

**Draft ICAP Proposed ICAP Tariff Provisions**

**I. Definitions**

The following list contains new and revised definitions used in the Proposed ICAP Tariff Provisions. The Proposed ICAP Tariff Provisions also use a number of other terms that are defined in the ISO Services Tariff (e.g., “Customer,” “External” and “Locality”) which have not been altered and thus are not restated below.

**2.13a Bidder**

An entity that bids to purchase Installed Capacity in an Installed Capacity Auction (“Auction”).

**2.17 Capability Period**

Six month periods which are established as follows: (1) from May 1 through October 31 of each year (“Summer Capability Period”); and (2) from November 1 of each year through April 30 of the following year (“Winter Capability Period”). Each seasonal Capability Period shall consist of On-Peak and Off-Peak periods.

**2.17a Capability Year**

A Summer Capability Period, followed by a Winter Capability Period.

**2.46a DMNC Test Period**

The period during a Capability Period during which a resource’s DMNC test must be conducted if that DMNC test is to be valid for purposes of determining the amount of Installed Capacity that resource is permitted to provide during that Capability Period. This period will be defined for the Summer and Winter Capability Periods ~~in~~ pursuant to the ISO Procedures.

**2.49a Energy Limited Resource**

(NYPA Definition)

#### **2.49b Equivalent Demand Forced Outage Rate**

The portion of time that a Generator or Interruptible Load Resource or System Resource is in demand, but is unavailable due to a Forced Outage or partial de-rating due to inability to operate at full Capacity.

#### **2.59a Forced Outage**

An outage that cannot be postponed ~~beyond the end of~~ until the next weekend.

#### **2.59b GADS Data**

Data regarding Generator Availability that is collected in connection with NERC's Generating Availability Data System.

#### **2.61 Generator Class**

A category of Generators, established by the NERC, with common operating ~~and Availability~~ characteristics, which the ISO may use as the basis for determining the Availability of Generators that seek to qualify as Installed Capacity Suppliers during the 2000 Summer Capability Period but which fail to provide the necessary GADS or equivalent GADS data, required by the Stage II Installed Capacity provisions set forth in Sections 5.14 - 5.17 of this Tariff.

#### **2.74 Installed Capacity**

External or Internal ~~generation~~ Capacity that is continuously made available for the entire duration of an ~~Installed Capacity~~ Obligation Procurement Period for the purpose of satisfying the NYCA's Installed Reserve Requirement.

#### **2.74a Installed Capacity Marketer**

An entity which has signed this Tariff and which purchases Unforced Capacity Credits from qualified Installed Capacity Suppliers, for resale in the NYCA.

#### **~~2.74b Installed Capacity Period~~**

~~The period of time during which each LSE shall be required to satisfy its Installed Capacity requirement by procuring and holding a number of Unforced Capacity Credits at least equal to the number of Unforced Capacity Debits allocated to it by the ISO for that period. Under the Stage I and Stage II Installed Capacity provisions, set forth in Section 5.10 – 5.17 of this Tariff, Installed Capacity Periods shall begin and end on the same dates as the seasonal Capability Periods defined by Section 2.17 of this Tariff.~~

#### **2.74e Installed Capacity Supplier**

A During the period that the Stage I Installed Capacity provisions, set forth in Sections 5.10 - 5.13 of this Tariff, are in effect, a Generator, Installed Capacity Marketer or Interruptible Load, Interruptible Load Resource or System Resource that satisfies the ISO's qualification requirements for selling Installed Capacity within the NYCA. During the period that the Stage II Installed Capacity provisions, set forth in Sections 5.14 - 5.17 of this Tariff, are in effect, a Generator, Installed Capacity Marketer, Interruptible Load Resource or System Resource that satisfies the ISO's qualification requirements for selling Unforced Capacity Credits within the NYCA.

#### **2.99a Maintenance Outage**

An outage that can be postponed ~~beyond the end of~~ until the next weekend, but requires the Generator or Interruptible Load Resource to be removed before the next planned outage.

#### **2.102a Market-Clearing Price**

Market Clearing Price is the price determined in an Installed Capacity Auction for each ISO recognized Locality and Control Area for which all offers to sell and bids to purchase Installed Capacity in that Locality or Control Area are in equilibrium.

### **2.122a Obligation Procurement Period**

The period of time during which each LSE shall be required to satisfy its Installed Capacity requirement by procuring and holding a number of Unforced Capacity Credits at least equal to the number of Unforced Capacity Debits allocated to it by the ISO for that period. Under the Stage I and Stage II Installed Capacity provisions, set forth in Section 5.10 - 5.17 of this Tariff, Obligation Procurement Periods shall begin and end on the same dates as the seasonal Capability Periods defined by Section 2.17 of this Tariff.

### **2.123a Offeror**

An entity that offers to sell Installed Capacity in the Auction.

### **2.172a Special Cases**

Distributed Generators, Interruptible Load Resources, Municipally-Owned Generators, Energy Limited Resources and Intermittent Power Sources that are subject to special rules in order to facilitate their participation in the Installed Capacity market as Installed Capacity Suppliers.

### **2.177a System Resource**

A portfolio of Generators located in a single Locality and owned by a single entity that is made available to the ISO as a unit. System Resources may be External or Internal to the NYCA.

### **2.194a Unforced Capacity**

The standard by which Generators ~~and~~, Interruptible Load Resources and System Resources will be rated, in accordance with formulae to be included in the ISO Procedures, on the basis of their

respective Equivalent Demand Forced Outage Rates, ~~or the purpose of more accurately measuring~~ for a more accurate accounting of the extent of their contribution to satisfying the NYCA's Installed Reserve Requirement.

#### **2.194b Unforced Capacity Credit**

An accounting mechanism representing an entitlement to one MW of Unforced Capacity.

#### **2.194c Unforced Capacity Debit**

An accounting mechanism representing an obligation to obtain one MW of Unforced Capacity.

#### **~~Other Definitions (to be added)~~**

~~Energy Limited Resource (NYPA definition)~~

~~Installed Reserve Requirement~~

~~Customer Tagging Procedures/Tag (??)~~

~~System Resources~~

~~Auction/Installed Capacity Period Auction/Monthly Auction/Deficiency Procurement Auction~~

~~Special Cases~~

#### **II. Provisions**

### **5.9 Installed Capacity – Staged Implementation of an Installed Capacity Market**

#### **5.9.1 Stage I Installed Capacity Provisions**

Unless the Stage II Installed Capacity provisions of Section 5.14 -5.17 of this Tariff have previously become effective pursuant to Section 5.9.2, below, the Stage I Installed Capacity provisions set forth in Sections 5.10 - 5.13 of this Tariff shall govern Installed Capacity Requirements in the NYCA during the 2000 Summer Capability Period, which begins on May 1, 2000, and shall remain in effect such time as the Stage II Installed Capacity provisions are implemented pursuant to Section 5.9.2, below. –

#### **5.9.2 Stage II Installed Capacity Provisions**

The Stage I Installed Capacity provisions shall be superseded by the Stage II Installed Capacity provisions of Sections 5.14 - 5.17 of this Tariff as soon as possible after the Stage II Installed Capacity provisions are approved by the Commission. If the Commission approves the Stage II Installed Capacity provisions no later than March \_\_, 2000, and if they may be at least partially implemented pursuant to Section 5.9.3 of this Tariff, then the Stage II Installed Capacity provisions shall become effective for the 2000 Summer Capability Period and the Stage I Installed Capacity provisions shall never go into effect. If the Commission does not approve the Stage II Installed Capacity provisions by that date, the Stage I Installed Capacity provisions shall remain in effect until the first Capability Period that begins at least 90 days after the Commission approves the Stage II Installed Capacity provisions, provided that they may be at least partially implemented by the ISO, pursuant to Section 5.9.3 of this Tariff, during that Capability Period.

