

Proposed NYISO Services Tariff

Stage 2 Tariff on an Installed Capacity Market Design

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- Changes are not Marked in this Document.

II. Article 5

[...]

5.9 Installed Capacity - Implementation of Revised Installed Capacity Market Provisions

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5.10 NYCA Installed Capacity Requirement

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5.11 Requirements Applicable to LSEs

[...]

5.12 Requirements Applicable to Installed Capacity Suppliers

5.12.1 Installed Capacity Supplier Qualification Requirements

In order to qualify as an Installed Capacity Supplier in the NYCA, Energy Limited Resources, Generators, Installed Capacity Marketers, Interruptible Load Resources, Intermittent Power Resources, and System Resources rated 1 MW or greater, other than External System Resources and Control Area System Resources which have agreed to certain Curtailment conditions as set forth in the last paragraph of Section 5.12.1, below, and other than Special Case Resources, existing municipally-owned generation, Energy Limited Resources, and Intermittent Power Resources, to the extent those entities are subject to the requirements of Section 5.12.11 of this Tariff, shall:

- (i) provide information reasonably requested by the ISO including the name and location of Generators, Interruptible Load Resources, and System Resources;
- (ii) in accordance with the ISO Procedures, perform DMNC tests and submit the results to the ISO, or provide to the ISO appropriate historical production data;
- (iii) abide by the ISO Generator maintenance coordination procedures;
- (iv) provide the expected return date from any outages (including partial outages) to the ISO;
- (v) **in accordance with the ISO Procedures,**
 - (a) provide documentation demonstrating that it will not use the same Unforced Capacity for more than one (1) buyer at the same time, **and**
 - (b) **in the event that the Installed Capacity Supplier supplies more Unforced Capacity than it is qualified to supply in any specific month (i.e., is short on Capacity), documentation that it has**

procured sufficient Unforced Capacity to cover this deficiency;

- (vi) except for Installed Capacity Marketers and Interruptible Load Resources, Bid into the Day-Ahead Market, unless the Energy Limited Resource, Generator, or System Resource is unable to do so due to an outage as defined in the ISO Procedures or due to temperature related deratings. Generators may also enter into the MIS an upper operating limit that would define the operating limit under normal system conditions. The circumstances under which the ISO will direct a Generator to exceed its upper operating limit are described in the ISO Procedures;
- (vii) if the Resource is an Interruptible Load Resource, it must commit that it will Bid, at the price at which it is willing to be interrupted, in the Day-Ahead Market, for both Energy and Operating Reserves;
- (viii) provide Operating Data in accordance with Section 5.12.5 of this Tariff;
- (ix) comply with the ISO Procedures;
- (x) when the ISO issues a Supplemental Resource Evaluation request (an SRE), Bid into the in-day market unless the entity has a bid pending in the Hour-Ahead Market when the SRE request is made or is unable to bid in response to the SRE request due to an outage as defined in the ISO Procedures, or due to other operational issues, or due to temperature related deratings; and
- (xi) Installed Capacity Suppliers located east of the central-east constraint shall Bid in the Day-Ahead and Real-Time Markets all Capacity available for supplying 10-Minute Non-Spinning Reserve (NSR) (unless the Generator is unable to meet its commitment because of an outage as defined in the ISO Procedures), except for the Generators described in subsections (a), (b), (c) and (d) below.
 - (a) Generators providing Energy under contracts executed and effective on or before November 18, 1999 (including PURPA contracts) in which the power purchasers do not control the operation of the supply source but would be responsible for penalties for being off-schedule, with the exception of Generators under must-take PURPA contracts executed and effective on or before November 18, 1999, who have not provided telemetering to their local TO and historically have not been eligible to participate in the NYPP market, which will continue to be treated as TO Load modifiers under the ISO-administered markets;
 - (b) Existing topping turbine Generators and extraction turbine Generators producing Energy resulting from the supply of steam to the district steam system located in New York City (LBMP Zone J) in operation on or before November 18, 1999, and/or topping or extraction turbine Generators used in replacing or repowering steam supplies from such units (in accordance with good engineering and economic design) that cannot follow schedules, up to a maximum total of 365 MW of such

units;

- (c) Existing Intermittent Power Resources in operation on or before November 18, 1999 within the NYCA, plus up to an additional 500 MW of such Generators; and
- (d) Units that have demonstrated to the ISO that they are subject to environmental, contractual or other legal or physical requirements that would otherwise preclude them from providing 10-Minute NSR.

The ISO shall inform each potential Installed Capacity Supplier that is required to submit DMNC data of its approved DMNC ratings for the Summer Capability Period and the Winter Capability Period in accordance with the ISO Procedures.

