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July 6, 2001

FILE NO: 55430.000044NY90784

**BY HAND**

The Honorable David P. Boergers  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE, Room 1A  
Washington, D.C. 20426

Docket No. ER01- \_\_\_\_\_ - \_\_\_\_\_

New York Independent System Operator, Inc

Request to Implement a Stage II ICAP Market with an Unforced Capacity  
Methodology and One-Month Obligation Procurement Period, and Request  
for an Expedited, 10 Business Day Period for Filing on the Issue of the  
Translation of the \$105 Price Cap for In-City Mitigated Units

Dear Mr. Boergers,

Pursuant to Section 205 of the Federal Power Act<sup>1</sup> and Section 35.13 of the Federal Energy Regulatory Commission's (the "Commission") regulations,<sup>2</sup> the New York Independent System Operator, Inc. (the "NYISO"), by counsel, requests that the Commission authorize it to (1) implement a market design in the New York electricity markets based on the Unforced Capacity ("UCAP") methodology, and (2) reduce the length of the Obligation Procurement Period (the "OPP") to one month.

The NYISO also requests, as part of the implementation of UCAP, that the Commission determine the appropriate translation into Unforced Capacity terms of the In-City Mitigated units' \$105 price cap. The NYISO requests that the Commission require filings on the issue of translation of the price cap for In-City mitigated units to be made by any interested party on or before July 20, 2001, ten business days from the date of this filing, pursuant to a motion approved by the NYISO Management Committee.<sup>3</sup>

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<sup>1</sup> 16 U.S.C. § 791a-825r.

<sup>2</sup> 18 C.F.R. § 35.13 (2000).

<sup>3</sup> NYISO Management Committee meeting, June 6, 2001, Motion 3.

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The NYISO submits proposed revisions to the Market Administration and Control Area Services Tariff (the "ISO Services Tariff") that would implement such modifications. The NYISO respectfully requests that the Commission issue an order making these revisions effective 60 days after the date of this filing (September 4, 2001), so that the revisions may be implemented for the 2001 Winter Capability Period.

Unless otherwise defined, capitalized terms in this filing letter shall have the meaning set forth in the ISO Services Tariff as amended by the revisions submitted here. Unless otherwise specified, all references to section numbers are references to the ISO Services Tariff as amended by the revisions submitted here. References to Sections effective as of the date of this filing are preceded by the word "current" (for example, "current Section 5.12.1").

#### **I. DOCUMENTS SUBMITTED**

The NYISO submits the following documents:

1. This filing letter;
2. Revised ISO Services Tariff sheets that reflect the revisions requested in this filing (Attachment I);
3. Blacklined revised ISO Services Tariff sheets that show the revisions requested in this filing (Attachment II); and
4. Draft *Federal Register* Notice (Attachment III).

#### **II. EFFECTIVE DATE**

Pursuant to Section 205 of the Federal Power Act and the Commission's regulations and practices, the NYISO proposes to make this filing effective 60 days after the date of this filing (September 4, 2001).

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### **III. COPIES OF CORRESPONDENCE**

Copies of correspondence concerning this filing should be served on:

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### **IV. NAMES AND ADDRESSES OF PERSONS TO WHOM A COPY OF THIS FILING HAS BEEN MAILED**

A copy of this filing is being mailed (1) to all parties that have executed Service Agreements under the ISO Services Tariff and (2) to all parties included on the service list for Docket No. ER98-3169-000. In addition, this filing is being posted on NYISO's website for access by all Market Participants<sup>5</sup> and by members of the general public.

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<sup>4</sup> The NYISO respectfully requests waiver of 18 C.F.R. § 385.203(b)(3) to permit service on counsel for the NYISO in both New York and Washington, D.C.

<sup>5</sup> Section 2.103 of the ISO Services Tariff defines "Market Participant" as "[a]n entity, excluding the ISO, that produces, transmits, sells, and/or purchase for resale Capacity, Energy or Ancillary Services in the Wholesale Market. Market Participants include: Transmission Customers under the

## **V. OVERVIEW AND GENERAL OBJECTIVES OF THE TARIFF REVISIONS**

The NYISO proposes revisions to the ISO Services Tariff to achieve two primary objectives: (1) implement a market design based on the UCAP methodology and (2) reduce the length of the OPP from six months to one month. These changes represent the outcome of a comprehensive effort by NYISO Staff and Market Participants, which began more than 18 months ago, to implement an Unforced Capacity market design, and constitute a significant step toward the development of a common ICAP market design in the Northeast.

### **1. Implement a Market Design Based on the UCAP Methodology**

The NYISO's objective in developing and implementing the Stage II ICAP market design originates from an Order issued January 27, 1999 by the Commission, before NYISO operations began (the "January 27, 1999 Order").<sup>6</sup> At that time, the Commission considered the criteria that the NYISO would use to accredit generation in the NYCA.<sup>7</sup> Some parties (future Market Participants) wanted to use comparisons among different classes of generators. Others preferred comparisons among generators of the same class. The Commission ruled by referring the issue to a public hearing.<sup>8</sup>

On November 17, 1999, the Member Systems of the New York Power Pool (the Transmission Owners under the ISO Services Tariff)<sup>9</sup> filed with the Commission a "Joint Offer

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ISO OATT, Customers under the ISO Services Tariff, Power Exchanges, Transmission Owners, Primary Holders, LSEs, Suppliers and their designated agents. Market Participants also include entities buying or selling TCCs."

<sup>6</sup> *Order Conditionally Accepting Tariff and Market Rules, Approving Market-Based Rates, and Establishing Hearing and Settlement Judge Procedures*, 86 FERC ¶ 61,062 (Jan. 27, 1999).

<sup>7</sup> Section 2.110 of the ISO Services Tariff defines "NYCA" as the "Control Area that is under the control of the ISO which includes transmission facilities listed in the ISO/TO Agreement Appendices A-1 and A-2, as amended from time-to-time, and Generation located outside the NYS Power System that is subject to protocols (*e.g.*, telemetry signal biasing) which allow the ISO and other Control Area operator(s) to treat some or all of that Generation as though it were part of the NYS Power System."

<sup>8</sup> January 27, 1999 Order, ¶ 61,221 and 61,240. On July 29, 1999, the Commission again reviewed the issue of generator accreditation, but did not change its position. *Order Denying in Part and Granting in Part Rehearing and Clarification and Conditionally Accepting Compliance Filing*, 88 FERC ¶ 61,138 (July 29, 1999).

<sup>9</sup> The Member Systems of the NYPP were: Central Hudson Gas and Electric Corporation,

of Settlement” (the “Settlement”).<sup>10</sup> The Settlement provided that the Member Systems would review the accreditation standards and methodology, and file a proposal with the Commission. Settlement at 5. The NYISO filed the proposal on February 1, 2000, which included the “transitional” ICAP market design.