As is set forth in more detail below, the Stage II Installed Capacity provisions differ from the Stage I provisions in a number of respects. Most notably, the Stage II Installed Capacity provisions express the NYCA's Installed Reserve Requirement, and rate Generators, Interruptible Load Resources and System Resources, in terms of Unforced Capacity.

### **5.9.3 Partial Implementation of Stage II Installed Capacity Provisions**

In the event that the Commission has approved the Stage II Installed Capacity provisions but software, communications, data or other technical problems make the full implementation of the Stage II Installed Capacity provisions in the next ~~Installed Capacity~~ Obligation Procurement Period impossible, the ISO shall nevertheless implement those provisions to the greatest extent possible, consistent with this Section.

#### **5.9.3(a) Partial Implementation of Unforced Capacity Provisions**

If the ISO determines that problems pertaining to the availability, collection or analysis of GADS will delay ~~the~~ its ability to use GADS Data to perform Unforced Capacity calculations pursuant to the Stage II Installed Capacity provisions, the ISO shall use NERC Generator Class averages to determine the Availability of each Generator or Interruptible Load Resource, and shall use those averages to make Unforced Capacity calculations, until such time as the ISO is able to collect adequate GADS data.

### **5.9.3(b) Partial Implementation of Load-Shifting Provisions**

If the ISO and the Transmission Owners are unable to develop Tagging Procedures that permit accurate tracking of Load-shifts among LSEs on a daily basis this Subsection shall apply until such Tagging Procedures are in place. Each LSE shall be required to publish the ~~total~~ average price it paid for its Unforced Capacity Credits, ~~and the number of Unforced Capacity Credits it purchased,~~ prior to the beginning of each ~~Installed Capacity~~ Installed Capacity Obligation Procurement Period. Each LSE that gains Load during an ~~Installed Capacity~~ Installed Capacity Obligation Procurement Period shall pay the LSE that loses the Load an amount per MW equal, on a pro-rated to the daily basis, to the amount per MW that the Load-losing LSE paid for Unforced Capacity Credits prior to the start of the ~~Installed Capacity~~ Installed Capacity Obligation Procurement Period until the next Installed Capacity Auction. On the day of the next Installed Capacity Auction, the Load-gaining LSE's obligation to make, and the Load-losing LSE's obligation to accept, such payments shall cease. The Load-gaining LSE shall then be allocated an appropriate number of Unforced Capacity Debits by the ISO and shall be responsible for procuring an offsetting number of Unforced Capacity Credits for the remainder of the current ~~Installed Capacity~~ Installed Capacity Obligation Procurement Period, and for future Installed Capacity periods. At the same time, the Load-losing LSE shall be permitted to sell any surplus Unforced Capacity Credits.

Load-gaining and Load-losing LSEs shall be required to provide the ISO with notice and verification of all Load-shifting as soon as possible after it occurs.

## **5.10 Stage I LSE Installed Capacity Requirements**

### **5.10.1 Establishment of Stage I LSE Installed Capacity Requirement**

All LSEs serving Load in the NYCA, whether through purchases in the ISO Administered Markets or Bilateral Transactions or any combination thereof, must comply with the Installed Capacity requirements set forth in this Tariff. The ISO shall calculate each LSE's annual Installed Capacity requirement in accordance with the total Installed Capacity requirement established by the NYSRC, including the location of Installed Capacity both Internal and External to the NYCA. The ISO shall also calculate each LSE's Locational Installed Capacity requirement pursuant to Section 5.10.4 of this Tariff.

### **5.10.2 Stage I NYCA Installed Capacity Requirement**

The Installed Capacity requirement for the NYCA will be established by the NYSRC for the Capability Year beginning each May 1. The ISO will determine the amount of Installed Capacity that must be sited within the NYCA and the amount of Installed Capacity that may be procured from areas external to the NYCA, while meeting NYSRC Reliability Rules.

### **5.10.3 Stage I Allocation of Installed Capacity Obligations to LSEs**

The ISO shall calculate the Installed Capacity requirement for each LSE using a two-step procedure. First, an Installed Capacity requirement will be calculated for each Transmission District. Second, the Installed Capacity requirement for each Transmission District will then be allocated among all LSEs that serve Load in that Transmission District.



The ISO shall calculate a preliminary Installed Capacity estimate for each LSE and provide it to each LSE no later than March 22nd each year. The ISO shall notify each LSE of its final Installed Capacity Requirement on April 10th each year

The Installed Capacity requirement for each winter-peaking Transmission District shall be  $(1 + X/100)$  times the Load in that Transmission District during that Transmission District's peak hour for the ~~Installed Capacity~~ Obligation Procurement Period corresponding with a Winter Capability Period. (The peak hour is the hour in each ~~Installed Capacity~~ Obligation Procurement Period in which the Load in a Transmission District is the highest, and X is the reserve requirement margin defined by the ISO that is applicable to each Transmission District.) During the subsequent ~~Installed Capacity~~ Obligation Procurement Period corresponding with a Summer Capability Period, the Installed Capacity requirement for each winter-peaking Transmission District shall be the lower of either: (a)  $(X/100)$  times the Load in that Transmission District during its peak hour for the preceding Winter Capability Period; or (b)  $(3/2 X/100)$  times the Load in that Transmission District during its peak hour for that Summer Capability Period; plus (c) the Load in that Transmission District during its peak hour for that Capability Period (i.e., the summer reserve margin for that Transmission District is capped at  $3/2 X$  percent of the summer peak hour Load).

The Installed Capacity requirement for each summer-peaking Transmission District for both Summer and Winter Capability Periods shall be  $(1 + X/100)$  times the Load in that Transmission District during that Transmission District's summer peak hour.

An adjusted peak Load will be determined for each LSE, for each ~~Installed Capacity~~ Obligation Procurement Period, and for each Transmission District in which that LSE -serves Load. The adjusted peak Load will be equal to the greater of: (a) the amount of Energy consumed by that LSE's customers

within that Transmission District during that Transmission District's peak hour for either the time period containing that ~~Installed Capacity~~ Obligation Procurement Period or the immediately preceding ~~Installed Capacity~~ Obligation Procurement Period, wherever the Transmission District's peak load was greater; or (b) the average amount of Energy consumed by that LSE's customers within that Transmission District over the duration of the ~~Installed Capacity~~ Obligation Procurement Period in which the Transmission District's highest peak load occurred.

Each LSE's share of the Installed Capacity requirement for a Transmission District during a given ~~Installed Capacity~~ Obligation Procurement Period will be calculated by multiplying that Transmission District's Installed Capacity Requirement for that ~~Installed Capacity~~ Obligation Procurement Period by the ratio of that LSE's adjusted peak Load for that Transmission District and ~~Installed Capacity~~ Obligation Procurement Period to the sum of the adjusted peak Loads for all LSEs serving Load in that Transmission District in that ~~Installed Capacity~~ Obligation Procurement Period. Each LSE's total Installed Capacity requirement will be equal to the sum of its shares of the Installed Capacity requirements in the Transmission Districts in which it serves Load.

