

July 3, 2007

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

Re: ER07-720-000 – Compliance Filing

Dear Ms. Bose:

In its June 5, 2007 Letter Order in the above docket, the Federal Energy Regulatory Commission (“the Commission”) accepted revisions offered by the New York Independent System Operator, Inc. (“NYISO”) to its Market Administration and Control Area Services Tariff (“Services Tariff”) and its Open Access Transmission Tariff (“OATT”) instituting a Transmission Shortage Cost, a new market rule allowing the NYISO to avoid setting prices based on inefficient redispatch.¹ The Commission, however, directed the NYISO to specify in both its Services Tariff and OATT the conditions under which the NYISO would exercise its authority to temporarily change the value of Transmission Shortage Cost. The Commission also required the NYISO to state when it would file, under section 205, for approval of the changed values of the Transmission Shortage Cost. Accordingly, the NYISO hereby provides the compliance filing required by the June Order.

I. Documents Submitted

The NYISO submits the following documents:

1. This filing letter;
2. Clean tariff sheets reflecting the revisions to the Services Tariff discussed herein (“Attachment I”);
3. Redlined tariff sheets reflecting the revisions to the Services Tariff discussed herein (“Attachment II”);
4. Clean tariff sheets reflecting the revisions to the OATT discussed herein (“Attachment III”);

¹ 119 FERC 61,237 (“June Order”)

5. Redlined tariff sheets reflecting the revisions to the OATT discussed herein ("Attachment IV").

II. Copies of Correspondence

Copies of correspondence concerning this filing should be served on:

Robert E. Fernandez, General Counsel and Secretary
Mollie Lampi, Assistant General Counsel
Elaine D. Robinson, Director, Regulatory Affairs
New York Independent System Operator, Inc.
10 Krey Blvd.
Rensselaer, NY 12144
Tel: (518) 356-7607
Fax: (518) 356-8825
rfernandez@nyiso.com
mlampi@nyiso.com
erobinson@nyiso.com

III. Service List

As it has done with numerous other filings, the NYISO will electronically serve a copy of this filing on the official representative of each of its customers, on each participant in its stakeholder committees, on the New York State Public Service Commission and the electric utility regulatory agencies of New Jersey and Pennsylvania.

IV. Description of Proposed Tariff Changes

The NYISO proposes to make the following changes to its Services Tariff and OATT in compliance with the June Order:

Section D. of Part I. of Attachment B of the Services Tariff and Section D. Part I of Attachment J of the OATT have been revised by adding the following underlined phrase to the description of the NYISO's temporary authority to modify the Transmission Shortage Cost:

If the ISO determines that it is necessary to modify the Transmission Shortage Cost in order to avoid future operational or reliability problems the resolution of which would otherwise require recurring operator intervention outside normal market scheduling, such as out-of-merit generation dispatch or scheduling of emergency energy imports, it may temporarily modify it for a period of up to ninety days.

Also, in compliance with the Commission order, the NYISO states that, within 45 days of modifying the value of its Transmission Shortage Cost pursuant to the authority provided in Part I. Section D, of Attachment B to the Services Tariff and in Part I. Section D. of Attachment J to the OATT, the NYISO will take one of the two following actions. Within this 45 day window, the NYISO shall either: (i) file with the Commission, pursuant to the provisions of the Federal Power Act and Article 19 of the *Independent System Operator Agreement*,² a tariff revision reflecting the modified value of its Transmission Shortage Cost; or (ii) announce that the temporary modification of its Transmission Shortage Cost will expire no later than the close of the 90 day period of temporary effectiveness and that the former Transmission Shortage Cost will become effective again.

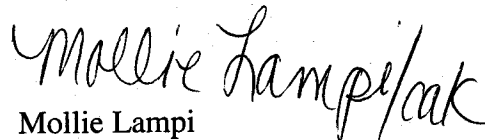
V. Effective Date

The NYISO proposes that these amendments become effective June 6, 2007, the date the underlying tariff changes were accepted pursuant to the Commission's June Order.

VI. Conclusion

WHEREFORE, for the foregoing reasons, the NYISO respectfully requests that the Commission accept the amended tariff sheets filed herein.

Respectfully submitted,



Mollie Lampi
Assistant General Counsel
(518) 356-7530

cc: Shelton M. Cannon
Anna Cochrane
Connie Caldwell
Michael A. Bardee
Dean Wight
Kathleen E. Nieman

² Article 19 of the *Independent System Operator Agreement* specifies the stakeholder governance process used in filing tariff amendments with the Commission.

ATTACHMENT I

LBMPs will be calculated for the Day-Ahead and the Real-Time Markets. In the Day-Ahead Market, the three components of the LBMP at each location will be calculated from the SCUC results and posted for each of the twenty four (24) hours of the next day. The Real-Time LBMPs will be calculated and posted for each execution of RTD.

D. Determination of Transmission Shortage Cost

The Transmission Shortage Cost represents the limit on system costs associated with efficient dispatch to meet a particular Constraint. It is the maximum Shadow Price that will be used in calculating LBMPs. The Transmission Shortage Cost is set at \$4000 / MWh.

The ISO may periodically evaluate the Transmission Shortage Cost to determine whether it is necessary to modify the Transmission Shortage Cost to avoid future operational or reliability problems. The ISO will consult with its Market Advisor when it conducts this evaluation. If the ISO determines that it is necessary to modify the Transmission Shortage Cost in order to avoid future operational or reliability problems the resolution of which would otherwise require recurring operator intervention outside normal market scheduling procedures, including, among other interventions, out-of-merit generation dispatch or scheduling of emergency energy imports, it may temporarily modify it for a period of up to ninety days. If circumstances reasonably allow, the ISO will consult with its Market Advisor, the Business Issues Committee, the Commission, and the PSC before implementing any such modification. In all circumstances, the ISO will consult with those entities as soon as reasonably possible after implementing a temporary modification and shall explain the reasons for the change.

Issued by: Mark S. Lynch, President
Issued on: July 3, 2007

Effective: June 6, 2007

Filed to comply with order of the Federal Energy Regulatory Commission, Docket No. ER07-720-000, issued June 5, 2007, 119 FERC ¶ 61,237 (2007).

ATTACHMENT II

LBMPs will be calculated for the Day-Ahead and the Real-Time Markets. In the Day-Ahead Market, the three components of the LBMP at each location will be calculated from the SCUC results and posted for each of the twenty four (24) hours of the next day. The Real-Time LBMPs will be calculated and posted for each execution of RTD.

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Issued by: Mark S. Lynch, President
Issued on: ~~April 5~~ July 3, 2007

Effective: June 6, 2007

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ATTACHMENT III

LBMPs will be calculated for the Day-Ahead and the Real-Time Markets. In the Day-Ahead Market, the three components of the LBMP at each location will be calculated from the SCUC results and posted for each of the twenty-four (24) hours of the next day. The Real-Time LBMPs will be calculated and posted for each execution of RTD.

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ATTACHMENT IV

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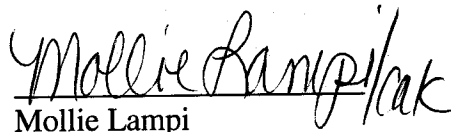
Effective: June 6, 2007

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CERTIFICATE OF SERVICE

I hereby certify that I have caused to be served electronically a copy of this filing on the official representative of each of the NYISO's Market Participants, on each participant in its stakeholder committees, on the New York State Public Service Commission and the New Jersey Board of Public Utilities, and, in hard copy form, on the Pennsylvania Public Utility Commission.

Dated at Washington, D.C. this 3rd day of July, 2007.



Mollie Lampi

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