

December 22, 2011

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: Annual Report in Docket Nos. ER01-3001-____, ER03-647-____
Errata

Dear Ms. Bose:

On December 20, 2011, the New York Independent System Operator (“NYISO’s”) filed its annual report to the Federal Energy Regulatory Commission (“Commission”) on the NYISO’s Installed Capacity (“ICAP”) Demand Curves and New Generation Projects in the New York Control Area.¹ It has come to the NYISO’s attention that there was an inadvertent error in a sentence in the report. The NYISO submits this errata to correct that error.

I. List of Documents Submitted

The NYISO submits this errata with a replacement page 14 correcting the error described below in this letter.

II. Errata to Report Section I(A)(2), Page 14

In the context of providing an overview of the NYISO tariff provisions regarding Pivotal Supplier mitigation measures, the NYISO’s annual report inadvertently described the requirement as being the lesser of two values when, in fact, the tariff provides that the offers can be the greater of the two values. That error is on page 14 of the report, first paragraph, in report Section I(A)(2). A redline correcting that error is:

The Capacity controlled by Pivotal Suppliers (“Mitigated UCAP”) must be offered into the Spot Market Auction at a price at or below the ~~lesser~~greater of the default UCAP Offer Reference Level (“Default Reference Price”) or the ICAP Supplier’s Going-Forward Costs.

Attached to this letter is a corrected version of page 14. The only change to the version of page 14 submitted with annual report filed with the Commission on December 20, 2011 is to replace

¹ *New York Independent System Operator, Inc.*, 117 FERC ¶ 61,086 (2006); *New York Independent System Operator, Inc.*, 103 FERC ¶ 61,201 (2003), 108 FERC ¶ 61,280 (2004), 121 FERC ¶ 61,090 (2007), 123 FERC ¶ 61,206 (2008). In Docket ER03-647, the NYISO files an annual report regarding its Demand Side Management programs on January 15, and a semi-annual report on its Demand Side Management programs and new generation projects on June 15 each year.

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“lesser” with “greater”. The NYISO respectfully requests that the Commission substitute page 14 of the report submitted on December 20, 2011 with the attached page 14.

Page 14 does not contain confidential information, as originally submitted or as submitted with this letter.

Respectfully submitted,

/s/

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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 this proceeding in accordance with the requirements of Rule 2010 of the Rules of Practice and Procedure, 18 C.F.R. §385.2010.

Dated at Rensselaer, NY this 22nd day of December, 2011.

/s/ Joy A. Zimmerlin

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2. New York City Locality

In NYC, Pivotal Suppliers are subject to Mitigation Measures. A Pivotal Supplier is an ICAP Supplier that, along with its Affiliated Entities, Controls In-City Capacity in excess of the pivotal control threshold.¹ The Capacity controlled by Pivotal Suppliers (“Mitigated UCAP”) must be offered into the Spot Market Auction at a price at or below the greater of the default UCAP Offer Reference Level (“Default Reference Price”) or the ICAP Supplier’s Going-Forward Costs. There is not a “must-offer” requirement for Capacity located in the ROS or Long Island Localities.

The NYC Capacity that was not sold, as a percent of available Capacity, was less than 0.26% per month on average for the Winter 2010-2011 and Summer 2011 Capability Periods. The low levels can be explained by the implementation of the Supplier-side Mitigation Measures that became effective as of the Summer 2008 Capability Period.²

Chart 9 below illustrates the effects of the Supplier-Side Mitigation Measures. As depicted in Chart 9, these measures include a Pivotal Control Threshold determined by the surplus amount of NYC Capacity above the Locality Capacity Requirement. An Entity is deemed a Pivotal Supplier if the number of MW it Controls is greater than the threshold. If an Entity is a Pivotal Supplier, then it is subject to the Default Reference Price. The Default Reference Price, as shown in Chart 9, becomes the cap that the Pivotal Supplier must offer at or below in the ICAP Spot Market Auction unless the Pivotal Supplier’s Going Forward Costs (“GFCs”), as determined by the NYISO, are higher than the Default Reference Price.

The level of unoffered and unsold MW can be inferred from Chart 9 by comparing the NYC Spot Market Auction price to the UCAP Offer Reference Level (also referred to as the “Default Reference Price”). The Default Reference Price is the price on the demand curve if all available UCAP is offered and sold. The difference between the Spot Market Auction Price and Default Reference Price can be attributed to In-City Capacity that is either not offered or offered at a price above the Default Reference Price. Note that the NYC Spot Market Auction Price will diverge from the Default Reference Price when the NYCA ICAP Spot Market Auction sets the NYC Spot Market Auction price. This divergence is the result of the auction rules, and is not caused by unoffered or unsold NYC Capacity.

¹ See Services Tariff Attachment H Sections 23.2.1 and 23.4.5.

² See earlier reports for the analysis of the New York City Locality prior to the effectuation of the Supplier-Side Mitigation Measures and removal of the bid-caps.