In cases in which a Load is served by different LSEs over the course of an ~~Installed Capacity~~ Obligation Procurement Period, item (a) in the above calculation of an LSEs adjusted peak Load will be modified. It will be replaced by the following quantity, which will be calculated for each Load, summed over all Loads as follows: the amount of Energy consumed by each Load within that Transmission District during that Transmission District's peak hour for either the time period containing that ~~Installed Capacity~~ Obligation Procurement Period or the immediately preceding ~~Installed Capacity~~ Obligation Procurement Period, wherever the Transmission District's peak load was greater, multiplied by the ratio of the amount of Energy consumed by that Load within that Transmission District while it was served by

that LSE during that ~~Installed Capacity~~ Obligation Procurement Period to the total amount of Energy consumed by that Load in the Transmission District during the ~~Installed Capacity~~ Obligation Procurement Period. Thus, if 10MW of Load is transferred from LSE A to LSE B during an ~~Installed Capacity~~ Obligation Procurement Period such that LSE A and LSE B, respectively, supply 60% and 40% of that Load's Energy during the ~~Installed Capacity~~ Obligation Procurement Period, LSE A will have Installed Capacity responsibility for 6MW of Load and LSE B will have Installed Capacity responsibility for 4MW of Load. Both LSE A and LSE B must comply with Locational Installed Capacity requirements.

#### **5.10.4 Stage I Locational LSE Installed Capacity Requirements**

The ISO will determine the Locational Installed Capacity Requirements applicable to each LSE. In establishing Locational Installed Capacity Requirements, the ISO will take into account all relevant considerations, including the total Installed Capacity requirements, the NYS Power System transmission Interface Transfer Capability, and the Reliability Rules.

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.

Each LSE will secure at least the required amount of Installed Capacity for the upcoming ~~Installed Capacity~~ Obligation Procurement Period from resources consistent with the locational requirements established by the ISO.

Each LSE will submit to the ISO either: (i) copies of all executed Installed Capacity contracts (excluding pricing information) and documentation of arrangements by the LSE to use its own

Generation to meet its requirement for the upcoming ~~Installed Capacity~~ Obligation Procurement Period; or (ii) submit completed certification forms, to be provided by the ISO, describing such contracts and arrangements.

Each LSE also will submit the following information to the ISO, in accordance with ISO Procedures, for determining Installed Capacity requirements: (a) Load name and location (zone); (b) its forecasted demand within each Transmission District coincident with that Transmission District's independent (non-coincident with NYCA) peak for the period containing the upcoming ~~Installed Capacity~~ Obligation Procurement Period and the ~~Installed Capacity~~ Obligation Procurement Period immediately preceding it; (c) its forecasted average demand within each Transmission District for the upcoming ~~Installed Capacity~~ Obligation Procurement Period; (d) its forecasted demand within each Locality coincident with that Locality's independent (non-coincident with NYCA) peak load for the period containing the upcoming ~~Installed Capacity~~ Obligation Procurement Period and the ~~Installed Capacity~~ Obligation Procurement Period immediately preceding it; and (e) its forecasted average demand within each Locality for the upcoming ~~Installed Capacity~~ Obligation Procurement Period.

Each LSE will satisfy the ISO's documentation requirements no later than thirty (30) days prior to the beginning of the upcoming ~~Installed Capacity~~ Obligation Procurement Period to demonstrate adequate Installed Capacity for that ~~Installed Capacity~~ Obligation Procurement Period.

## **5.11 Stage I Installed Capacity Supplier Requirements**

### **5.11.1 Qualification Requirements for Installed Capacity Suppliers**

~~Suppliers of~~ Installed Capacity Suppliers to the NYCA shall: (i) provide information reasonably requested by the ISO including the name and location of Generators and Interruptible Load Resources; (ii) provide documentation to the ISO of Dependable Maximum Net Capability ("DMNC") testing no

more than twelve (12) months old for a Generator for each Installed Capacity Obligation Procurement Period (or historical production data by Installed Capacity Obligation Procurement Period no more than twelve (12) months old or documentation of sustained disconnection for one (1) hour or longer, no more than one (1) year old for an Interruptible Load Resource, in accordance with ISO Procedures; (iii) abide by the ISO Generator maintenance coordination procedures; (iv) provide the expected return date from any outages (including partial outages) to the ISO and to the Transmission Owner to which the Generator is electrically interconnected; (v) not utilize the same Installed Capacity for more than one (1) buyer at the same time; (vi) if the resource is a Generator, either use it in Day-Ahead Bilateral Transactions to supply Load within the NYCA or bid it into the Day-Ahead Energy Market, unless the Generator is unable to meet its commitments due to a maintenance or forced outage), (such bids may be entered by the Generator or by a designated agent but in either case the Generator shall be responsible for ensuring that bids are submitted and subject to sanctions under Section 5.13.2 if they are not); (vii) if the resource is an Interruptible Load Resource, make a Bid in the Day-Ahead Market for both Energy and Operating Reserves; and (viii) abide by ISO Procedures.

#### **5.11.2 Additional Qualification Requirements Applicable to External Installed Capacity Suppliers**

External Generators may not qualify as Installed Capacity Suppliers unless they demonstrate that their Installed Capacity is deliverable to the NYCA and will not be recalled or curtailed by an External Control Area to satisfy its Load requirements. Alternatively, a curtailable External Supplier that administers its own Control Area may qualify to sell Installed Capacity in the NYCA if it can demonstrate to the ISO's satisfaction that it will afford its NYCA Load the same curtailment priority

that it affords its own native Load. Installed Capacity supplied by such curtailable External Suppliers will be de-rated by the ISO to reflect the possibility of curtailment.

### **5.11.3 ~~5.11.1~~ Bidding and Scheduling Requirements of Installed Capacity Suppliers**

Installed Capacity Suppliers must bid or schedule in each hour of the Day-Ahead Market each day the full amount of Installed Capacity which has been sold to an entity in the NYCA unless the Installed Capacity Supplier has notified the ISO of a planned or forced outage or partial derating for the day. The sum of the MWs accounted for through the combination of bidding scheduling and outage notification must equal the amount of Installed Capacity sold to the NYCA.

If not selected to provide Energy or Operating Reserves in the Day-Ahead Market, an Installed Capacity Supplier may participate in the Real-Time Market or in other Energy markets, Bilateral Transactions, or Transactions with other Control Areas subject to Reliability Rules and ISO Procedures, including the ISO's right to recall energy associated with Installed Capacity at any time at the ~~market clearing price~~ Market-Clearing Price of energy in the area where the recall occurred.

~~Generators not participating~~ and System Resources that have not qualified as Installed Capacity Suppliers ~~may remain eligible for the Installed Capacity market~~ prior to the start of an Obligation Procurement Period may nevertheless become Installed Capacity Suppliers during that Obligation Procurement Period. In order to remain eligible ~~they~~ to become Installed Capacity Suppliers, such Generators and System Resources must adhere to the ISO Day-Ahead Market start-up time requirements for reliability during the Installed Capacity period (unless they are on maintenance or forced outage). ~~To remain eligible, Installed Capacity Suppliers must~~ Such Generators and System Resources must also adhere to the requirements of Section ~~5.11.2~~ 5.11.4 of this Tariff.