In response to the January 27, 1999 Order, the NYISO Staff and Market Participants have thus met on numerous occasions through the ICAP Working Group to develop a new methodology to rate and qualify Resources. They selected the UCAP methodology, which estimates the probability that a Resource is available to serve Load taking into account forced outages. UCAP requires that the NYISO qualify Resources not only based on their DMNC tests, but also taking into account each Resource’s actual generating performance. In the long-term, the UCAP methodology should provide an incentive for Generators to improve the efficiency of their generating assets and therefore contribute to improved reliability in New York State as well.

## **2. Reduce the Length of the Obligation Procurement Period from Six Months to One Month**

The NYISO also proposes revisions to the ISO Services Tariff to reduce the length of the OPP from six (6) months to one (1) month. Although the NYISO filed a transitional market design based on a six-month OPP on February 1, 2000,<sup>11</sup> the Commission noted in its March 29, 2000 Order that the NYISO anticipated a “permanent” ICAP market design to incorporate a one-month OPP (the “March 29, 2000 Order”).<sup>12</sup>

Under a one-month OPP, LSEs must demonstrate to the NYISO that they have procured sufficient UCAP every month for the following month. Consistent with the current

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Consolidated Edison Company of New York, Inc., Long Island Power Authority, New York, Niagara Mohawk Power Corporation, Orange and Rockland Utilities, Inc., Power Authority of the State of New York, and Rochester Gas & Electric Corporation.

<sup>10</sup> Central Hudson Gas & Electric Corp., et al., *Filing of a Negotiated Joint Offer of Settlement Concerning Ordering Paragraphs (P) and (Q) of the January 27, 1999 Order in Cases ER97-1523-000, OA97-470-000 and ER97-4234-000*, Docket Nos. ER97-1523-000, et al. (Nov. 17, 1999).

<sup>11</sup> New York Independent System Operator, Inc., *Filing of Transitional Installed Capacity Market Design*, Docket Nos. ER97-1523-012, ER97-4234-009 and OA97-470-011.

<sup>12</sup> *Order Accepting Transitional Installed Capacity Market Design*, 90 FERC ¶ 61,319 (Mar. 29, 2000).

ICAP market design, however, each LSE will have a future ICAP requirement that reflects its contribution to the relevant Transmission District annual forecast peak Load, based on the LSE's actual contribution to the Transmission District's peak load for the previous year. In addition, the NYISO will still administer under a one-month OPP the Capability Period Auctions (also called "strip auctions"), to allow Market Participants to enter into six-month UCAP transactions. Prior to the beginning of each month, the NYISO will administer a Monthly Auction, followed by a Deficiency Procurement Auction if necessary. LSEs that are still deficient after the Deficiency Procurement Auction will pay a monthly charge equal to one-sixth times the deficiency charge in the current ICAP Tariff.

### **3. The Stage II ICAP Market Design Represents the Outcome of a Comprehensive Process Over 18 Months by Market Participants and the NYISO**

The changes proposed here represent the outcome of a comprehensive NYISO committee process to develop a broad consensus on the many details of a UCAP/one-month OPP market design in accordance with the ISO Agreement.<sup>13</sup> Discussions about the UCAP one-month OPP started as early as December 2, 1999.<sup>14</sup> Market Participants and NYISO Staff intensified their discussions starting September 2000. Since September 2000, the ICAP Working Group has had about twenty full-day meetings to discuss, debate, review, and modify the Stage II ICAP market design.<sup>15</sup> These meetings provided a full airing of all the issues surrounding a change in market design, and many different ways of designing New York's ICAP market were considered. The UCAP/one-month OPP was developed by Market Participants and the NYISO Staff as a workable, acceptable design after months of study and discussion.

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<sup>13</sup> Article 19 of the NYISO Agreement provides that the ISO Management Committee and the ISO Board must agree to proposed amendments to the ISO Tariffs.

<sup>14</sup> ICAP Working Group December 2, 1999 Meeting Agenda, [http://www.nyiso.com/services/documents/groups/bic\\_icap\\_group/bicicap\\_agenda\\_12\\_2\\_99.PDF](http://www.nyiso.com/services/documents/groups/bic_icap_group/bicicap_agenda_12_2_99.PDF).

<sup>15</sup> The ICAP Working Group is a subcommittee of the NYISO Business Issues Committee. More than 60 individuals representing approximately 35 Market Participants are members of the ICAP Working Group. See [http://www.nyiso.com/services/documents/groups/bic\\_icap\\_group/icap\\_member\\_list.pdf](http://www.nyiso.com/services/documents/groups/bic_icap_group/icap_member_list.pdf). To view the list of almost all the meetings of the ICAP Working Group and download the various meetings documents, see [http://www.nyiso.com/services/documents/groups/bic\\_icap\\_group/meeting\\_materials.html](http://www.nyiso.com/services/documents/groups/bic_icap_group/meeting_materials.html).

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The outcome is an integrated Stage II ICAP market design that has broad support among Market Participants and presents a number of significant benefits. It is expected that the UCAP methodology will provide an incentive for Generators to improve the efficiency of their generating assets, as under UCAP, qualification of a unit's "unforced" capacity reflects its actual forced outage experience. In addition, the move to a one-month OPP will address issues raised by the current market design based on a six-month OPP, which allows for load-shifting every month. In the past, load-shifting has caused LSEs to become deficient and pay substantial deficiency charges (based on the six-month OPP) even if they had diligently secured sufficient ICAP in the Capability Period Auction. The current market provides limited incentive for Generators to make additional generating assets available during Capability Periods. In this respect, the Stage II ICAP market design will provide greater flexibility and mitigate the need for NYISO's intervention in the market to qualify additional ICAP when supply is tight.<sup>16</sup>

It is not anticipated that the changes proposed here will have any adverse effect on reliability. LSEs will still have the opportunity under a one-month OPP to enter into six-month UCAP transactions through NYISO's Capability Period Auctions, and to enter into bilateral UCAP transactions at any time. Three independent analyses commissioned by the NYISO last year during the development of this market confirm that the move to the one-month OPP should not adversely affect reliability.<sup>17</sup>

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<sup>16</sup> See e.g., Extraordinary Corrective Action to Address a Market Design Flaw and Transitional Abnormality: Waiver of Installed Capacity Deficiency Charges During Summer 2001 Capability Period (ECA 20010326), dated March 26, 2001.

