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# nyiso Installed Capacity Manual

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## 3.0 Unforced Capacity Requirements of Load Serving Entities

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## 3.5 Customer-Switching

### 3.5.1 General Requirements for Customer-Switching within a Capability Year

#### Establishment of Preliminary and Final Unforced Capacity Requirements

Each year (~~all dates are defined in Attachment A~~ provides specific dates), Transmission Owners shall submit an initial forecast with supporting data, which will reflect verified customer-switching that occurred during the prior calendar year. In addition to the initial forecasts and data submitted to the ISO, the Transmission Owner must provide to the ISO the electronic version of the notification letters sent to the affected LSEs demonstrating that such LSEs have been provided data regarding the customer changes assigned to them.

Each Transmission Owner shall also submit to the ISO aggregate peak Load data, coincident with the Transmission District peak, for all customers served by each LSE within its Transmission District, excluding those served by the municipal electric systems (see Attachment A). This data shall reflect verified customer-switching through December 31 of the previous year and may be derived from direct meters or Load profiles of customers served. This information shall also be submitted to each LSE affected by the customer-switching.

Based on documented customer-switching adjustments through the end of February, the ISO shall calculate a preliminary Unforced Capacity requirement for each LSE. The ISO will provide each LSE with its preliminary Unforced Capacity requirement estimate. The ISO will notify each LSE of its final Unforced Capacity requirement for each year, which shall reflect documented customer-shifts as of April 1st that are scheduled to occur before May 1st. In the event of a dispute as of April 10th regarding a Transmission Owner's forecast, the ISO shall nevertheless establish each LSE's final Unforced Capacity requirement, subject to possible adjustments required from a resolution of the dispute.

#### Monthly Adjustments to Final Unforced Capacity Requirement

The Transmission Owners will update the ISO and ~~the~~ affected LSEs ~~every month on a~~ monthly basis concerning customer-switching. Each Transmission Owner will provide ~~the~~ updated aggregated LSE ~~Loads~~ reports to the ISO and to each LSE serving Load in the Transmission District by the date provided in Attachment A of this Manual. The updated

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aggregated LSE Loads reports, which are submitted early in each month, shall reflect all customer-switching through the end of the submittal month which were reported to Transmission Owners as of the last day of the previous month-and-. In addition to customer switches scheduled to occur by for the month in which the last day of the current month-report is submitted, the report will include previously unreported customer switches that occurred in past months and corrections for customer switches that were incorrectly reported in an earlier report.

As an example, a Transmission Owner will submit a LSE update report on July 7th which represents all customer-switching changes occurring through July 31st that the Transmission Owner received notice of by June 30th. This report might include the following customer switches: a customer switch scheduled to occur on July 20th, notification of a switch that occurred on June 5th that the Transmission Owner was unaware of when it submitted its report in June, and a date correction for a switch that occurred in May.

Based on customer-switching, the ISO will make monthly adjustments to each LSE's Unforced Capacity requirement for the following month to reflect an or months remaining in the Capability Year which follows the month in which the Transmission Owner's report was submitted. These adjustments will reflect each individual LSE's gain and loss of Load customers. The adjustment adjustments will be made in such a way as to keep the total Unforced Capacity requirement for the Transmission District constant.-Each update will reflect scheduled customer switching through the end of that month based on customer switching documented as of the end of the prior month.

To continue the example, in response to the Transmission Owners customer-switching report submitted in early July (based on changes reported to the Transmission Owner by June 30th), the ISO will recalculate affected LSE's Unforced Capacity requirement for the months of August through April (the last month of the Capability Year). The ISO will inform affected LSEs of their new Unforced Capacity requirement prior to the Monthly Auction occurring in July, allowing those LSEs affected ample time to acquire, as necessary, sufficient Unforced Capacity for the month of August.

See the Capability Period Timeline in Attachment A for details concerning the schedule of updates and notification requirements related to monthly customer-switching.

### **3.5.13.5.2 Assignment of Installed Capacity Obligation for a New Customer in a Transmission District**

A new customer will be is defined as any entity with a new service connection for which the Transmission Owner cannot identify the entity's contribution to the relevant prior peak period. The Installed Unforced Capacity requirements related to new customers are estimated by Transmission Owners and are reflected in the Load growth assumptions of the Capability Year forecasts provided by the Transmission Owners and approved by the ISO. Load growth assumptions typically include a component for new customers and a component for existing customers.