### **5.11.2 5.11.4 Maintenance Scheduling Requirements of Installed Capacity Suppliers**

All Generators and System Resources, except for External System Resources that are Control Areas, intending to supply Installed Capacity in the NYCA must submit a confidential notification to the ISO of their proposed outage schedules in accordance with NPCC time schedules. Such Generators will provide three (3) year schedules of their annual scheduled outages by July 1 (*i.e.*, six (6) months before the start of each calendar year.) Transmission Owners will be notified of these and subsequently revised outage schedules. Based upon a reliability assessment, if Operating Reserve deficiencies are projected to occur in certain weeks for the upcoming calendar year, the ISO will request voluntary maintenance re-scheduling. In the case of Generators actually supplying Installed Capacity in the NYCA, if voluntary re-scheduling is ineffective, the ISO will invoke forced re-scheduling of their outages to ensure that projected Operating Reserves over the upcoming year are adequate. This re-scheduling will be based on ISO Procedures. A Supplier that intends to supply Installed Capacity in an upcoming year must notify the ISO by July 1 of the prior year so the Supplier can be subjected to forced re-scheduling of its proposed maintenance outage scheduled by the ISO, in the event that it actually becomes an Installed Capacity Supplier.

In the case of External System Resources that is a Control Area, maintenance schedules for interconnections linking such External System Resources to the NYCA shall be coordinated by the External System Resource and the ISO.

## **5.12 Stage I Installed Capacity Acquisitions**

### **5.12.1 Installed Capacity Acquisitions Through ISO-Administered Auctions**

An LSE- Any LSE, including LSEs that gain new Load during an Obligation Procurement Period, may choose to satisfy its Installed Capacity requirements through an ISO-facilitated auction for

Installed Capacity resources, which will use Bids from ~~Generators or Interruptible Load Resources.~~ A ~~Bid-based auction~~ Installed Capacity Suppliers. Bid-based auctions will be held upon an LSE's request for an auction. ~~The auction~~ Auctions may make available Installed Capacity resources for an ~~Installed Capacity~~ Obligation Procurement Period to meet the ISO requirements including Locational Installed Capacity Requirements, and may establish a separate ~~market clearing price~~ Market-Clearing Price for each Locality and for the remainder of the NYCA. Each LSE purchasing Installed Capacity in ~~the an~~ an auction will pay the ~~market clearing price(s)~~ Market-Clearing Price(s) for Installed Capacity resources for the Locality where it requested the resource to be located. Each LSE requesting Installed Capacity will be pro-rated Installed Capacity resources at auction per their request and in the proper Locality and be charged accordingly. In establishing bidding rules, the ISO will accommodate requirements related to tax-exempt bonds. The ISO will enforce market power mitigation measures as approved by the Commission in the auction. Each auction will be conducted in accordance with the detailed procedures set forth in the ~~ISO~~ ISO's Stage I Auction Procedures, ~~which were filed in connection with the Stage I Installed Capacity provisions, and~~ which are derived from the "interim" auction procedures that the ISO filed on August 10, 1999 and September 17, 1999 in Docket Nos. ER97-1523-012, *et. al.*, as revised in compliance with the Commission's October 27, 1999 Order, and in order to accommodate Load-shifting during an Obligation Procurement Period.

### **5.12.2 Installed Capacity Acquisitions Through Bilateral Contracts**

Bilateral contracts for Installed Capacity will be permitted for those LSEs desiring to engage in such Transactions and will be separate from the auction process.

### **5.12.3 Installed Capacity Acquisition From External Resources**



LSEs may receive Installed Capacity credit for meeting Installed Capacity requirements from Generators located outside the NYCA and from External System Resources provided that ~~those~~ ~~Generators meet~~ the ISO requirements for Installed Capacity ~~suppliers~~ Suppliers are met. Subject to provisions for existing contracts for External Installed Capacity, the amount of Installed Capacity provided by Generators located outside the NYCA and External System Resources will be limited to a level, to be determined by the ISO, which will not reduce the interconnection assistance benefits from neighboring Control Areas. LSEs with External Installed Capacity as of the effective date of the 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 the Tariff. To the extent such External Installed Capacity corresponds to Existing Transmission Capacity for Native Load as reflected in Table 3 to 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 the effective date of the Tariff that do not correspond to Table 3 of Attachment L to the ISO OATT shall survive for the term of the External Installed Capacity contract or until the External Generator is retired.

## **5.13 Stage I Installed Capacity Deficiencies**

### **5.13.1 LSE Deficiencies**

Each LSE shall be required to demonstrate that it has satisfied its Installed Capacity requirement, as determined under Section 5.10.3 of this Tariff, prior to the start of each ~~Installed Capacity~~ Obligation Procurement Period by submitting required documentation to the ISO no later than ten (10) days prior to beginning of an ~~Installed Capacity~~ Obligation Procurement Period and no later

than the twentieth (20th) day of the month preceding each month during an Installed Capacity Obligation Procurement Period. Any LSE that fails to make the required certification shall be assessed an up-front deficiency charge to be calculated as follows.

An LSE's ~~Up-Front~~ up-front ~~Installed Capacity Deficiency Charge~~ deficiency charge shall be calculated as the product of: (a) the number of MWs of Installed Capacity by which a LSE is deficient; and (b) the ISO's deficiency charge per MW for that Installed Capacity Obligation Procurement Period.

The Installed Capacity deficiency charge shall be as follows:

LOCATION	INTERIM FIRST THREE YEARS	END-STATE AFTER THREE YEARS
<b>In-City New York City (LBMP Load Zone)</b>	<b>\$75/kW per <u>Installed Capacity Obligation Procurement</u> Period</b>	<b>3 Times Localized Levelized Embedded Cost of GT</b>
<b>Long Island (LBMP Load Zone K)</b>	<b>Year 1: \$60/kW per <u>Installed Capacity Obligation Procurement</u> Period Year 2: \$65/kW per <u>Installed Capacity Obligation Procurement</u> Period Year 3: \$70/kW per <u>Installed Capacity Obligation Procurement</u> Period</b>	<b>3 Times Localized Levelized Embedded Cost of GT</b>
<b>All Other LBMP Load Zones in New York</b>	<b>Year 1: \$52.5/kW per <u>Installed Capacity Obligation Procurement</u> Period Year 2: \$57.5 Year 3: \$62.5</b>	<b>3 Times Localized Levelized Embedded Cost of GT</b>

(In addition, on the twenty-third (23rd) day of the month immediately preceding the start of an Installed Capacity Obligation Procurement Period, the ISO shall conduct an Installed Capacity Deficiency Procurement Auction and shall purchase Installed Capacity on behalf of any LSEs that have

failed to certify that they have met their Installed Capacity requirement for the coming ~~Installed Capacity~~ Obligation Procurement Period. The ISO will solicit bids from all qualified Installed Capacity Suppliers and ~~shall pay the higher of market clearing price, subject~~ will bid into the Deficiency Procurement Auction at a level equal to any Locational price caps, or the deficiency charge calculated pursuant to the above Table.) established above. Installed Capacity Suppliers selected in the Auction will receive the lesser of a pro-rated portion of the LSE's deficiency charge, or the Market-Clearing Price, subject to any applicable Locational price caps.