<sup>17</sup> The Brattle Group, author of a comprehensive report published in May 2000, concluded that "[n]othing in our analysis suggests that changing the ICAP procurement period from six months to one month will materially reduce reliability." The second and third reports assessed the potential for Capacity migration to other control areas. The Felder Report concluded that the probability of Capacity migration was a function of deficiency charges and price caps, whereas the report completed by David Patton concluded that the existing deficiency charges were sufficient to prevent migration. Brattle Group, *Shortening the NYISO's Installed Capacity Procurement Period: Assessment of Reliability Impacts*, May 24, 2000, at i, [http://www4.nyiso.com/services/documents/studies/pdf/shortening\\_iso\\_inst\\_cap\\_procure\\_period\\_asses\\_rel\\_impacts.pdf](http://www4.nyiso.com/services/documents/studies/pdf/shortening_iso_inst_cap_procure_period_asses_rel_impacts.pdf); Memorandum by Frank Felder (a KEMA Consulting Associate), November 5, 2000; Memorandum by David Patton (the NYISO's Independent Market Advisor), November 27, 2000.

#### **4. The Filing Contributes to the Development of a Common ICAP Market Design in the Northeast United States**

The UCAP/one-month OPP design developed in these Tariff changes brings NYISO closer to the development of a common ICAP market design among the various Northeastern ISOs, and helps eliminate seams issues. The implementation of a UCAP methodology in New York closely mirrors the market design in PJM. The vast majority of the UCAP procedures and formulae included in NYISO's Stage II ICAP Manual were directly adopted from PJM's manuals. During the development of this market design, the NYISO Staff as well as the ICAP Working Group consulted PJM staff on several occasions to assess the application of such concepts in New York State.

The move to a one-month OPP is consistent with the recent filing made by the New England ISO to restructure its own ICAP market.<sup>18</sup> The one-month OPP also takes the New York markets closer to PJM, which as of June 1, 2001 has an interim design of seasonal procurement periods varying from three to five months.<sup>19</sup>

Going forward, PJM, New England ISO, and the NYISO have agreed to develop a common and standard market design. The ISOs will complete this work under the framework of the Northeastern ISO's Memorandum of Understanding. It is anticipated that this new common market design will replace the current ICAP procedures now used in the three ISOs.

#### **V. PROCEDURAL BACKGROUND ON NYISO'S ICAP MARKET DESIGN**

The implementation of the Stage II ICAP market design requires revisions to Sections 5.9 through 5.16 of the ISO Services Tariff (and related definitions), which establish NYISO's transitional ICAP market design. The transitional ICAP market design was filed on February 1, 2000 (the "February 1, 2000 Filing"),<sup>20</sup> and approved by the March 29, 2000

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<sup>18</sup> New England Independent System Operator, *Proposal to Restructure Installed Capability as a Product and to Impose a Substantial Deficiency Charge* (Docket No. EL00-62-026, June 5, 2001).

<sup>19</sup> *In re PJM Interconnection, L.L.C.* 95 FERC ¶ 61,330 (Docket No. EL01-63-000, June 1, 2001). Of course, when the ICAP Working Group designed the Stage II ICAP market design, PJM's request for seasonal procurement periods and the Commission's subsequent Order approving them on an interim basis were not available. The PJM change was subsequently rejected specifically by both the NYISO Business Issues Committee and Management Committee as a reason to delay this Stage II filing.

<sup>20</sup> New York Independent System Operator, Inc., *Filing of Transitional Installed Capacity Market*



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Order, subject to conditions. On April 28, 2000, the NYISO submitted to the Commission a compliance filing, which mostly addressed the recall bids procedures (the “April 28, 2000 Filing”).<sup>21</sup> The FERC accepted the NYISO’s April 28, 2000 Filing on June 15, 2001.<sup>22</sup>

On August 22, 2000, the NYISO submitted to the Commission revisions to the ISO Services Tariff to implement a targeted rebate for In-City LSEs.<sup>23</sup> The Commission accepted such revisions in its order issued October 11, 2000 (the “October 11, 2000 Order”).<sup>24</sup>

On September 22, 2000, the NYISO proposed to modify the recall bids procedures and make various conforming changes to the ISO Services Tariff (the “September 22, 2000 Filing”).<sup>25</sup> In the same Filing, the NYISO also informed the Commission of its decision, supported by Market Participants, to continue the transitional ICAP market design through the 2000-2001 Winter Capability Period. The Commission accepted NYISO’s September 22, 2000 Filing on November 21, 2000, subject to conditions (the “November 21, 2000 Order”).<sup>26</sup> The Commission requested the NYISO to submit a compliance filing to include a specific ICAP Manual provision on the recall bids procedures in the ISO Services Tariff. The NYISO submitted that compliance filing to the Commission on January 22, 2001.<sup>27</sup>

On February 9, 2001, the NYISO filed with the Commission additional modifications to the transitional ICAP market design: (i) to revise the ISO Services Tariff to clearly indicate that the transitional ICAP market design will be continued through the 2001 Summer Capability Period; (ii) to request authorization from the Commission to replace the ICAP recall

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*Design*, Docket Nos. ER97-1523-012, ER97-4234-009 and OA97-470-011.

<sup>21</sup> New York Independent System Operator, Inc., *Compliance Filing of New York Independent System Operator*, Docket No. ER00-1483-001 (Apr. 28, 2000).

<sup>22</sup> *Order Accepting Compliance Filing*, 95 FERC ¶ 61,406 (ER00-1483-001, June 15, 2001). The NYISO discusses some of the implications of this order in section VII.4 of this cover letter, *infra*.

<sup>23</sup> New York Independent System Operator, Inc. *Request to Implement a Targeted Installed Capacity Rebate for New York City Load Serving Entities*, Docket No. ER00-3462-000 (Aug. 22, 2000).

<sup>24</sup> *New York Independent System Operator*, 93 FERC ¶ 61,034 (Oct. 11, 2000).

<sup>25</sup> New York Independent System Operator, Inc., *Request to (1) Modify the Installed Capacity Procedures, and (2) Make Conforming Modifications to the Transitional Installed Capacity Market Design*, Docket No. ER00-3740-000.

<sup>26</sup> *New York Independent System Operator, Inc., et. al.*, 93 FERC ¶ 61,186 (Nov. 21, 2000).

<sup>27</sup> New York Independent System Operator, Inc., *Compliance Filing in Docket No. ER00-3740-000*, Docket No. ER00-3740-001 (Jan. 22, 2001).

