

Proposed NYISO Services Tariff

Stage 2 Tariff on an Installed Capacity Market Design

BLACKLINED Document

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Revision to incorporate the Unforced Capacity Deliverability Rights proposal in the NYISO Services Tariff.

This document is a comparison between the latest UDR proposal and the version approved by the ICAPWG on July 3, 2002 and scheduled for presentation before the BIC on July 24, 2002.

I. Definitions

2.194a1 Unforced Capacity Deliverability Rights

Unforced Capacity Deliverability Rights ("UDRs") are rights, as measured in
MWs, associated with new incremental controllable transmission projects that provide a
transmission interface to a NYCA Locality (i.e., an area of the NYCA in which a minimum
amount of Installed Capacity must be located). When combined with Unforced Capacity located
outside the subject NYCA Locality, UDRs allow ~~such~~ Unforced Capacity that meets NYISO
deliverability requirements to be treated as if it were located in the NYCA Locality, thereby
~~contributing to meeting an LSE's~~ qualifying as Locational Unforced Capacity Requirement.

II. Article 5

[...]

5.10 NYCA Installed Capacity Requirement

The NYCA Installed Capacity Requirement is derived from the NYCA Installed Reserve Margin, which is established each year by the NYSRC. The NYCA Installed Capacity Requirement for the Capability Year beginning each May 1 will be established by multiplying the NYCA peak Load forecasted by the ISO by the quantity of one plus the NYCA Installed Reserve Margin. Beginning with the 2001-2002 Winter Capability Period, the ISO shall translate the NYCA Installed Reserve Margin, and thus the NYCA Installed Capacity Requirement, into a NYCA Unforced Capacity Requirement, in accordance with the ISO Procedures.

The ISO will calculate a NYCA peak Load each year by applying regional Load growth factors to the prior calendar year's Adjusted Actual Peak Load. Regional Load growth factors shall be proposed by the Transmission Owners and reviewed by the ISO pursuant to procedures agreed to by Market Participants and described in the ISO Procedures. Disputes concerning the development of regional Load growth factors shall be resolved through the Expedited Dispute Resolution Procedures set forth in Section 5.16 of this Tariff.

The ISO shall determine the amount of Unforced Capacity that must be sited within the NYCA, and within each Locality, and the amount of Unforced Capacity that may be procured from areas External to the NYCA, in a manner consistent with the Reliability Rules. New Transmission projects to which the NYISO has granted UDR-status ~~UDRs~~ will not affect the determination by the NYISO of the amount of Unforced Capacity that must be located within the NYCA or within each Locality of the NYCA.

**BLACKLINED Proposed Services Tariff Revisions Incorporating the UDR Proposal
Recent Proposal Blacklined against Proposal Originally Sent to BIC on July 24, 2002
Draft Dated August 2, 2002 for Review by the ICAPWG on August 5, 2002**

5.11 Requirements Applicable to LSEs

[...]

5.11.4 LSE Locational Installed Capacity Requirements

The ISO will determine the Locational Installed Capacity Requirements, stated as a percentage of the Locality's forecasted Capability Year peak Load and expressed in Unforced Capacity terms, that shall be uniformly applicable to each LSE serving Load within a Locality. In establishing Locational Installed Capacity Requirements, the ISO will take into account all relevant considerations, including the total NYCA Installed Capacity Requirement, the NYS Power System transmission Interface Transfer Capability, the Reliability Rules, and any other FERC-approved Locational Installed Capacity Requirements.

Any Locational Installed Capacity Requirements operative at the commencement of ISO operations adopted by LIPA or under settlement agreements approved by the PSC shall continue in effect in accordance with their terms unless and until the ISO implements new or modified Locational Installed Capacity Requirements. All Locational Installed Capacity Requirements shall be translated into Unforced Capacity terms, in accordance with the ISO Procedures.