~~In addition, any~~ Any LSE that gains Load during an ~~Installed Capacity~~ Obligation Procurement Period shall be subject to a pro-rated daily deficiency charge, calculated pursuant to the above Table, for each day that it fails to procure sufficient Installed Capacity to cover the new Load. Such Load-gaining LSEs shall have an opportunity to procure Installed Capacity through monthly auctions, as is described in detail in the Stage I Installed Capacity Auction Procedures.

Any deficiency charges collected by the ISO that are not used to pay Installed Capacity Suppliers in an Installed Capacity Deficiency Procurement Auction will be applied to reduce the Rate Schedule I charge under this Tariff.

### **5.13.2 Installed Capacity Supplier Deficiencies**

The ISO may impose a charge of up to \$100,000 on any Generator that fails to comply with the requirements of Section 5.11 of this Tariff. In addition, the ISO will impose a market-based sanction on each Generator for each hour of non-compliance equal to the product of the amount of Installed Capacity the Generator was qualified to sell for that hour and the LBMP at the Generator's location during that hour. Finally, an Installed Capacity Supplier that fails to demonstrate DMNC equal to or greater than ICAP sold from that unit shall be subject to deficiency charges calculated pursuant to the

Table set forth in Section 5.13.1. Any charges collected by the ISO in connection with these sanctions will be applied to reduce the Rate Schedule I charge under this Tariff.

#### **5.14 Stage II NYCA Installed Capacity Requirement**

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 NYCA Installed Reserve Requirement, expressed in terms of Unforced Capacity. The ISO will forecast a NYCA peak load each year by applying assumed regional growth factors to the prior year's weather-adjusted actual Capability Year peak load. The Installed Reserve Requirement is derived from the NYCA's Installed Reserve Margin, which is established each year by the NYSRC. The Installed Reserve Requirement shall be converted to Unforced Capacity terms by dividing the sum of Unforced Capacity equivalents of each resource evaluated in the NYSRC's annual NYCA Installed Reserve Study by the annual NYCA peak load used in conducting the study. The NYCA Installed Capacity requirement will thus be expressed as a percentage, which shall be greater than 100%, of the annual NYCA peak load.

The ISO shall determine the amount of Installed Capacity that must be sited within the NYCA and the amount of Installed Capacity that may be procured from areas External to the NYCA, in a manner consistent with the Reliability Rules.

#### **5.15 Stage II LSE Installed Capacity Requirements**

##### **5.15.1 Allocation of the NYCA Installed Capacity Requirement to LSEs**

The ISO shall allocate the NYCA Installed Capacity requirement among all of the LSEs serving Load in the NYCA prior to the beginning of each Installed Capability Year. Each LSE's Installed Capacity requirement will equal the product of: (i) the NYCA Installed Capacity requirement; and (ii) the LSE's forecasted peak Load, coincident with the forecasted Capability Year peak load of the

Transmission District in which the LSE is located, divided by the sum of the forecasted peak Loads of each LSE located in the Transmission District coincident with that Transmission District's forecasted Capability Year peak load. Each Transmission District's peak load shall be derived from its weather-adjusted peak load in the previous calendar year.

For purposes of performing the calculations described in the preceding paragraph, each Transmission Owner will submit to the ISO, for its review and approval, a weather-adjusted Capability Year peak load forecast for its Transmission District. Each Transmission District's peak load forecast shall assume, as a starting point, the relevant Transmission District's Capability Year peak load during the prior year, adjusted for regional growth factors and verified load-shifting, and must be submitted no later than February 15th each year. In addition, each Transmission Owner will submit to the ISO, for its review and approval, a Capability Year peak load forecast for each LSE active in the relevant Transmission District. Such forecasts must be accompanied by documentation which indicates whether the LSE or the Transmission Owner prepared each LSE forecast and, if the latter, that the LSE has reviewed and is in agreement with the forecast. All such forecasts must be submitted no later than March 15th each year. Any disputes between LSEs and Transmission Owners concerning such forecasts shall be resolved pursuant to the ISO's Dispute Resolution Procedures.

Based on the forecasts described above, the ISO shall calculate a preliminary Installed Capacity estimate for each LSE, which will reflect verified load-shifting adjustments through the end of February, and provide it to each LSE no later than March 22nd each year. The ISO shall notify each LSE of its final Installed Capacity Requirement on April 10th each year. Each LSE's final Installed Capacity Requirement shall reflect verified Load-shifts as of April 10th, ~~as well as the relevant Transmission Owner's best estimate of Load shifts that will occur.~~ Each month, as LSEs report new Customers or

Customers that have left New York State, the ISO will normalize the requirement for each LSE in the relevant Transmission District through the end of April so that the total Transmission District Installed Capacity requirement remains constant.

### **5.15.2 LSE Obligations**

Each LSE must procure Installed Capacity in an amount equal to its Installed Capacity requirement through purchases in ISO Administered Installed Capacity Auctions and/or Bilateral Transactions. Each LSE must demonstrate to the ISO that it has obtained a sufficient amount of Installed Capacity prior to the beginning of each ~~Installed Capacity~~ Obligation Procurement Period, and again prior to the beginning of each month. To satisfy this requirement, each LSE must submit completed Installed Capacity certification forms to the ISO no later than ten (10) days prior to the beginning of an ~~Installed Capacity~~ Obligation Procurement Period and no later than the twentieth (20th) day of the month preceding each month during an ~~Installed Capacity~~ Obligation Procurement Period. The ISO shall develop appropriate certification forms which shall, at a minimum, require LSEs to designate the total number of Unforced Capacity Credits they have procured and to specify how many Unforced Capacity Credits come from each Locality.

Each LSE's Installed Capacity requirement shall be expressed in terms of Unforced Capacity Debits. When LSEs demonstrate that they have procured Unforced Capacity from Installed Capacity Suppliers they will receive an appropriate number of offsetting Unforced Capacity Credits.

LSEs that fail to satisfy their Installed Capacity requirement, or that fail to make timely submissions of the required certification forms, shall be subject to deficiency charges pursuant to Section 5.15.5 of this Tariff.

### **5.15.3 Load-Shifting Adjustments**

LSEs' Installed Capacity obligations are expected to vary from day-to-day as Loads shift among LSEs. The ISO shall keep track of Load-shifting using Tagging Procedures, that are to be developed by the ISO in conjunction with the Transmission Owners. The ISO shall, upon notice of a Load-shift by a Load-losing LSE, and verification by the corresponding Load-gaining LSE, reallocate an appropriate number of Unforced Capacity Debits, and where applicable, Unforced Capacity Credits, from the Load-losing LSE to the Load-gaining LSE. The Load-gaining LSE must pay the Load-losing LSE a pro-rated (on a daily basis) portion of the ~~market clearing price~~ Market-Clearing Price of the Unforced Capacity Credits associated with the shifting Load until the time of the next Installed Capacity Auction. At the time of next Installed Capacity Auction, the Load-gaining LSE must procure sufficient Unforced Capacity Credits to cover the shifting Load and the Load-losing LSE may sell any remaining unneeded Unforced Capacity Credits.