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The Unforced Capacity requirements of LSEs in each Transmission District shall initially reflect all Load growth for such Transmission District. Two different methods shall be used to adjust the Unforced Capacity requirements of LSEs serving Load when new Loads enter that Transmission District.

- To the extent that a Transmission Owner has the ability to assign an estimated peak Load coincident with the ~~TD~~Transmission District peak Load to a new customer in its Transmission District, it shall be permitted to do so. The LSE serving that new customer shall assume the ~~Installed~~Unforced Capacity obligation. The Unforced Capacity requirement of each LSE serving Load within that Transmission District shall then be reduced by its share of the new customer's total ~~Installed~~Unforced Capacity obligation which is assumed by the LSE serving that new customer. The ISO will notify each affected LSE of its new Unforced Capacity requirement in accordance with the dates provided in Attachment A.
- In the absence of a direct assignment mechanism, the Unforced Capacity requirement of each LSE serving Load within that Transmission District will not be normalized.

The following procedures will be used to account for the direct assignment of an ~~Installed~~Unforced Capacity obligation for a new customer within the Capability Period.

- The relevant Transmission Owner shall notify the ISO and the relevant LSE of the new customer's Load based on its estimated peak Load coincident with the TD peak Load.
- The ISO shall normalize the Unforced Capacity requirements of all LSEs serving Load in the Transmission District at the time of the new customer's assignment to the relevant LSE such that the total Unforced Capacity requirement for the Transmission District remains constant. The ISO will notify each affected LSE of its new Unforced Capacity requirement in accordance with the dates provided in Attachment A.

If a dispute occurs concerning the assignment of ~~Installed~~Unforced Capacity obligations related to new customers, it ~~will~~shall be ~~handled according to~~ resolved in accordance with Section ~~3-5.43.5.5~~ of this Manual. If the direct assignment of the ~~Installed~~Unforced Capacity obligation for a new customer takes place within the ~~Obligation Procurement~~Capability Period, the LSE with the new customer obligation shall be required to have sufficient Unforced Capacity to cover that assignment ~~on a prospective basis for the duration of the Obligation Procurement Period~~ on the first day of the month after the first ~~monthly~~Monthly ~~auction~~Auction following the assignment and for each month thereafter in the Capability Year, in accordance with the monthly LSE certification requirements. For example, if the NYISO provides notification of an assignment of a new customer Unforced Capacity obligation to an LSE on July 10th (prior to the Monthly Auction taking place in mid-July), that LSE is required to have sufficient Unforced

Capacity to cover that assignment from August through the following April, on a monthly basis.

### **3.5.23.5.3 Load Lost due to Departing Customers**

To account for Load lost when a customer leaves New York State, the ISO will:

- Reduce the Unforced Capacity requirement of the Load-losing LSE within the Transmission District.
- Relieve the LSE responsible for the ~~Installed~~Unforced Capacity obligation of the departing customer of that obligation. The LSE may sell any excess Unforced Capacity. In order for the Load-losing LSE to be relieved of this obligation, the Transmission Owner must notify the ISO of the customer's departure, by providing adequate supporting documentation that it has left New York State. (For example, either a ~~counter-signed~~countersigned letter between the Transmission Owner and the departing customer or documentation that the departing customer has requested service disconnection would meet this requirement.)
- Normalize the Unforced Capacity requirements of all LSEs serving Load (including the Load-losing LSE) in the relevant Transmission District such that the total Unforced Capacity requirement for the Transmission District remains constant.

Within two (2) business days, the ISO will notify the LSE that (a) it has either been relieved of the ~~Installed~~Unforced Capacity obligation of the departing customer, or (b) the notification and supporting documentation is deemed inadequate, in which case the LSE must continue to carry the Unforced Capacity associated with the departing customer until such time as it has satisfied the ISO's documentation requirement. When informing an LSE that its documentation is inadequate, the ISO will provide guidance as to how the documentation could be made acceptable.

### **3.5.33.5.4 Financial Arrangements to Cover Customer Switching**

If a customer switches LSEs or if LSE Load is normalized pursuant to Section 3.5.1 of this Manual, the following financial arrangements will be executed. Refer to Section 5 of this Manual for details concerning the ~~monthly~~Monthly Installed Capacity ~~auctions~~Auctions referred to below. Also refer to Section 5.11.3 of the ISO Services Tariff and Attachment L of this Manual.

