

Unforced Capacity that it has or has obtained for the upcoming Obligation Procurement Period, pursuant to Section 5.11.2 of the ISO Services Tariff. LSEs attempting to credit against their LSE Unforced Capacity Obligations any Unforced Capacity that they hold in excess of their Minimum Unforced Capacity Requirement must certify such Unforced Capacity when submitting their Installed Capacity certifications.

### 5.1.1 General Auction Requirements

The ISO shall conduct regular auctions at the times specified in Section 5.13.1 of the ISO Services Tariff and under the applicable Capability Period on the Installed Capacity (ICAP) Market page of the NYISO website ([www.nyiso.com/markets/icapinfo.html](http://www.nyiso.com/markets/icapinfo.html)). Installed Capacity Suppliers, LSEs and Installed Capacity Marketers that are Customers under the ISO Services Tariff will be allowed to participate in Installed Capacity auctions, provided that they satisfy the creditworthiness requirements set forth in Section 11.0 of the ISO OATT.

Offers to sell and Bids to purchase Unforced Capacity shall be made in \$/kW for the time period appropriate to the auction. The ISO shall impose no limits on Bids or offers in any auction, except to the extent required by any applicable capacity market mitigation measures in accordance with Attachment H of the ISO Services Tariff.

Installed Capacity Suppliers that wish to participate in an ISO-administered auction must submit completed certification forms to the ISO in accordance with the timeline posted under the applicable Capability Period on the Installed Capacity (ICAP) Market page of the NYISO website ([www.nyiso.com/markets/icapinfo.html](http://www.nyiso.com/markets/icapinfo.html)), demonstrating that their Unforced Capacity has not been committed to a Bilateral Transaction.

Unforced Capacity associated with In-City generation that is subject to FERC-approved capacity market mitigation measures is required to be offered for sale in the ICAP Spot Market Auction to the extent that such Unforced Capacity has not been sold in prior auctions for the Obligation Procurement Period.

## 5.2 Capability Period Auctions

A Capability Period Auction will be conducted no later than thirty (30) days prior to the start of each Capability Period in which Unforced Capacity will be purchased and sold for the entire duration of the Capability Period. The exact date of the Capability Period Auction shall be established under the applicable Capability Period on the Installed Capacity (ICAP) Market page of the NYISO website ([www.nyiso.com/markets/icapinfo.html](http://www.nyiso.com/markets/icapinfo.html)).

The Capability Period Auction will be conducted and solved simultaneously to purchase Unforced Capacity which may be used by an LSE toward all components of its LSE Unforced Capacity Obligation for each Obligation Procurement Period. Participation shall consist of: (i) LSEs seeking to purchase Unforced Capacity; (ii) any other entity

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seeking to purchase Unforced Capacity; (iii) qualified Installed Capacity Suppliers; and (iv) any other entity that owns excess Unforced Capacity.

Buyers that are awarded Unforced Capacity shall pay the applicable Market-Clearing Price of Unforced Capacity in the Capability Period Auction. Sellers that are selected to provide Unforced Capacity shall receive the applicable Market-Clearing Price of Unforced Capacity in the Capability Period Auction, except in the case of In-City generation that is subject to capacity market mitigation measures, which shall receive the lesser of the applicable Market-Clearing Price or the annual mitigated price cap, as applied in accordance with Attachment H of the ISO Services Tariff.

Seasonal price caps will be applied to Installed Capacity supplied by In-City generation that is subject to capacity market mitigation measures. These caps will be calculated separately for each individual portfolio of In-City generation and adjusted annually by the ISO with review by the NYPSC, and will provide each owner of In-City generation the opportunity to reach the annual revenue cap of \$105 per kW of capacity (as measured by Summer DMNC) per year. The price caps for each divested generator owner (DGO)  $n$  for Summer and Winter months shall be calculated using the following equations:

$$MSPC_n = \frac{AMPC}{6 \cdot \left( 1 + R_n \cdot \frac{DCL - R}{DCL - 1} \right)}$$

and

$$MWPC_n = MSPC_n \cdot \frac{DCL - R}{DCL - 1},$$

where:

$MSPC_n$  is the price cap during each month of the Summer Capability Period for DGO  $n$ ;

$AMPC$  is the annual mitigated price cap of \$105/kW-year;

$R_n$  is the ratio of (1) the sum of the winter generating capacities of all mitigated in-city generation owned by DGO  $n$  to (2) the sum of the summer generating capacities of all mitigated in-city generation owned by DGO  $n$ ;

$DCL$  is the ratio of (1) the amount of in-city ICAP at which the demand curve reaches a zero price to (2) the in-city ICAP requirement;

$R$  is the ratio of (1) the sum of the winter generating capacities of all in-city generation to (2) the sum of the summer generating capacities of all in-city generation; and

$MWPC_n$  is the price cap during each month of the Winter Capability Period for DGO  $n$ . After consultation between the ISO and owners of In-City generation that is subject to