The ISO will make monthly adjustments to each LSE's Installed Capacity requirement to reflect Load-Shifting. When the ISO receives notice and verification of a Load-shift, the Installed Capacity requirement associated with it will become the responsibility of the LSE that gains the Load on the day that the Load-shift occurs. In addition, on the tenth day of each month, the ISO shall provide LSEs with a revised Installed Capacity requirement for the following month, which shall reflect all verified Load-shifts as of that date ~~and the relevant Transmission Owner's best estimate of Load shifts that will occur in the relevant Transmission District for the remainder of the current month.~~ Any disputes between LSEs and Transmission Owners concerning Load-shifting shall be resolved pursuant to the ISO's Dispute Resolution Procedures.

#### **5.15.4 LSE Locational Unforced Capacity Requirements**

The ISO will determine the Locational Unforced Capacity Requirements applicable to each LSE. In establishing Locational Unforced 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 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. Any such requirements shall be translated into Unforced Capacity terms. The translation of local ICAP requirements should be based on the appropriate average Equivalent Demand Forced Outage rate for Installed Capacity Suppliers in that Locality, as determined by the ISO.

Each LSE will secure at least the required amount of Unforced Capacity for the upcoming ~~Installed Capacity~~ Obligation Procurement Period from resources consistent with the locational requirements established by the ISO. Unforced Capacity Credits 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. These restrictions are not applicable to the extent that Generators located in the New York City Locality have capacity in excess of the amount that is subject to Market Mitigation Measures. The ISO shall determine how much excess capacity, if any, exists in the New York City Locality prior to the start of each Obligation Procurement Period.

In addition, a purchaser of Unforced Capacity Credits associated with any Generator that is subject to a locational price cap may not resell them at a price greater than the locational price cap. The



locational price caps will be translated into Unforced Capacity terms, subject to the condition that the relative cost of capacity in the New York City Locality will be equal to the cost prior to the translation.

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 Installed Capacity Requirement for an upcoming ~~Installed Capacity~~ Obligation Procurement Period.

#### **5.15.5 LSE Installed Capacity Deficiencies**

~~On~~ An LSE that has failed to satisfy its Installed Capacity requirement by the twenty-third (23rd) day of the month immediately preceding the start of an Installed Capacity Period Obligation Procurement Period shall pay a deficiency charge which shall be calculated as the product of: (a) the number of MWs of Installed Capacity by which a LSE is deficient; and (b) the ISO's deficiency charge per MW for that Obligation Procurement Period. The Installed Capacity deficiency charge per MW shall be established pursuant to the Table set forth in Section 5.13.1 of this Tariff.

In addition, the ISO shall conduct an Installed Capacity Deficiency Procurement Auction and shall purchase Unforced Capacity Credits on behalf of any LSEs ~~that have failed to certify that they have met their Installed Capacity requirement for the coming Installed Capacity Period~~ subject to a deficiency charge. The ISO will solicit bids from all qualified Installed Capacity Suppliers and ~~shall pay the higher of the market clearing price of~~ will bid into the Deficiency Procurement Auction ~~without any price cap, except for any Locational price caps, or~~ at a level equal to the deficiency charge calculated pursuant to the Table set forth in Section 5.13.1, for Unforced Capacity Credits established pursuant to Section 5.13.1 of this Tariff. Installed Capacity Suppliers selected in the Auction will receive the lesser of a pro-rated portion of the LSE's deficiency charge, or the Market-Clearing Price, subject to any

applicable Locational price caps. The ISO will not reveal the number of Unforced Capacity Credits that LSEs are deficient prior to the Deficiency Procurement Auction.

Any deficiency charges collected by the ISO that are not used to pay Installed Capacity Suppliers in an Installed Capacity Deficiency Procurement Auction will be applied to reduce the Rate Schedule I charge under this Tariff.

## **5.16 Stage II Installed Capacity Supplier Requirements**

### **5.16.1 Installed Capacity Supplier Qualification Requirements**

In order to qualify as an Installed Capacity ~~Suppliers,~~ Supplier, Generators or, Interruptible Load Resources or System Resources, other than External System Resources which are Control Areas, rated 1 MW or greater must submit to the ISO: (i) resource-specific information, including but not limited to, the name and location of Generators or Interruptible Load Resources; (ii) in the case of Generators, documentation of Dependable Maximum Net Capability (“DMNC”) testing no more than twelve (12) months old for each ~~Installed Capacity~~ Obligation Procurement Period, or in the case of Interruptible Load Resources, documentation of a sustained interruption for at least four(4) hours, no more than twelve (12) months old; and (iii) in the case of Generators, GADS data on a monthly basis, and, in the case of Interruptible Load Resources, equivalent GADS data that is acceptable to the ISO.

All GADS and, in the case of Interruptible Load Resources, equivalent GADS data, must be received by the ISO no later than the twentieth (20th) day of the month after the end of the month for which a Generator or Interruptible Load Resource’s Availability is being measured. Thus, for example, GADS data for October must be submitted no later than November ~~15~~ 20. If a Generator or Interruptible Load Resource fails to submit data for a month by the deadline the ISO will assign it a zero availability for that month when it calculates its Unforced Capacity for the following year.

In the case of External System Resources which are Control Areas, the information submission and Availability requirements for certification as Installed Capacity Supplier shall be established in the ISO Procedures.

Generators, Interruptible Load Resources or System ~~Generators or Interruptible Load~~ Resources rated below 1 MW may not qualify as ~~Suppliers of Installed Capacity~~ Installed Capacity Suppliers, except for Special Cases which may qualify as Installed Capacity Suppliers if they are rated at 100 kW or higher.

#### **5.16.2 Additional ~~Qualification Requirements for~~ Provisions Applicable to External Installed Capacity Suppliers**

External Generators may not qualify as Installed Capacity Suppliers unless they demonstrate that their Installed Capacity is deliverable to the NYCA and will not be recalled or curtailed by an External Control Area to satisfy its Load requirements. Alternatively, a curtailable External Supplier that administers its own Control Area may qualify to sell Installed Capacity in the NYCA if it can demonstrate to the ISO's satisfaction that it will afford its NYCA Load the same curtailment priority that it affords its own native Load. Installed Capacity supplied by such curtailable External Suppliers will be de-rated by the ISO to reflect the possibility of curtailment.

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.

#### **5.16.3 Installed Capacity Supplier Maintenance Scheduling Requirements**

All Generators and System Resources, except for External System Resources that are Control Areas, intending to supply Installed Capacity in the NYCA must submit a confidential notification to the

ISO of their proposed outage schedules for the next three years no later than January 15th of the of the calendar year in which the upcoming Capability Year begins. Transmission Owners will be notified of these and subsequently revised outage schedules. Based upon a reliability assessment, if Operating Reserve deficiencies are projected to occur in certain weeks for the upcoming calendar year, the ISO will request voluntary maintenance re-scheduling. In the case of Generators actually supplying Installed Capacity in the NYCA, if voluntary re-scheduling is ineffective, the ISO will invoke forced re-scheduling of their outages to ensure that projected Operating Reserves over the upcoming year are adequate. This re-scheduling will be based on ISO Procedures. A Supplier that intends to supply Installed Capacity in an upcoming year must notify the ISO by July 1 of the prior year so the Supplier can be subjected to forced re-scheduling of its proposed maintenance outage scheduled by the ISO, in the event that it actually becomes an Installed Capacity Supplier.

In the case of an External System Resource that is a Control Area, maintenance schedules for interconnections linking such External System Resources to the NYCA shall be coordinated by the External System Resource and the ISO.