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bids procedures by a procedure to curtail external transactions; (iii) to include provisions that would prepare for the NYISO's implementation of the Stage II ICAP market design in time for the 2001-2002 Capability Period (for example, submittal of certain Operating Data this summer); and (iv) to make various improvements to the transitional ICAP market design (the "February 9, 2001 Filing," also known as the "Stage 1A Filing").<sup>28</sup> The Commission accepted the Tariff sheets submitted by the NYISO in its March 28, 2001 letter order, effective April 10, 2001.<sup>29</sup> The NYISO submitted a request for the acceleration of the effective date to March 30, 2001.<sup>30</sup>

## **VII. BRIEF DESCRIPTION OF THE TARIFF REVISIONS AND STATEMENT OF THE REASONS FOR SUCH REVISIONS**

The modifications NYISO proposes here to the Services Tariff require repetitive textual revisions. Revisions therefore are described below by topic rather than in a Section-by-Section description.

### **1. Implement a Permanent ICAP Market Design Based on a UCAP Methodology**

**Section 5.9.** Beginning with the 2001-2002 Winter Capability Period, the NYISO proposes to implement a revised ICAP market design based on an Unforced Capacity methodology. Section 2.194a of the ISO Services Tariff defines Unforced Capacity as follows:

The measure by which Installed Capacity Suppliers will be rated in accordance with formulae set forth in the ISO Procedures to quantify the extent of their contribution to satisfy the NYCA Installed Capacity Requirement, and which will be used to measure the portion of that NYCA Installed Capacity Requirement for which each LSE is responsible.

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<sup>28</sup> New York Independent System Operator, Inc., *Request to Modify the Transitional Installed Capacity Market Design and Notice to the Federal Energy Regulatory Commission of the Continuation of the Transitional Installed Capacity Market Design, as Modified by this Request, through the 2001 Summer Capability Period* (ER01-1213-000, Feb. 9, 2001).

<sup>29</sup> *In re: New York Independent System Operator, Inc.*, ER01-1213-000 (Mar. 28, 2001).

<sup>30</sup> Motion of New York Independent System Operator, Inc. to Accelerate Effective Date of Accepted Tariff Revision, ER01-1213-000 (Mar. 30, 2001).

Generally, the NYISO proposes to replace “Installed Capacity” with “Unforced Capacity” in every provision where “Installed Capacity” designates a product that is sold, offered, transferred, bid, or purchased. This revision involves modifications in virtually all Sections 5.9 through 5.16, and some other Sections scattered through the ISO Services Tariff.<sup>31</sup>

The implementation of an Unforced Capacity methodology also requires substantive modifications to: (A) the ICAP Planning Process; (B) the determination of LSE requirements; (C) the qualification of ICAP Suppliers; and (D) the ICAP auctions. Those modifications are described below.

#### **A. ICAP Planning Process**

**Sections 2.120c and 5.10.** The implementation of a UCAP methodology requires adjustments to the way that the NYISO plans for the forecasted demand for electricity in the NYCA. Current Section 5.10, “NYCA Installed Capacity Requirement,” describes the methodology that the NYISO uses today to calculate the annual ICAP requirement for the entire NYCA. The NYISO establishes the NYCA ICAP Requirement by multiplying the NYCA peak Load by one plus the NYCA Installed Reserve Margin. The NYISO’s peak Load forecast is based on the prior calendar year’s “Adjusted Actual Peak Load” that reflects regional Load growth forecasts, which are proposed by the Transmission Owners and reviewed by the NYISO.

Beginning with the 2001-2002 Winter Capability Period, the NYISO proposes to translate the NYCA Installed Reserve Margin, and consequently the NYCA ICAP Requirement, into UCAP terms (Section 5.10). The NYISO will effect this translation in accordance with the ISO Procedures.<sup>32</sup> These procedures will provide, among other measures, that the translation factors used by the NYISO will be available to Market Participants for review. The NYCA ICAP Requirement, as translated into UCAP terms, is defined as the “NYCA UCAP Requirement” (Section 2.120c).

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<sup>31</sup> See e.g., definitions Sections 2.15a (Bidder), 2.32a (Control Area System Resources), 2.49 (Energy), and 2.49c (Excess Amount).

<sup>32</sup> See Section 2.5, Stage II ICAP Manual, <http://www.nyiso.com/services/documents/manuals/index.html>.

## **B. Demand Side - LSE Requirements**

**Sections 5.11.1 and 5.11.2.** Current Section 5.11.1, “Allocation of the NYCA Installed Capacity Requirement to LSEs,” describes the procedures that the NYISO uses to allocate the NYCA ICAP requirement among New York State’s Transmission Districts and LSEs serving Load within each Transmission District. Essentially, Transmission Owners and municipal electric utilities submit to the NYISO aggregate peak Load data for their Transmission District. The NYISO calculates each LSE’s ICAP requirement by multiplying (i) the NYCA ICAP Requirement by (ii) the peak Load of each LSE’s customers in each Transmission District divided by the sum of the forecasted peak Loads located in all Transmission Districts (current Section 5.11.1, para. 2).

The NYISO proposes revisions to Section 5.11.1 to translate the LSEs’ requirements into UCAP terms. To calculate each LSE’s UCAP requirement, the NYISO proposes to use the same formula as provided in current Section 5.11.1, but to replace the “NYCA ICAP Requirement” with the “NYCA UCAP Requirement.” Each LSE’s UCAP requirement will equal the product of (i) the NYCA UCAP Requirement (as established pursuant to Section 5.10) multiplied by (ii) the peak Load of each LSE’s customers in each Transmission District divided by the sum of the forecasted peak Loads located in all Transmission Districts (Section 5.11.1, para. 2). LSEs will be required to procure sufficient UCAP to cover their UCAP requirements each OPP (Section 5.11.2).

**Section 5.11.4.** Pursuant to current Section 5.11.4, the NYISO determines the Locational ICAP Requirement of each LSE serving Load within the New York City or Long Island Localities. The Locational ICAP Requirements ensure that these LSEs procure sufficient ICAP that is electrically located within the relevant Locality. Under the Stage II ICAP market design, the NYISO proposes to translate all Locational ICAP Requirements into UCAP terms in accordance with the ISO Procedures (Section 5.11.4). The Procedures will provide that the NYISO will make available to the Market Participants the factors it uses to effect the conversion.

## **C. Supply Side - Qualification of Resources**

**Sections 2.128b and 5.12.8.** Currently, the NYISO determines the amount of ICAP that each Resource may supply to the NYCA on the basis of seasonal DMNC<sup>33</sup> tests or

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<sup>33</sup> Section 2.40 of the ISO Services Tariff defines “Dependable Maximum Net Capability (“DMNC”)” as “[t]he sustained maximum net output of a Generator, as demonstrated by the performance of a

historical data (current Section 5.12.8). The ISO Procedures provide how and when Resources must conduct their DMNC tests.<sup>34</sup> The ISO Services Tariff and the ISO Procedures also allow Resources to conduct new or additional DMNC tests when their Capacity increases between the officially designated DMNC test periods.

