The Commission continued that the opportunity to self-supply could include an obligation for the customer to meet “all applicable technical requirements, including locational requirements.”⁹ Thus, the non-bid self-supply option would only be available for a “qualified resource.”¹⁰

⁵ *New York Independent System Operator, Inc.*, 107 FERC ¶ 61,129 (2004) (“May Order”), at P. 10. Unless otherwise specified, capitalized terms have the meanings specified in the NYISO’s Market Administration and Control Area Services Tariff.

⁶ *Id.*

⁷ *Id.*

⁸ May 7, Order at P. 11.

⁹ *New York Independent System Operator, Inc.*, 91 FERC ¶ 61,218 at 61,806 (2000).

¹⁰ May 7, Order at P. 11.

II. Motion for Extension of Time

This is the second request for an extension of time to submit an implementation schedule for physical self supply in this proceeding. The Commission granted the NYISO's January Motion which had sought deferral of this compliance filing in order to, among other things, provide the NYISO and its Market Participants an opportunity to evaluate reserves pricing and availability under RTS. If the difference in costs between Western, Eastern, NYC, and Long Island reserves was insignificant, the NYISO posited, the threat of exposure to expensive locational operating reserve costs would be nearly nonexistent and the need for a self-supply option correspondingly small.

At the time it made its January Motion, the NYISO's examination of historical shadow prices, associated with reserve constraints, to determine the likely effect of RTS reserve pricing logic on East/West reserve price differentials had indicated no significant reserve price differentials would materialize. The NYISO needed additional time to evaluate actual conditions under RTS to confirm that analysis.

The NYISO has not yet concluded its analysis of the differences in the locational cost of reserves under RTS.¹¹ Further efforts on pursuing a self supply option in New York depend on as complete an analysis of this issue as possible. As noted in the NYISO's January Motion, the implementation of even the simplest of non-bid based self-supply solutions would not be trivial. Both design development and software coding costs could be significant and could require a delay in other necessary or desirable market improvements.

Moreover, the NYISO and its Market Participants are continuing their discussion of financial self supply options that would address concerns with competitive alternatives in the

¹¹ The NYISO is focusing on the extent of the price separation between Eastern and Western reserves and the availability of transmission capacity for reserves when there is price separation.

NYISO NSR markets and provide a more complete hedge for the costs of Operating Reserves obligations. These discussions have included allocating the costs of locational reserves to loads and the potential benefits which may be available from transmission optimization for Energy and reserves. The NYISO expects to provide its Market Participants with an analysis of the locational cost of reserves in early 2006 followed immediately thereafter with a discussion of the need for a further self supply mechanism to hedge that exposure, if any.

Finally, the New York Market Participants are considering amendments to the NYISO Tariffs indicating that physical self supply of Operating Reserves may not be necessary in New York at this time. The Management Committee is expected to take up this amendment this fall. Extending the due date for this compliance filing by 150 days would allow the NYISO to complete its analysis of the cost differences between Eastern and Western reserves, and would allow the Market Participants to complete their analysis of the need for a further self supply hedge and propose any tariff amendments to document their decisions.

III. Request for Expedited Action

Finally, the NYISO requests expedited action on this Motion. The compliance filing is due in less than one week, and the NYISO will need a determination at the earliest possible date so that it may have sufficient time to develop alternative plans should the Commission reject the NYISO's Motion.

IV. Conclusion

Wherefore, for the reasons set forth herein, the New York Independent System Operator, Inc. respectfully requests that the Commission expeditiously grant the Motion and extend the due date for the compliance filing by 150 days.

Respectfully submitted,

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Inc.

September 28, 2005

cc: Daniel L. Larcamp
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CERTIFICATE OF SERVICE

I certify that I have served the foregoing document this day on the official service list established by the Secretary in this proceeding.

Dated at Albany, New York this 28th day of September 2005.

/s/
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