Suppliers that intend to offer System Resources as Installed Capacity must also submit daily capacity reserve margins to the ISO, for its review and verification, no later than January 15th of the calendar year in which the upcoming Capability Year begins.

#### **5.16.4 Required Certification That Installed Capacity Has Not Been Resold**

Each Installed Capacity Supplier must submit certification forms to the ISO, no later than ten (10) days prior to the beginning of each ~~Installed Capacity~~ Obligation Procurement Period, and again prior to the beginning of each month, demonstrating that the Installed Capacity it will offer for sale has not been sold elsewhere and, except in the case of curtailable External Installed Capacity Suppliers, that

it can satisfy the recall requirements set forth in Section 5.16.10 of this Tariff. The ISO shall develop appropriate certification forms.

#### **5.16.5 Calculation of Unforced Capacity and Availability**

The ISO shall use a twelve month rolling average of GADS data as the basis for calculating each Generator's and System Resource's, except for System Resources that are Control Areas, Equivalent Demand Forced Outage Rate for the Capability Year, and shall use a twelve month rolling average of GADS equivalent data as the basis for calculating each Interruptible Load Resource's Availability, express in terms of Unforced Capacity, for the Capability Year. The ISO shall use these Equivalent Demand Forced Outage Ratings to calculate each Generator or Interruptible Load Resources Unforced Capacity. Each Generator's Unforced Capacity and each Interruptible Load Resource's Availability shall establish the amount of Installed Capacity that each Generator and Interruptible Load Resource will be authorized to sell in the NYCA Installed Capacity market.

When a Generator or Interruptible Load Resource or System Resource is forced into an outage by an equipment failure, that does not involve equipment ~~owned~~ controlled by the owner, or an affiliate, of the Generator or Interruptible Load Resource or System Resource, the outage will not be counted for purposes of calculating its Equivalent Forced Outage Demand Rate. By contrast, when a Generator or Interruptible Load Resource or System Resource is forced into an outage by an equipment failure, that involves equipment ~~owned~~ controlled by its owner, or an affiliate, the outage will be treated as a Forced Outage for purposes of calculating its Equivalent Forced Outage Demand Rate. Planned outages will not be counted for purposes of calculating Equivalent Forced Outage Demand Rates, although long-term planned outages may ultimately affect the NYCA Installed Reserve Requirement.

The ISO shall calculate each Generator's ~~and~~, Interruptible Load Resource's and System Resource's, other than an External System Resources that is also a Control Area, Equivalent Demand Forced Outage Rate using a formula that will be described in detail in the ISO Procedures, which shall be revised to reflect the terms of this Tariff. The ISO shall determine the equivalent Availability of an External System Resource that is also a Control Area, pursuant to the ISO Procedures.

The ISO will perform separate Summer and Winter ~~Installed Capacity~~ Obligation Procurement Period Unforced Capacity calculations for each Generator to more accurately reflect seasonal variations in their DMNC ratings.

#### **5.16.6 Initial Submissions of GADS Data and Initial Unforced Capacity Calculations**

GADS data from calendar year 1999 shall be incorporated into the ISO's Unforced Capacity calculation for each Supplier of Installed Capacity for the Capability Year that begins on May 1, 2000. All Generators must submit their calendar 1999 GADS data to the ISO no later than January 31, 2000. Generators that did not record GADS data during calendar 1999 may retroactively calculate what their calendar 1999 GADS data would have been using their own records, subject to ISO's supervision and review. Generators that fail to submit their calendar year 1999 GADS data in a timely manner will be assigned an EFORD for the Capability Year beginning May 1, 2000 equal to ~~the lesser of their calendar year 1999 capacity factor, or if the necessary capacity factor information is unavailable, 75% of the average GADS Availability for the applicable NERC Generator Class, or some other number which the ISO determines more reasonably reflects that Generator's Availability.~~

#### **5.16.7 Availability Requirements**

Subsequent to certification, each Installed Capacity Supplier must, except as noted in Section 5.16.11 of this Tariff, demonstrate on a daily basis, ~~demonstrate~~ that its actual Availability, based on

DMNC, corresponds to the amount of ~~Installed~~ Unforced Capacity it has ~~sold~~ been authorized to sell, pursuant to ISO Procedures, by: (i) scheduling a bilateral transaction in each hour of the Day-Ahead Market; (ii) bidding energy in each hour of the Day-Ahead Market; or (iii) notifying the ISO of maintenance or forced or partial generation outages. The total amount of energy that a an Installed Capacity Supplier schedules, bids, or declares to be unavailable, on a given day must equal ~~the amount of Installed Capacity the Supplier sold on that day~~ its DMNC. Installed Capacity Suppliers that are not scheduled through the Day-Ahead Market must submit Recall Bids the following day in accordance with Section 5.16.10 of this Tariff.

Installed Capacity Suppliers that fail to satisfy the requirements of this Subsection will be subject to ISO-imposed sanctions pursuant to Section 5.16.12 of this Tariff.

Internal Generators that are Installed Capacity Suppliers shall be subject to the requirements of this subsection even if Unforced Capacity Credits associated with them are sold in the NYCA by Installed Capacity Marketers. By contrast, External Generators that are ~~that are~~ Installed Capacity Suppliers shall not be subject to the requirements of this subsection if Unforced Capacity Credits associated with them are sold in the NYCA by Installed Capacity Marketers.

#### **5.16.8 Installed Capacity Sales**

Each Installed Capacity Supplier will be allocated a number of Unforced Capacity Credits each month, based on the separate seasonal Unforced Capacity calculations performed by the ISO for the Summer and Winter ~~Installed Capacity~~ Obligation Procurement Periods. Unforced Capacity Credits may be sold to LSEs in a six-month strip, or in monthly segments.

#### **5.16.9 System Resources Sales**

An Installed Capacity Supplier offering to sell Internal System Resources in the Installed Capacity market must submit the GADS and DMNC testing data described in Section 5.16.1 for all of its Generators. Such an Installed Capacity Supplier will be allowed to offer an amount of Unforced Capacity into the Installed Capacity market ~~based on whatever measure~~ that the ISO determines, pursuant to the ISO Procedures, to be equivalent to an Equivalent Demand Forced Outage Rate for that Installed Capacity Supplier. Installed Capacity Suppliers offering to sell System Resources may only aggregate resources on the basis of ISO-defined Localities, as per the ISO Procedures.

#### **5.16.10 Recall Procedures**

All Installed Capacity that is not out on maintenance, on Forced Outage, or scheduled in the Day-Ahead Market may be used to supply energy for use in External Transactions but will be subject to recall at any time by the ISO. Installed Capacity Suppliers that enter into External Transactions must submit Recall Bids defining the price at which the ISO may recall the energy associated with the Installed Capacity they have sold to the NYCA. Recall Bids shall be treated in the same manner as any other bid for purposes of the ISO's Balancing Market Evaluation and may set LBMP in real-time.

#### **5.16.11 Special Cases**

##### **5.16.11(a) Resources That Are Not Visible to the ISO**

Distributed Generators ~~larger~~ rated equal to or greater than 100 kW and Interruptible Load Resources located on a Customer's site that are not visible to the ISO's Market Information System may request a waiver so that they may qualify as Installed Capacity, for purposes of satisfying the Customer's own Installed Capacity requirement, without having to comply with the requirements of Section 5.16.7 of this Tariff.