Under a UCAP methodology, each Resource will still conduct DMNC tests as they currently do (Section 5.12.8). The NYISO, however, will also compile Operating Data monthly. Operating Data are data collected and submitted to the NYISO by individual Resources, showing the Resources' availability and forced outages (current Section 2.128b). They are similar, but will differ depending on the specific Resource, to data submitted by Generators to the North American Electric Reliability Council for inclusion in the Generating Availability Data System ("GADS"). Operating Data will allow the NYISO to determine the probability that each Resource is in demand but unavailable due to forced outages.

**Sections 5.12.1(viii) and 5.12.5.** Under the current ICAP Tariff, Resources were required to submit their Operating Data for the months of January 2000 to March 2001 by April 20, 2001 (current Sections 5.12.1(viii) and 5.12.5). From the month of April 2001 forward, Resources must submit Operating Data on a monthly basis and in accordance with the ISO Procedures (current Section 5.12.5). For example, a Resource will submit Operating Data for the month of June 2001 by July 20, 2001. The current ICAP Manual describes the substance and format requirements applicable to Operating Data.<sup>35</sup> For example, Generators will submit GADS Data or data equivalent to GADS Data in accordance with the 82-character fixed format provided in Attachment K of the ICAP Manual.<sup>36</sup>

**Section 5.12.6(a).** Each month, the NYISO will calculate the amount of UCAP that each ICAP Supplier is qualified to supply to the NYCA. This amount will be based on the most recent set of Operating Data that covers the most recent twelve (12) months. In practice, a Resource will be qualified to supply UCAP for a particular month on the basis of a twelve

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test or through actual operation, averaged over a continuous time period as defined in the ISO Procedures."

<sup>34</sup> Section 4.2, Stage 1A ICAP Manual, <http://www.nyiso.com/services/documents/manuals/index.html>.

<sup>35</sup> See Section 4.4 and Attachment K, Stage 1A ICAP Manual, <http://www.nyiso.com/services/documents/manuals/index.html>.

<sup>36</sup> Section 4.4.1, Stage 1A ICAP Manual, <http://www.nyiso.com/services/documents/manuals/index.html>.

(12)-month period that finished 2 months before. For example, the NYISO will inform Generator  $G_X$  of the amount of UCAP that  $G_X$  may supply in December 2001 around November 1, 2001 (or at any other date that allows  $G_X$  to participate in the auction for the month of December 2001). The NYISO will calculate this amount using the most recent Operating Data submitted by  $G_X$  on October 20, 2001. Thus, the NYISO will calculate the amount of Unforced Capacity that  $G_X$  may supply in December 2001 on the basis of  $G_X$ 's Operating Data for the months of October 2000 through September 2001.

The NYISO will use the formulae provided in the ISO Procedures to make the appropriate UCAP calculations using the Operating Data submitted by Resources.<sup>37</sup> The Market Participants and the NYISO Staff developed these ISO Procedures as part of the UCAP/one-month OPP market design effort. In general, the NYISO will calculate the UCAP of Resources that provide GADS Data on the basis of each Resource's Equivalent Demand Forced Outage Rate ("EFOR<sub>D</sub>"). The UCAP for these Resources will thus be equal to the number one minus EFOR<sub>D</sub>, multiplied by the DMNC rating that the Resource received for the relevant season ( $UCAP = (1 - EFOR_D)DMNC$ ). The calculation of EFOR<sub>D</sub> is fairly complex and the ISO Procedures provide the relevant definitions and details. The calculation involves the Resource's Equivalent Full Forced Outage Hours, Reserve Shutdown Hours, and the class-equivalent EFOR<sub>D</sub> calculated by the NYISO for suppliers of the same class based on NERC class averages for similar Resources, all as defined in the ISO Procedures.<sup>38</sup>

Resources that submit equivalent GADS Data will be rated in accordance with the Capacity Factor method. This method involves the calculation of the Resource's Outage Factor. The UCAP for these Resources will thus be equal to the number one minus the Outage Factor ("OF"), multiplied by the DMNC rating the Resource received for the appropriate season (i.e.,  $UCAP = (1 - OF)DMNC$ ). The calculation of the Outage Factor also is fairly complex. It involves the Resource's Capacity Factor for the relevant twelve (12)-month period, Net Actual Generation, and Maintenance Outage Hours, all as defined in the ISO Procedures.<sup>39</sup>

The ISO Procedures provide a series of separate formulae that take into account and accommodate the specific generating circumstances of Special Case Resources. Energy

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<sup>37</sup> Attachment J, Stage II ICAP Manual, <http://www.nyiso.com/services/documents/manuals/index.html>

<sup>38</sup> *Id.*

<sup>39</sup> *Id.*

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Limited Resources that do not want to have their UCAP based on production levels using equivalent GADS Data will submit GADS Data to document their available Capacity for the minimum 4-hour daily requirement period. Control Area System Resources are the only Resources that are not significantly affected by the implementation of a UCAP methodology. Even under the current ICAP market design, the NYISO qualified Control Area System Resources using formulae that take into account the probability that such Resources are in demand but unavailable due to a forced outage.<sup>40</sup>

**Section 5.12.6(b) and (c).** The NYISO proposed paragraphs (a) and (b) of current Section 5.12.6 in its February 9, 2001 Filing (now proposed paragraphs (b) and (c) of Section 5.12.6). As the Commission is aware, even though the NYISO did not propose to implement a UCAP methodology in its February 9, 2001 Filing, it nevertheless provided Operating Data submission requirements. For this reason, the NYISO also included the sanctions and the exceptions to the requirements.

Here, the NYISO does not propose any policy or substantive modification in these paragraphs. The revisions proposed simply reflect the fact that the NYISO does not collect Operating Data for “studies or calculations” anymore. Rather, the NYISO will consider a Resource to be forced out for any month for which it does not submit its Operating Data in accordance with the ISO Services Tariff and the ISO Procedures (zero in the formulae described in the paragraphs above). A Resource that is deemed forced out may nevertheless submit the appropriate Operating Data at any time and the NYISO will use it when calculating, in a timely manner in accordance with the ISO procedures, a new rolling average for this specific Resource.

The last paragraph of Section 5.12.6(b) is a safeguard provision that will give the NYISO some flexibility to accept Operating Data even when those data are not technically submitted in accordance with the ISO Services Tariff and the ISO Procedures. Section 5.12.6(c) states that an equipment failure that involves equipment on the high voltage side of the electric network beyond the step-up transformer will not be considered a forced outage in the NYISO’s calculation of a Resource’s UCAP.