Each LSE will secure the required amount of Unforced Capacity for the upcoming Obligation Procurement Period consistent with the locational requirements established by the ISO. When owned by the holder of the UDRs or contractually combined with UDRs, Unforced Capacity ~~under contract or ownership located outside, but~~ must be deliverable to, at the NYCA Locality ~~may interface with the UDR transmission facility in order for it to~~ be counted ~~toward~~ toward an LSE's Locational Unforced Capacity Requirement.

Unforced Capacity associated with Generators located in the New York City Locality that are subject to market mitigation measures may not be sold at a price greater than the locational price cap, except as explicitly provided in Sections 5.13.2, 5.13.3 and 5.14.1 of this Tariff.

In addition, any Customer that purchases Unforced Capacity associated with any Generator that is subject to market mitigation measures in an ISO-administered auction may resell that Unforced Capacity in a subsequent auction for no greater than the mitigated price cap in accordance with Sections 5.13.2, 5.13.3, and 5.14.1 of this Tariff. The ISO shall inform Customers that purchase Unforced Capacity in an ISO-administered auction of the amount of Unforced Capacity they have purchased that is subject to market mitigation measures.

The ISO shall have the right to audit all executed Installed Capacity contracts and related documentation of arrangements by an LSE to use its own generation to meet its Locational

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Installed Capacity Requirement for an upcoming Obligation Procurement Period.

5.12 Requirements Applicable to Installed Capacity Suppliers

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5.12.2 Additional Provisions Applicable to External Installed Capacity Suppliers

External Generators, External System Resources, and Control Area System Resources qualify as Installed Capacity Suppliers if they demonstrate to the satisfaction of the NYISO that the Installed Capacity Equivalent of their Unforced Capacity is deliverable to the NYCA or, in the case of a UDR, to the NYCA interface associated with that UDR transmission facility and will not be recalled or curtailed by an External Control Area to satisfy its own Control Area Loads, or, in the ~~alternative~~ case of Control Area System Resources, if they demonstrate that the External Control Area will afford the NYCA Load the same curtailment priority that they afford their own Control Area Native Load Customers. The amount of Unforced Capacity that may be supplied by such entities qualifying pursuant to the alternative criteria may be reduced by the ISO, pursuant to ISO Procedures, to reflect the possibility of curtailment. Procedures for qualifying and selling External Installed Capacity are detailed in the Installed Capacity Manual.

LSEs with External Installed Capacity as of the effective date of this Tariff will be entitled to designate External Installed Capacity at the same NYCA Interface with another Control Area, in the same amounts in effect on the effective date of this Tariff. To the extent such External Installed Capacity corresponds to Existing Transmission Capacity for Native Load as reflected in Table 3 of Attachment L to the ISO OATT, these External Installed Capacity rights will continue without term and shall be allocated to the LSE's retail access customers in accordance with the LSE's retail access program on file with the PSC and subject to any necessary filings with the Commission. External Installed Capacity rights existing as of September 17, 1999 that do not correspond to Table 3 of Attachment L to the ISO OATT shall survive for the term of the relevant External Installed Capacity contract or until the relevant External Generator is retired.

[Section 5.12.2 was not originally amended for the UDR proposal - this proposal is blacklined against BIC approved Tariff revisions that are not yet effective.]

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5.12.5 Operating Data Reporting Requirements

To qualify as Installed Capacity Suppliers in the NYCA, Resources shall submit to the

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ISO Operating Data in accordance with this Section 5.12.5 and the ISO Procedures. Resources that do not submit Operating Data in accordance with the following subsections and the ISO Procedures shall be subject to the sanctions provided in Section 5.12.12(a) of this Tariff.

Resources that were not in operation on January 1, 2000 shall submit Operating Data to the ISO no later than one month after such Resources commence commercial operation, and in accordance with the ISO Procedures and the following subsections as applicable.

[...]

**5.12.5(d) Transmission Projects Granted Unforced Capacity
Deliverability Rights**

An owner of a transmission project that receives UDRs must, among other obligations, submit outage data and other operational information in accordance with ISO NYISO procedures to allow the NYISO to determine the number of UDRs associated with that transmission facility.

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