The ISO will work with Market Participants to implement the necessary procedures to allow Distributed Generators larger than 100 kW and Interruptible Load Resources located on a Customer's site that are not visible to the ISO's Market Information System may qualify as Installed Capacity, and supply ICAP to entities other than the Customer-owner. Suitably sized Distributed Generators and Interruptible Load Resources shall be able qualify if: (i) they are available to operate for a minimum of four (4) hours, at the ~~discretion of the ISO~~ direction of the ISO (except for those subject to operating limitations established by environmental permits, which will not be required to operate in excess of two hours and which will be derated to account for the load serving equivalence of the hours actually available, as determined by the ISO), following notice of the potential need to operate twenty four (24) hours in advance, and a notification to operate two (2) hours ahead; and (ii) they were not operated as a load modifier coincident with the peak upon which the Customer's Installed Capacity requirement is based, unless the Customer's Installed Capacity requirement is adjusted upwards to prevent double-counting. The ISO will have discretion to ~~except~~ exempt Distributed Generators that are incapable of starting in two (2) hours from the requirement to operate on two (2) hours notification. Distributed Generators and Interruptible Load Resources that are not available on certain hours or days will be derated by the ISO to reflect their reduced Availability. Distributed Generators and Interruptible Load Resources will be required comply with ~~validation and verification~~ and validation procedures, to be developed by the ISO, ~~to confirm their operation in accordance with these provisions~~ in consultation with interested Market Participants, by March , 2000. Such procedures will not require metering other than interval billing meters on Customer Load or testing other than DMNC or sustained disconnect, as appropriate, unless agreed to by the Customer.

Transmission Owners that require assistance from Distributed Generators larger than 100 kW and Interruptible Load Resources for ~~voltage~~ Load relief or other purposes, shall direct their requests for assistance to the ISO for implementation consistent with the terms of this Section.

**5.16.11(b) Municipally-Owned Generation**

Municipal utilities that own generation in excess of their load, net of NYPA-provided capacity, may offer the excess capacity for sale as Installed Capacity by operating the generation at the ISO's request, provided that the energy produced is deliverable to the New York State Power System. Such Municipal utilities shall not be required to comply with the requirements of Section ~~5.16.~~ 5.16. of this Tariff.

**5.16.11(c) Energy Limited Resources**

An Energy Limited Resource may qualify as Installed Capacity if it bids into the Installed Capacity market for twenty four (24) hours each day and if it is able to provide the energy equivalent of the claimed Installed Capability for four (4) hours of energy each day ~~and if it bids into the Reserve market for the remaining twenty (20) hours of the day.~~ After an Energy-Limited Resource has provided the energy equivalent of the claimed Installed Capacity for four (4) hours. The ISO will avoid calling on an Energy Limited Resource during those hours in which the ISO knows it will be recharging, or replacing depleted resources, after having been called upon, but may nevertheless call on Energy Limited Resources at such times in emergencies.

**5.16.11(d) Intermittent Power Sources**

Intermittent Power Sources may claim up to their Unforced Capacity as Installed Capacity. When an a wind-driven Intermittent Power Source is unavailable due to a lack of ~~sunlight or~~ wind, the unit shall be considered to be Forced Out.

#### **5.16.11(e) Additional Special Cases**

The ISO will work with the Market Participants to develop new procedures, in addition to those described above, to facilitate the participation of Distributed Generation, Interruptible Load Resources, Energy Limited Resources and Intermittent Power Sources in the NYCA Installed Capacity Market.

#### **5.16.12 Enforcement**

The ISO may impose a charge of up to \$100,000 per event on any Generator that fails to comply with the requirements of Section 5.16.1 or 5.16.7 of this Tariff. In addition, the ISO will impose a market-based sanction on each Generator for each hour of non-compliance equal to the product of the portion of its DMNC, as calculated at the time that the amount of Installed Capacity it was authorized to sell was translated into Unforced Capacity terms, that the Generator was qualified to sell for that hour, and the LBMP at the Generator's location during that hour.

#### **5.16.13 Installed Capacity Supplier Deficiencies**

In the event that an Installed Capacity Supplier's Unforced Capacity for a given month is determined to have been less than the amount of Unforced Capacity that the Generator actually sold for that month, the Generator will be subject to an up-front charge pursuant of up to \$100,000 per event.

In addition, the ISO shall purchase Unforced Capacity Credits on behalf of any deficient Installed Capacity Supplier in the next Installed Capacity Deficiency Procurement Auction conducted pursuant to Section 5.16.5 of this Tariff.

#### **5.17 Stage II Installed Capacity Auctions**

The ISO will administer Installed Capacity Auctions to allow LSEs and Installed Capacity Suppliers that are short on their obligations an opportunity to satisfy their Installed Capacity

requirements. ICAP Suppliers, LSEs and those ICAP Marketers that have signed this Tariff will be allowed to participate in Installed Capacity Auctions. Installed Capacity purchased in Installed Capacity Auctions may not be sold to External Control Areas. Offers to sell and bids to purchase Unforced Capacity Credits shall be made in \$/kW units. The ISO shall impose no limits on bids or offers in any Auction, except to the extent required by Local Market Mitigation Measures.

Installed Capacity Suppliers must submit completed certification forms to the ISO no later than ten days prior to beginning of an Installed Capacity Auction in which they intend to offer Installed Capacity, demonstrating that their Installed Capacity has not been committed to a Bilateral Transaction.

A ~~Installed Capacity~~ Obligation Procurement Period Auction will be conducted thirty (30) days prior to the start of each ~~Installed Capacity~~ Obligation Procurement Period in which Unforced Capacity Credits will be purchased and sold for the entire duration of the ~~Installed Capacity~~ Obligation Procurement Period. The ~~Installed Capacity~~ Obligation Procurement Period Auction may establish ~~market clearing prices~~ Market-Clearing Prices for each Locality within the NYCA and affected External Control Areas. The results of the ~~Installed Capacity~~ Obligation Procurement Period Auction will be made available to Market Participants prior to the start of the Monthly Installed Capacity Auction held prior to the start of each ~~Installed Capacity~~ Obligation Procurement Period.

A Monthly Auction will be held fifteen days prior to the start of each ~~Installed Capacity~~ Obligation Procurement Period, and on the fifteenth day of each month during an ~~Installed Capacity~~ Obligation Procurement Period, during which Unforced Capacity Credits may be purchased and sold for any one or more months in the ~~Installed Capacity~~ Obligation Procurement Period. Installed Capacity Suppliers may offer to sell Unforced Capacity Credits in a Monthly Auction for as long as it possesses them. Each Monthly Auction will establish ~~market clearing prices~~ Market-Clearing Prices for

each Locality within the NYCA and affected External Control Areas. The results of each Monthly Auction will be made available to Market Participants approximately thirteen (13) days prior to the start of the month.

Further detail concerning the ISO's Installed Capacity Auction procedures are provided in the ISO's Stage II Installed Capacity Auction Description which has been filed in conjunction with this Tariff.

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Doc Name: Revised Draft ICAP Tariff

Author: Murphy, Ted, 08239

Last Edit: ~~12/21/99 3:42~~ 12/28/99 6:54 PM

----- COMPARISON OF FOOTNOTES -----

-FOOTNOTE 1-

----- COMPARISON OF FOOTERS -----

-FOOTER 1-

-FOOTER 2-  
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