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<sup>40</sup> Section 4.11, Stage 1A ICAP Manual, <http://www.nyiso.com/services/documents/manuals/index.html>.

## **2. Reduce the Length of the Obligation Procurement Period from Six Months to One Month**

**Section 2.122a.** An OPP is the period of time during which LSEs must satisfy their ICAP requirements (now UCAP requirements). The current OPP corresponds to the Capability Period: it lasts six (6) months and begins each Capability Year on May 1 and November 1. Starting with the 2001-2002 Winter Capability Period, the NYISO proposes to reduce the length of the OPP from six (6) to one (1) month. OPPs will be one month in duration, beginning on the first day of each calendar month, and corresponding to the twelve calendar months of the Capability Year.

The reduction of the length of the OPP requires modifications to the following aspects of the ICAP market design: (A) the UCAP requirements of LSEs; (B) the qualification of ICAP Suppliers; and (C) the administration of ICAP auctions.

### **A. Demand Side - LSEs Requirements**

**Current Sections 5.11.2 and 5.14.1.** Currently, LSEs must certify that they have procured sufficient ICAP prior to the beginning of each Capability Period for the entire Capability Period. LSEs meet this requirement by submitting a completed ICAP certification form to the NYISO in accordance with the ISO Procedures.<sup>41</sup> In practice, this means that LSEs currently procure most if not all their ICAP before the beginning of the Capability Period. LSEs that fail to satisfy their ICAP requirement must participate in a Deficiency Procurement Auction administered by the NYISO pursuant to Section 5.14.1. In the Deficiency Procurement Auction, the NYISO submits bids on behalf of the deficient LSEs for the entire Capability Period.

**Sections 5.11.2 and 5.14.1.** The NYISO proposes no modification to Section 5.11.2 because the UCAP certification requirements of LSEs are a function of the OPP, which the NYISO has proposed to reduce to one (1) month in the definition of "Obligation Procurement Period" (Section 2.122a). Under this new proposed definition, LSEs would certify every

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<sup>41</sup> Section 3.3, Stage II ICAP Manual, <http://www.nyiso.com/services/documents/manuals/index.html>. In addition, the ISO will make available to LSEs "Installed Capacity notification forms" for the remaining OPPs of the Capability Period. The purpose of the ICAP notification forms is to help the ISO in its ICAP planning and reliability assessments. The format of the ICAP notification forms will be similar to the ICAP certification forms. Submission of the ICAP notification forms to the ISO is voluntary.



month that they have procured sufficient UCAP for the following month. For example, an LSE would certify in November 2001 that it has procured sufficient UCAP for the December 2001 OPP. In December 2001, the same LSE would submit a certification form to the NYISO demonstrating that it has sufficient UCAP to meet its requirement for the month of January 2002. When an LSE fails to certify that it has procured sufficient UCAP, the NYISO will conduct a Deficiency Procurement Auction. This Deficiency Procurement Auction will cover the upcoming OPP, as opposed to the entire Capability Period.

**Current Sections 5.11.1 and 5.11.4.** Under current Section 5.11.1, the NYISO calculates the ICAP requirement of each LSE prior to the Capability Year and in accordance with the ISO Procedures. Then, the NYISO adjusts this ICAP requirement on a monthly basis to reflect customer switching from one LSE to another (Section 5.11.4).

**Sections 5.11.1 and 5.11.4.** Because each LSE's ICAP requirement already is adjusted on a monthly basis to reflect load shifting, the reduction of the length of the OPP does not affect the establishment of LSEs' UCAP requirements. Starting with the 2001-2002 Winter Capability Period, the NYISO would continue to set each LSE's UCAP requirement at the beginning of the Capability Year and make the necessary monthly adjustments to account for customer switching.

## **B. Supply Side - Qualification of Resources**

Under the UCAP methodology, the NYISO will qualify Resources every month for the following month. As such, the provisions relating to the qualification of Resources are consistent with the length of the OPP. Thus, the UCAP methodology/one-month OPP truly are "integrated" factors in the Stage II market design.

**Sections 5.12.4 and 5.14.2.** The NYISO does not propose any modifications to the ICAP Suppliers certification and Deficiency Procurement Auction requirements because ICAP Suppliers must already fulfill them monthly.

The NYISO will modify, however, the ISO Procedures that currently provide that the NYISO will procure ICAP on behalf of deficient ICAP Suppliers in six separate monthly auctions prior to the Capability Period. Under the proposed one-month OPP, the NYISO will conduct Deficiency Procurement Auctions for ICAP Suppliers on a monthly basis.

## **C. The Market — ICAP Auctions**

The following paragraphs summarize the different auctions that the NYISO currently

administers and the modifications proposed by the NYISO in this filing. These modifications are necessary mostly because LSEs are not required to procure UCAP for the entire Capability Period under a one-month OPP. Consequently, the NYISO need not administer a Deficiency Procurement Auction for the entire Capability Period.

**Current Section 5.13.2.** Currently, the NYISO administers an “Obligation Procurement Period Auction” prior to the start of the Capability Period, in which Market Participants procure ICAP for the entire six months included in that Capability Period. Prior to the beginning of the Capability Period, the NYISO also administers a set of six monthly auctions to facilitate transactions for individual months within an OPP. Each of these auctions corresponds to each calendar month within the Capability Period.

**Section 5.13.2.** Despite the reduction of the OPP proposed in this filing, the NYISO would continue to administer an auction, beginning in November 2001, to provide the opportunity for Market Participants to transact UCAP for the entire six months of the Capability Period. The NYISO, however, proposes to change the name of this auction from “Obligation Procurement Auction” to “Capability Period Auction” (Section 2.17a). The NYISO would also continue to conduct six separate monthly auctions to allow Market Participants to transact UCAP for each of the individual months of the Capability Period prior to the beginning of the Capability Period.

**Current Section 5.14.1.** In the event that all LSEs do not certify to the NYISO that their ICAP requirements have been satisfied for the upcoming Capability Period, the NYISO currently conducts “initial Deficiency Procurement Auctions” to procure the requisite amount of ICAP on behalf of deficient LSEs (current Section 5.14.1). The initial Deficiency Procurement Auctions currently consist of six separate monthly auctions.

**Section 5.14.1.** Starting in November 2001, the NYISO will administer one Deficiency Procurement Auction prior to the beginning of the Capability Period. This auction will cover the first month of the Capability Period (the first OPP), because LSEs are not required to procure UCAP for more than one month in advance. For example, the NYISO would administer one Deficiency Procurement Auction for the month of November 2001 if not all LSEs certify in October 2001 that they have procured sufficient UCAP for November 2001.

