

**Proposed NYISO Services Tariff
Stage 2 Tariff on an Installed Capacity Market Design**

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- Changes are not Marked in this Document.

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

I. Definitions

2.194a1 Unforced Capacity Deliverability Rights

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

II. Article 5

[...]

5.10 NYCA Installed Capacity Requirement

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

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

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

5.11 Requirements Applicable to LSEs

[...]

5.11.4 LSE Locational Installed Capacity Requirements

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

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

Each LSE will secure the required amount of Unforced Capacity for the upcoming Obligation Procurement Period consistent with the locational requirements established by the ISO. When combined with UDRs, Unforced Capacity located outside, but deliverable to, a NYCA Locality may be counted towards an LSE's Locational Unforced Capacity Requirement.

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

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

The ISO shall have the right to audit all executed Installed Capacity contracts and related documentation of arrangements by an LSE to use its own generation to meet its Locational Installed Capacity Requirement for an upcoming Obligation Procurement Period.

5.12 Requirements Applicable to Installed Capacity Suppliers

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5.12.5 Operating Data Reporting Requirements

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

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

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5.12.5(d) Transmission Projects Granted Unforced Capacity Deliverability Rights

An owner of a transmission project that receives UDRs must submit outage data in accordance with ISO procedures.

[...]

5.12.7 Availability Requirements

Subsequent to qualifying, each Installed Capacity Supplier shall, except as noted in Section 5.12.11 of this Tariff, on a daily basis (i) schedule a Bilateral Transaction; (ii) Bid Energy in each hour of the Day-Ahead Market in accordance with the applicable provisions of Section 5.12.1 of this Tariff; or (iii) notify the ISO of any outages, including those associated with transmission facilities that have been granted UDR status. The total amount of Energy that an Installed Capacity Supplier schedules, bids, or declares to be unavailable on a given day must equal or exceed the Installed Capacity Equivalent of the Unforced Capacity it supplies.

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