

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

February 28, 2006

In Reply Refer To:
New York Independent System Operator, Inc.
Docket No. ER04-230-021

New York Independent System Operator, Inc.
Attn: Robert E. Fernandez, Esq.
General Counsel and Secretary
290 Washington Avenue Ext.
Albany, NY 12203

Dear Mr. Fernandez:

1. On October 31, 2005, in Docket No. ER04-230-021, you submitted on behalf of New York Independent System Operator, Inc. (NYISO), a report on NYISO's plan and schedule for shortening time periods for posting notices of price corrections and for correcting prices under NYISO's Temporary Extraordinary Procedures (the TEP), as well as eventually phasing out the TEP altogether. The filing was made in response to the Commission's May 9, 2005 Order Accepting Tariff Revisions.¹
2. Notice of the filing was published in the *Federal Register*, 70 Fed. Reg. 71,822 (2005), with protests and interventions due on or before November 28, 2005. Comments were filed by New York Transmission Owners² and by DC Energy, LLC (DC Energy).
3. In the May 9 Order, the Commission granted NYISO's request for a waiver to correct previous errors that had occurred following the implementation of the Standard Market Design version 2 software and approved a ten day correction window for errors

¹ *New York Independent System Operator, Inc.*, 111 FERC ¶ 61,200 (2005) (May 9 Order).

² Comprised of: Central Hudson Gas & Electric Corporation; Consolidated Edison Company of New York, Inc.; Long Island Power Authority; New York Power Authority; New York State Electric & Gas Corporation; Rochester Gas and Electric Corporation; Orange and Rockland Utilities, Inc.; and Niagara Mohawk Power Corporation (d/b/a National Grid).

discovered between March 8, 2005, and September 30, 2005. The May 9 Order also required NYISO to “file a report with the Commission, for informational purposes only, that includes a plan and schedule for shortening the time periods both for posting notices of price corrections and for correcting prices under the TEP as well as eventually phasing out the TEP altogether”³ NYISO states that its instant filing is intended to provide such a plan and schedule as directed by the Commission in the May 9 Order. NYISO also contemplates an April 2006 filing date for filing proposed revisions to the NYISO tariffs eliminating the TEP and implementing a “transparent and workable framework” for non-TEP price corrections.⁴

4. The New York Transmission Owners assert that NYISO’s performance in the areas of pricing and billing has not been at acceptable levels and must be improved to facilitate an effectively functioning market. The New York Transmission Owners also argue that it is imperative that NYISO’s authority to correct prices be clarified and that NYISO’s performance with respect to pricing accuracy must be significantly improved. The New York Transmission Owners note that NYISO’s error rate and the transparency of its price correction process must be markedly improved before market participants can accept shorter time periods for correction of prices.

5. Therefore, the New York Transmission Owners argue that before the Commission should accept a shortened time frame for price corrections by NYISO, NYISO must: 1) clarify its authority to correct prices and the methodology it would use to correct pricing errors; 2) provide greater transparency in its pricing procedures so that market participants have sufficient information to understand and monitor the price setting process; and 3) demonstrate significant improvements in its ability to avoid errors in the initial setting of prices.

6. In its comments, DC Energy asks the Commission to reject the instant filing and order NYISO to better comply with the May 9 Order by requiring NYISO to flag potential price corrections on the same calendar day the prices are posted and to correct erroneous prices within one calendar day after they are posted and flagged. DC Energy claims that the instant filing fails to satisfy the requirement in the May 9 Order that NYISO eliminate the TEP because NYISO is proposing to replace the TEP with a new after-the-fact price correction plan. DC Energy argues that the ultimate goal of the instant filing should be the elimination of all post-hoc price corrections so that NYISO market participants will have greater price certainty.

³ May 9 Order at P 4.

⁴ NYISO October 31, 2005 status report at 4-5.

7. The Commission will accept the instant filing for informational purposes because NYISO's filing satisfies the Commission's requirement in the May 9 Order to provide the Commission with a plan and schedule for shortening time periods for price corrections and for phasing out the TEP altogether. However, the changes NYISO intends to make to the TEP will be reviewed when NYISO makes its promised April 2006 filing pursuant to section 205 of the Federal Power Act.⁵ NYISO would be well advised to take notice of the issues raised in the comments to its instant filing and address such issues in its April 2006 filing.

By direction of the Commission.

Magalie R. Salas,
Secretary.

⁵ 16 U.S.C. § 824d (2000).