~~capacity market mitigation measures, shaped Summer and Winter caps will be established each year based on the individual portfolios of In-City generation that is subject to capacity market mitigation measures and adjusted by the ISO with review by the NYPSC such that each owner of In-City generation that is subject to capacity market mitigation measures will have the opportunity to reach the \$105/kW of Summer DMNC/year price cap. The Installed Capacity Working Group will review how the methodology for shaping could be applied to the individual portfolios of the In-City generation that is subject to capacity market mitigation measures consistent with the approved February 13, 2003 Management Committee Demand Curve motion. These~~ calculations will be performed each Spring for the upcoming Capability Year and will be based on the most recent Summer and Winter Capability Period DMNCs available at the time for ~~each portfolio of all~~ In-City generation ~~that is subject to capacity market mitigation measures. The calculation will also take into account the applicable Demand Curve price differential for the relative total Summer and Winter DMNCs of the available resources in the New York City Locality.~~ The monthly price caps will be posted under the applicable Capability Period on the Installed Capacity (ICAP) Market page of the NYISO website ([www.nyiso.com/markets/icapinfo.html](http://www.nyiso.com/markets/icapinfo.html)). Any entity that resells Unforced Capacity associated with In-City generation that is subject to capacity market mitigation measures shall receive no greater than the applicable monthly price cap.

If the Market-Clearing Price exceeds the total amount paid to Installed Capacity Suppliers, the ISO shall rebate the Excess Amount pursuant to Section 5.15 of the ISO Services Tariff. Owners of In-City generation that is subject to capacity market mitigation measures are restricted from selling Unforced Capacity to entities for use outside the New York City Locality in the Capability Period Auction.

The results of the Capability Period Auction will be made available to Market Participants at the time specified under the applicable Capability Period on the Installed Capacity (ICAP) Market page of the NYISO website ([www.nyiso.com/markets/icapinfo.html](http://www.nyiso.com/markets/icapinfo.html)), which shall be prior to the start of the Monthly Auction held prior to the beginning of each Capability Period.

## 5.3 Monthly Auctions

Monthly Auctions will be held during which Unforced Capacity may be purchased and sold for the forthcoming Obligation Procurement Period, and any other month or months remaining in the Capability Period, as specified under the applicable Capability Period on the Installed Capacity (ICAP) Market page of the NYISO website ([www.nyiso.com/markets/icapinfo.html](http://www.nyiso.com/markets/icapinfo.html)). The exact dates of each Monthly Auction shall be established under the applicable Capability Period on the Installed Capacity (ICAP) Market page of the NYISO website ([www.nyiso.com/markets/icapinfo.html](http://www.nyiso.com/markets/icapinfo.html)).

Each Monthly Auction will be conducted and solved simultaneously to purchase Unforced Capacity which may be used by an LSE toward all components of its LSE Unforced Capacity Obligation for each Obligation Procurement Period. Participation

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shall consist of: (i) LSEs seeking to purchase Unforced Capacity; (ii) any other entity seeking to purchase Unforced Capacity; (iii) qualified Installed Capacity Suppliers; and (iv) any other entity that owns excess Unforced Capacity.

Buyers that are awarded Unforced Capacity shall pay the applicable Market-Clearing Price of Unforced Capacity in the Monthly Auction. Sellers that are selected to provide Unforced Capacity shall receive the applicable Market-Clearing Price of Unforced Capacity in the Monthly Auction, except in the case of In-City generation that is subject to capacity market mitigation measures which shall receive the lesser of the applicable Market-Clearing Price or the annual mitigated price cap, as applied in accordance with Attachment H of the ISO Services Tariff. Monthly price caps that are applicable to such generation that are consistent with the annual price cap shall be calculated as described in Section 5.2.

~~After consultation between the ISO and owners of In-City generation that is subject to capacity market mitigation measures, shaped Summer and Winter caps will be established each year based on the individual portfolios of In-City generation that is subject to capacity market mitigation measures and adjusted by the ISO with review by the NYPSC such that each owner of In-City generation that is subject to capacity market mitigation measures will have the opportunity to reach the \$105/kW of Summer DMNC/year price cap. The Installed Capacity Working Group will review how the methodology for shaping could be applied to the individual portfolios of the In-City generation that is subject to capacity market mitigation measures consistent with the approved February 13, 2003 Management Committee Demand Curve motion. The calculation will be performed each Spring for the upcoming Capability Year and will be based on the most recent Summer and Winter Capability Period DMNC for each portfolio of In-City generation that is subject to capacity market mitigation measures. The calculation will also take into account the applicable Demand Curve price differential for the relative total Summer and Winter DMNCs of the available resources in the New York City Locality. The monthly price caps will be posted under the applicable Capability Period on the Installed Capacity (ICAP) Market page of the NYISO website ([www.nyiso.com/markets/icapinfo.html](http://www.nyiso.com/markets/icapinfo.html)). Any entity that resells Unforced Capacity associated with In-City generation that is subject to capacity market mitigation measures shall receive no greater than the applicable monthly price cap.~~

If the Market-Clearing Price exceeds the total amount paid to Installed Capacity Suppliers, the ISO shall rebate the Excess Amount pursuant to Section 5.15 of the ISO Services Tariff. Owners of In-City generation that is subject to capacity market mitigation measures are restricted from selling Unforced Capacity to entities for use outside the New York City Locality in the Monthly Auctions.

The results of each Monthly Auction will be made available to Market Participants in accordance with the applicable Capability Period on the Installed Capacity (ICAP) Market page of the NYISO website ([www.nyiso.com/markets/icapinfo.html](http://www.nyiso.com/markets/icapinfo.html)).