**Current Sections 5.13.3 and 5.14.1.** The ISO also administers regular Monthly Auctions each month within the Capability Period. These auctions allow Market Participants to transact ICAP for any remaining months within that Capability Period. Specifically, the Monthly Auctions provide the opportunity to LSEs who are affected by customer switching to

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make the appropriate transactions. Finally, in any month in which a Load-gaining LSE fails to procure Installed Capacity to cover the new Load it has gained, the ISO conducts a monthly Deficiency Procurement Auction.

**Sections 5.13.3 and 5.14.1.** The NYISO would continue to administer Monthly Auctions for every month of the Capability Period. If an LSE does not certify to the ISO that it has procured sufficient UCAP for the following OPP, the NYISO will administer a Deficiency Procurement Auction for this OPP only.

**3. Translate the \$105 Price Cap for In-City Mitigated Units, Adopted by This Commission, Into Unforced Capacity Terms**

In an Order dated September 22, 1998, prior to the NYISO being formed, the Commission adopted market power mitigation measures for certain In-City generating units owned at that time by ConEd and subject to divestiture (the “Market Power Mitigation Measures Order”), including the implementation of a bid/price cap of \$105/kW/year under the Stage I ICAP market design that NYISO was to implement.<sup>42</sup> The implementation of the Stage II ICAP market design, with the conversion of ICAP to UCAP, raises the question of how the \$105 cap ought to be translated for UCAP.

While the Market Participants have agreed on the other translations necessary to implement UCAP, including translation of UCAP requirements applicable to load serving entities, translation of the In-City locational capacity requirement, and translation of the In-City deficiency penalties, the Market Participants have been unable to reach consensus on this narrow issue of translating the \$105 cap. In approving the Stage II ICAP design, the NYISO Management Committee agreed that it would ask the Commission to determine the appropriate cap translation. The NYISO therefore respectfully requests on behalf of its Market Participants that the Commission determine the appropriate cap translation required for the Stage II UCAP implementation.

The NYISO Management Committee also approved a motion requesting that the Commission require that any interested parties file their positions on this issue within 10 business days of the date of this filing, to allow sufficient time for the Commission to resolve this issue simultaneously with its ruling on the Stage II ICAP Tariff. The approval of this expedited filing schedule by the Management Committee reflects the view of many Market

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<sup>42</sup> *Order Accepting Market Power Mitigation Measures, as Modified, for Filing*, 84 FERC ¶ 61, 287.

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Participants that the inability of a small number of interested parties to agree on this one translation number should not bar implementation for this 2001 Winter Capability Period of the Stage II ICAP design that so many worked to develop over the past 18 months. The Management Committee's vote was consistent with the ICAP Working Group's recommendation in April that this expedited process before FERC be adopted. Thus, parties have been on notice about the proposed expedited schedule for over two months. While the cap does not appear in the proposed Stage II Tariff (it appears only in the Commission's Market Power Mitigation Measures Order), Section 5.9 of the proposed Tariff provides that if the translation of the price cap for In-City mitigated units is not resolved in time for implementation of the Stage II design in the 2001-2002 Winter Capability Period, the old Stage 1A ICAP design will remain in place.

The following is NYISO's description of the range of positions among interested parties on the cap translation issue. Nothing in this description is intended to limit in any way any party's filing of its position on the cap translation issue.

The translation of the cap is made by dividing the \$105 cap by the quantity one minus the Equivalent Demand Forced Outage Rate, or one minus the "EFOR<sub>D</sub>." EFOR<sub>D</sub> is the portion of time a unit is in demand but is unavailable due to forced outages. EFOR<sub>D</sub> is calculated using operating data reported from generating units. The Market Participants have been unable to reach consensus on what data set should be used to calculate the EFOR<sub>D</sub> for the \$105 cap translation.

Percentages ranging from zero, which represents the current cap; to 8.6%, which represents the In-City overall outage rate based on historical data; to 10-12%, which represents selected NERC class average data; the industry average; to 16.98%, which represents the In-City weighted average outage rate based on data from 1992 through 1998; to 21.95%, which represents the In-City weighted average outage rate based on data from 1996 through 1998, all have been discussed. This results in a cap ranging from \$105 (the current cap), to \$114.88 (using 8.6%), to \$134.53 (using 21.95%).

Some Market Participants believe that the \$105 In-City price cap should remain the same. These parties think that if the Commission decides that a change in the In-City price cap is warranted, any such change should not result in higher costs to New York City consumers, and that the data and basis for any translation should be fully examined by the Commission.

Some Market Participants believe that the present price cap of \$105/kW/year for ICAP sold from mitigated In-City generating units should be translated to \$114.89/kW/year for

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UCAP sold from the same mitigated In-City units. They argue that this translation is consistent with the translation of the In-City deficiency penalty that would be applicable for November 1, 2001 through April 30, 2002 and is included in the Stage II Tariff changes being filed with this letter for approval by the Commission.

Some Market Participants think the translation of the price cap for a UCAP market should be based on between five and ten years of more recent historical EFOR<sub>D</sub> data for the divested generation units. Based on GADS-type data provided to the NYISO, the NYISO Staff has determined that the weighted average EFOR<sub>D</sub> for the In-City mitigated units was 16.96% over the period 1992 through 1998, and 21.95% for the period 1996 through 1998. Therefore, those parties argue that the UCAP-equivalent value of the In-City price cap of \$105/kW/year should be translated to at least \$125/kW/year in UCAP terms, which assumes an EFOR<sub>D</sub> that falls just below these two values.

Another party believes that the proper translation of the In-City mitigated generators' price cap should reward capacity providers on a going-forward basis. It believes that availability improvements made to date were a response to existing incentives vis-à-vis the energy market and that generators will react to additional incentives as they are offered. Consequently, to the extent practicable, the change from marketing ICAP on a DMNC basis to a UCAP basis should be cost neutral for ratepayers as a whole, and revenue neutral for suppliers as a whole, as of the time the UCAP system is implemented. The mitigated generators' price cap rate should be translated in a manner that maintains, but does not enhance, their revenues from sales into the installed capacity market, unless the generator makes improvements prospectively. This can only be done by increasing the price cap rate by an EFOR<sub>D</sub> factor that is consistent with the current reliability of the mitigated generator's In-City fleet of generating units. The current EFOR<sub>D</sub> factors are not publicly distributed. The proponent of this approach believes that the In-City mitigated generators should be directed to release that information if the Commission accepts this translation approach.

#### **4. Make Various Improvements to the ICAP Market Design**

The iterative process whereby Market Participants and the NYISO Staff have met several times since October 2000 to develop the Stage II ICAP market design provided the opportunity to identify various modifications that could be made to the ISO Services Tariff. While the NYISO submitted most of the modifications associated with these improvements as part of its February 9, 2001/Stage 1A Filing, a few relatively minor changes were approved by the Market Participants since then and are submitted here to the Commission.