- The customer-gaining (or Load obligation-gaining) LSE will financially cover the Unforced Capacity associated with its new customer by paying the customer-losing LSE for each day that the customer-gaining LSE serves that new customer, until the first day of the ~~next month after the next regular Monthly Auction~~following the month in which each LSE was notified by the ISO of its

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new Unforced Capacity requirement associated with the customer-switching (see Attachment A for the timing of such notification), at which time the Unforced Capacity requirement of each LSE will reflect the switch. (This paragraph, and those following in this subsection, also apply to shifts in LSE Load obligations due to periodic normalizing. See Sections 3.5.2 and 3.5.3 above, and Attachment L to this Manual.)

- The ISO will use the monthly Installed Capacity billing cycle, in the same month in which the ISO notified each affected LSE, to bill the customer-gaining LSE, for the period referred to directly above, in the same month as the auction referred to directly above.
- The rate that will be used to calculate this financial exchange for each month in which the obligation to procure Installed Capacity shifts, as described above, will be the monthly clearing price established at for that month in the most recent previous Monthly Auction, pro-rated if any Installed Capacity sales for that month cleared in that auction, prorated on a daily basis. If no Installed Capacity sales were cleared in that auction, then the price determined in the most recent previous Monthly Auction in which Installed Capacity sales did clear for that month will be used, prorated on a daily basis. If Installed Capacity sales for that month did not clear in any Monthly Auction, the rate that will be used will be the clearing price of the Capability Period Auction divided by six to determine a monthly average clearing price, and then prorated on a daily basis. (See Attachment L of this Manual for the number of days information in connection with the month financial reconciliation process.)
- If the customer-losing LSE received a rebate associated with the lost customer (see Section 5.12 and Attachment L of this Manual for information concerning rebates), a proportionate share of the rebate will reduce the amount paid by the customer-gaining LSE.

For example, if a Transmission Owner is notified prior to the end of June of a customer switch in its Transmission District that will occur on July 20th, it will report this occurrence in early July to the ISO and affected LSEs. Shortly thereafter, the ISO will recalculate the Unforced Capacity requirement of the affected LSEs and notify them prior to the Monthly Auction occurring in mid-July. Each affected LSE will be responsible for its new Unforced Capacity requirement starting August 1st. In the meantime, in order to reflect the gain and loss of customers of each affected LSE during the month of July (in this instance, from July 20th through July 31st), in Unforced Capacity terms, the customer-gaining LSE will be required to cover the cost of the Unforced Capacity previously procured by the customer-losing LSE for the month of July to satisfy the customer's Load by reimbursing the customer-losing LSE on a pro rata basis (in this case, for 12 days). This amount will be calculated using the clearing price for Installed Capacity for the month of July determined in the Monthly Auction which took place in June, unless no Installed Capacity for the month of July cleared in that auction, in which case the amount will be calculated using the clearing price for Installed Capacity for the month of July determined in either (1) the Monthly Auction which took place in May, or

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(2) the Monthly Auction which occurred before the beginning of the Summer Capability Period, in order of preference, as long as some Installed Capacity for the month of July cleared in the auction used to calculate this price. In the event that no Installed Capacity for the month of July cleared in any of these Monthly Auctions, the amount will be determined by dividing by six the clearing price of the Capability Period Auction (strip auction) which occurred in late March or early April. This financial reconciliation will be reflected in the July billing cycle.

### **3.5.43.5.5 Disputes Related to Customer Switching**

Any disputes among Market Participants concerning customer-switching shall be resolved either by the ISO Expedited Dispute Resolution Procedures (as set forth in Section 5.16 of the ISO Services Tariff), or the relevant Transmission Owner's retail access procedures, as applicable.

If a dispute occurs, the ISO will make its monthly Unforced Capacity adjustments as if the customer-shift had occurred as reported by the Transmission Owner and will retroactively modify these adjustments based on the outcome of the applicable Dispute Resolution Process, if necessary.

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## 4.0 Installed Capacity Requirements Applicable to Installed Capacity Suppliers

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### 4.7 Monthly Installed Capacity Supplier Certification Forms

Each Installed Capacity Supplier must submit the appropriate ISO certification form to the ISO no later than the 20th day of each month, demonstrating that the Unforced Capacity it is supplying is not already committed to meet the Installed Capacity requirement of an External Control Area.

In addition, each Installed Capacity Supplier that has been de-rated (i.e., has had the amount of Unforced Capacity it is authorized to supply in the NYCA reduced by the ISO in accordance with section 4.5 of this Manual) shall either demonstrate in its monthly certification that it has procured sufficient additional Unforced Capacity to cover any shortage, due to such de-rating, of Unforced Capacity or be placed in the Deficiency Auction for due to such shortage.

