

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

February 7, 2005

In Reply Refer To:  
New York Independent System  
Operator, Inc.  
Docket No. EL05-47-000

Hunton & Williams, LLP  
Attn: Michael E. Haddad, Esq.  
Counsel to the New York Independent System Operator, Inc.  
1900 K Street, NW  
Washington, DC 20006

Dear Mr. Haddad:

1. On December 17, 2004, as amended on December 20, 2004, you submitted on behalf of the New York Independent System Operator, Inc. (NYISO) a request for expedited action and for waiver of certain tariff provisions. Specifically, NYISO requests that the Commission waive the tariff provisions that require NYISO to allocate certain costs to transmission customers using hourly or daily load ratio shares. NYISO asserts that waiving these tariff provisions will enable NYISO to close out settlements from prior service months more quickly and provide customers with financial certainty.
2. NYISO states that its Open Access Transmission Tariff (OATT) currently requires charges associated with bid production cost guarantee payments and lost opportunity cost payments for suppliers of 10-minute spinning reserves to be allocated on the basis of daily and hourly load ratio shares. NYISO states that, in the course of issuing close-out settlements, NYISO needs to make corrections to prior settlements for these services. NYISO also states, however, that it is currently in the process of implementing a new Real-Time Scheduling system in connection with its Standard Market Design 2 (SMD 2) market enhancements.
3. In order to complete the close-out settlement process, NYISO states that it needs to implement coding changes to its Billing and Accounting System (BAS). NYISO states that making these changes, however, would interfere with the high priority work being done on SMD 2. NYISO explains that NYISO and its stakeholders have determined that it would not be acceptable to delay the issuance of close-out settlements until SMD 2 is completed. They have decided to use parallel accounting and billing software to replicate

BAS calculations for determining corrected close-out settlements. NYISO asserts that using this parallel software will allow it to complete the close-out process without interfering with the implementation of SMD 2.

4. NYISO states that the parallel software is essentially the same as its existing software with the only difference being the parallel software is unable to allocate charges to transmission customers using hourly or daily load ratio shares, as required under the provisions of NYISO's OATT. The parallel software calculates charges using monthly load ratio shares. Therefore, NYISO can only use this parallel software if the tariff provisions requiring allocation of certain charges according to hourly and daily load ratio shares are waived. NYISO adds that this monthly allocation will not be an issue when SMD 2 software is fully implemented, which is currently scheduled to take place on February 1, 2005.

5. NYISO has conducted a statistical analysis of the individual billing impacts of switching from hourly or daily to monthly load ratio share allocations. NYISO's conclusion is that in addition to the more than fifty percent of transmission customers who will see no change in their bills, an additional nearly thirty percent will only see their bills change by less than 0.02 percent. The maximum variance calculated for any transmission customer was 0.25 percent.

6. NYISO states that it has worked closely on the close-out settlement issue with its stakeholders and thoroughly vetted its plans to use the parallel software. NYISO notes that its stakeholders voted unanimously, with abstentions, in favor of the proposal.

7. Finally, NYISO requests expedited action. It requests that the Commission act on or before February 7, 2005. This action date would enable NYISO to issue five months of close-out settlement invoices on February 8, 2005 and would allow it to proceed with its plans to close out additional months, as requested by the stakeholders.

8. Notice of the filing was published in the *Federal Register* with interventions, comments, or protests due on or before January 7, 2005.<sup>1</sup> Timely motions to intervene were filed by Reliant Energy, Inc. and by New York Transmission Owners.<sup>2</sup> No adverse comments or protests were filed.

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<sup>1</sup> 69 Fed. Reg. 78,406 (2004).

<sup>2</sup> Comprised of Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., LIPA, 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.

9. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2004), the timely, unopposed motions to intervene in this proceeding serve to make the entities that filed them parties to this proceeding.

10. We will grant NYISO a one-time waiver of the tariff language requiring transmission customers' charges to be allocated using hourly or daily load ratio shares and, in this instance, we will permit it to use close-out settlement invoices using monthly load ratio shares.<sup>3</sup> We agree with NYISO and its stakeholders that the close-out settlement process should not be delayed due to the implementation of the high priority SMD 2 project. Therefore, we will grant NYISO's unopposed request and permit it to use monthly load ratio shares for close-out of settlement invoices.

By direction of the Commission.

Linda Mitry,  
Deputy Secretary.

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<sup>3</sup> A one-time waiver is all that NYISO states that it requires, and all that we are granting here.