**Section 5.12.3.** Current Section 5.12.3 provides that Installed Capacity Suppliers must submit to the NYISO a confidential notification of their proposed outage schedules. If the reliability assessment forecasts a deficiency in Operating Reserves, however, the NYISO can request a “voluntary” rescheduling of the outages. When the voluntary assessment is ineffective, the NYISO can “invoke forced rescheduling.”

The addition proposed here by the NYISO would prevent a Generator that refuses a forced rescheduling to supply UCAP. This restriction would be applicable only to the unit that has the outage and only during the month(s) when such outage occurs. This addition will improve NYISO’s ability to coordinate the various outage schedules and ensure reliability in New York State.<sup>43</sup>

**Section 5.12.12.** Current Section 5.12.12 provides various sanctions that the NYISO may impose for an Installed Capacity Supplier’s violation of information submission requirements (5.12.12(a)), or violation of scheduling, bidding, and notification requirements (5.12.12(b)). The proposed modification would subject Transmission Owners who fail to submit load-shifting information in compliance with Section 5.11.3 to information submission requirements sanctions (Section 5.12.12(a)).

**Section 5.14.1.** The NYISO proposes three changes to the Table of Deficiency Bids and Charges. First, it proposes to remove the reference to the deficiency bids and charges applicable during the first year of the NYISO’s establishment because these numbers now are obsolete. Second, the NYISO translated the remaining figures into UCAP terms in accordance with a factor agreed to by the members of the ICAP Working Group. Finally, the NYISO proposes to continue the third year forward.

**Correction of Oversights.** The NYISO proposes to delete some outstanding portions of sentences carried over from previous ISO Services Tariff filings. They are the product of oversights or of provisions that the Commission approved on June 15, 2001 but that were superseded or modified by new filings in the meantime. These technical revisions do not involve any substantive modification and do not raise any policy issue. The technical revisions affect Sections 5.12.10 (the words “Until such time” through “of the NYCA”) and 5.12.12 (the words “supplied Energy” through “recalled Energy,”).

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<sup>43</sup> In the past, the NYISO and Generators have reached an agreeable compromise regarding outage rescheduling. The NYISO has no reason to believe that this collaborative relationship will not continue in the future.

### **VIII. REQUISITE AGREEMENT**

The revisions to the ISO Services Tariff proposed in this filing have been approved in accordance with the ISO Agreement<sup>44</sup> as follows:

- The ICAP Working Group of the Business Issues Committee proposed the revisions contained in this filing on April 30, 2001.
- The Business Issues Committee approved the revisions proposed in this filing by an affirmative vote of 84% on May 24, 2001.<sup>45</sup>
- The Management Committee approved the revisions proposed in this filing by an affirmative vote of 83.10% on June 6, 2001.<sup>46</sup>
- The NYISO Board of Directors unanimously approved the revisions proposed in this filing on July 2, 2001.<sup>47</sup>

### **IX. NO COSTS RELATING TO DISCRIMINATORY EMPLOYMENT PRACTICES**

The NYISO has no knowledge of any relevant expenses or costs of service that have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative or unnecessary costs that are demonstrably the product of discriminatory employment practices.

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<sup>44</sup> Article 19 of the NYISO Agreement provides that the ISO Management Committee and the ISO Board must agree to proposed amendments to the ISO Tariffs.

<sup>45</sup> Business Issues Committee, May 24, 2001 Meeting, Motion 8, *Motion to approve the Stage II ICAP Tariff*.

<sup>46</sup> Management Committee, June 6, 2001 Meeting, Motion 2.

<sup>47</sup> On June 22, 2001, the New York State Electric and Gas Corporation (“NYSEG”) filed with the NYISO Board of Directors, appealing the June 6, 2001 decision of the Management Committee. On June 22, 2001, Enron Power Marketing, Inc. filed a Motion in Opposition to NYSEG’s June 19, 2001 appeal. On June 25, 2001, the City of New York submitted a Motion in Support of NYSEG’s appeal. On June 25, 2001, LIPA filed a Motion in Opposition to NYSEG’s appeal. The NYISO Board of Directors denied NYSEG’s appeal on July 2, 2001. *See NYISO Board of Directors Decision on NYSEG’s Appeal of the Decision to File the Stage II ICAP Tariff*, [http://www.nyiso.com/services/documents/groups/board\\_of\\_directors.html](http://www.nyiso.com/services/documents/groups/board_of_directors.html).

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**X. FEDERAL REGISTER NOTICE**

A form of *Federal Register* Notice is provided as Attachment III hereto. A diskette of the notice also is provided.

Respectfully submitted,

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Kathy Robb  
Counsel for  
New York Independent System Operator, Inc.

Attachments



## ATTACHMENT I

## ATTACHMENT II

## ATTACHMENT III

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

New York Independent System Operator, Inc.       )       Docket No. ER01-\_\_\_\_\_-\_\_\_\_\_

NOTICE OF FILING

Take notice that the New York Independent System Operator, Inc. ("NYISO") on July 6, 2001 tendered for filing proposed revisions to Sections 5.9 - 5.16 of its Market Administration and Control Area Services Tariff. The NYISO requests an effective date of 60 days after this filing (September 4, 2001). Take further notice that the NYISO has requested on behalf of the Market Participants that the Commission determine the appropriate translation from Installed Capacity to Unforced Capacity of the \$105 cap applicable to In-City generators subject to market power mitigation measures previously adopted by the Commission.

Copies of this filing were served upon all persons who have executed Service Agreements under the ISO Market Services Tariff and all parties included on the service list for docket number ER98-3169-000.

Any person desiring to be heard or to protest this filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. §§ 385.211 and 385.214). All such motions or protest regarding translation of the \$105 cap should be filed on or before July 20, 2001. All motions or protests regarding proposed revisions to Sections 5.9 - 5.16 of the ISO Services Tariff, other than the translation of the \$105 cap, should be filed on or before \_\_\_\_\_. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection in the Public Reference Room. This filing may also be viewed on the Internet at <http://www.ferc.fed.us/online/rims.htm> (call 202-208-2222 for assistance).

David P. Boergers  
Secretary

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each party listed on service list ER98-3169 and upon each party that has executed a Service Agreement under the New York Independent System Operator, Inc.'s Open-Access Transmission Tariff and Market Administration and Control Area Services Tariff, as well as the New York State Public Service Commission and the electric utility regulatory agencies in New Jersey and Pennsylvania.

Dated at Washington, DC this 6<sup>th</sup> day of July, 2001.

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