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## 5.0 NYISO Administered Installed Capacity Auctions

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### 5.2 Auctions Conducted Prior to a Capability Period

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#### 5.2.5 Phase One and Two of Deficiency Procurement Auction

The ISO shall conduct a Deficiency Procurement Auction, if necessary, after the Pre-Capability Period Monthly Auctions if ~~LSEs have an LSE has~~ an LSE has not procured certified sufficient Unforced Capacity to meet ~~their~~ its Unforced Capacity requirement for the first Obligation Procurement Period of the Capability Period (e.g., if an LSE failed to timely submit its Installed Capacity certification to the ISO in accordance with Section 3.4 of this Manual).

Participation in the first phase of this Deficiency Procurement Auction shall be limited to deficient LSEs serving Load in the New York City Locality that are required to make additional Locational Installed Capacity purchases in order to satisfy their In-City Locational Installed Capacity Requirements, qualified In-City Installed Capacity Suppliers, and any other Installed Capacity Supplier that owns excess Unforced Capacity associated with qualified In-City Installed Capacity Suppliers. The ISO shall submit deficiency bids on behalf of each participating LSE at a level determined pursuant to Section 5.14.1 of the ISO Services Tariff.

LSEs awarded Unforced Capacity in the first phase shall pay the lesser of the Market-Clearing Price of Unforced Capacity determined in that phase, or the deficiency bid, to the ISO. The ISO shall pay Installed Capacity Suppliers that are selected to provide Unforced Capacity the Market-Clearing Price determined in that phase, which can be no greater than the deficiency bid, except in the case of Unforced Capacity associated with In-City Installed Capacity Suppliers that are subject to mitigation measures, which shall receive the lesser of the Market-Clearing Price determined in that phase or the applicable locational price cap.

Any entity that resells Unforced Capacity associated with In-City Installed Capacity Suppliers that are subject to market mitigation measures shall receive the lesser of the Market-Clearing Price determined in that phase or the price that it paid for that Unforced Capacity. The ISO shall retain any Excess Amount and rebate it to all LSEs serving Load in the New York City Locality pursuant to Section 5.15 of the ISO Services Tariff.

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Participation in the second phase of the Deficiency Procurement Auction shall not be limited to In-City Installed Capacity Suppliers. The ISO shall submit deficiency bids on behalf of all remaining deficient LSEs at a level determined pursuant to Section 5.14.1 of the ISO Services Tariff. The ISO shall solicit bids from all qualified Installed Capacity Suppliers, including In-City Installed Capacity Suppliers otherwise subject to market mitigation measures, that still have Unforced Capacity to offer after all LSEs based in the New York City Locality have met their Locational Installed Capacity Requirements for this Obligation Procurement Period.

LSEs awarded Unforced Capacity in the second phase shall pay the lesser of the applicable Market-Clearing Price of Unforced Capacity determined in that phase, or the deficiency bid, to the ISO. The ISO will use these deficiency payments to pay the applicable Market-Clearing Price of Unforced Capacity determined in that phase, except as noted below, to Installed Capacity Suppliers that were selected to provide Unforced Capacity, including In-City Installed Capacity Suppliers that are otherwise subject to market mitigation measures.

Any Installed Capacity Supplier that resells Unforced Capacity associated with In-City Installed Capacity Suppliers that are subject to market mitigation measures shall receive the lesser of the applicable Market-Clearing Price determined in that phase or the price that it paid for that Unforced Capacity.

The ISO shall also prospectively purchase Unforced Capacity on behalf of deficient Installed Capacity Suppliers in the Deficiency Procurement Auctions. The ISO shall submit a deficiency bid on behalf of deficient Installed Capacity Suppliers as if they were deficient LSEs. Deficient Installed Capacity Suppliers must pay the applicable Market-Clearing Price of Unforced Capacity to the ISO. If an Installed Capacity Supplier is determined to have been deficient for any prior portion of a Capability Period, that Installed Capacity Supplier must retroactively pay to the ISO the applicable monthly deficiency charge.

If deficiencies exist after this Deficiency Procurement Auction, the ISO shall purchase any subsequently qualified Unforced Capacity using the deficiency charges collected from deficient LSEs and Installed Capacity Suppliers. Please refer to Section 5.3.3, below, for further details in connection with post-Deficiency Procurement Auction Unforced Capacity purchases by the ISO.

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