Requirements to qualify as Installed Capacity Suppliers for External System Resources and Control Area System Resources located in External Control Areas that have agreed not to Curtail the Energy associated with such Installed Capacity or to afford it the same Curtailment priority that it affords its own Control Area Load shall be established in the ISO Procedures.

5.12.2 Additional Provisions Applicable to External Installed Capacity Suppliers

External Generators, External System Resources, and Control Area System Resources qualify as Installed Capacity Suppliers if they demonstrate that the Installed Capacity Equivalent of their Unforced Capacity is deliverable to the NYCA and will not be recalled or curtailed by an External Control Area to satisfy its own Control Area Loads, or, in the alternative, if they demonstrate that the External Control Area will afford the NYCA Load the same curtailment priority that they afford their own Control Area Native Load Customers. The amount of Unforced Capacity that may be supplied by such entities qualifying pursuant to the alternative criteria may be reduced by the ISO, pursuant to ISO Procedures, to reflect the possibility of curtailment. Procedures for qualifying and selling External Installed Capacity are detailed in the Installed Capacity Manual.

LSEs with External Installed Capacity as of the effective date of this 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 this Tariff. To the extent such External Installed Capacity corresponds to Existing Transmission Capacity for Native Load as reflected in Table 3 of 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 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.

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5.12.11 Special Case Resources, Municipally-Owned Generation, Energy

Limited Resources and Intermittent Power Resources

5.12.11(a) Special Case Resources

Special Case Resources may qualify as Installed Capacity Suppliers, without having to comply with the daily bidding, scheduling, and notification requirements set forth in Section 5.12.7 of this Tariff, if (i) they are available to operate for a minimum of four (4) consecutive hours each day, at the 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 (2) hours and which will be derated by the ISO pursuant to ISO Procedures to account for the Load serving equivalence of the hours actually available, following notice of the potential need to operate twenty-one (21) hours in advance if notification is provided by 3:00 P.M. ET, or twenty-four (24) hours in advance otherwise, 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 Unforced Capacity requirement of the LSE that serves that customer is based, unless that LSE's Unforced Capacity requirement is adjusted upwards to prevent double-counting. The ISO will have discretion, pursuant to ISO Procedures, to 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 Loads capable of being interrupted upon demand, that are not available on certain hours or days will be derated by the ISO, pursuant to ISO Procedures, to reflect the Load serving equivalence of the hours they are actually available. Distributed Generators and Loads capable of being interrupted upon demand will be required to comply with verification and validation procedures set forth in the ISO Procedures. 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, except that Special Case Resources not called to supply Energy in a Capability Period may be required to run a test once every Capability Period in accordance with ISO Procedures.

Unforced Capacity supplied in a Bilateral Transaction by a Special Case Resource pursuant to this subsection may only be resold if the purchasing entity or the Installed Capacity Marketer has agreed to comply with the ISO notification requirements for Special Case Resources. LSEs and Installed Capacity Marketers may aggregate Special Case Resources and sell the Unforced Capacity associated with them in an ISO-administered auction if they comply with ISO notification requirements for Special Case Resources.

Transmission Owners that require assistance from distributed Generators larger than 100 kW and Loads capable of being interrupted upon demand for Load relief purposes or as a result of a Local Reliability Rule, shall direct their requests for assistance to the ISO for implementation consistent with the terms of this Section.

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5.12.12 Sanctions Applicable to Installed Capacity Suppliers and Transmission Owners

Pursuant to this Section, the ISO may impose financial sanctions on Installed Capacity Suppliers and Transmission Owners that fail to comply with certain provisions of this Tariff.

The ISO shall notify Installed Capacity Suppliers and Transmission Owners prior to imposing any sanction and shall afford them a reasonable opportunity to demonstrate that they should not be sanctioned and/or to offer mitigating reasons why they should be subject to a lesser sanction. The ISO may impose a sanction lower than the maximum amounts allowed by this Section at its sole discretion. Installed Capacity Suppliers and Transmission Owners may challenge any sanction imposed by the ISO pursuant to the ISO Dispute Resolution Procedures.

Any sanctions collected by the ISO pursuant to this Section will be applied to reduce the Rate Schedule 1 charge under this Tariff.

5.12.12(a) Sanctions for Failing to Provide Required Information

If (i) an Installed Capacity Supplier fails to provide the information required by Subsections 5.12.1(i), (ii), (iii), (iv), or (viii) of this Tariff in a timely fashion, or (ii) a Supplier of Unforced Capacity from External System Resources located in an External Control Area or from a Control Area System Resource that has agreed not to Curtail the Energy associated with such Installed Capacity, or to afford it the same Curtailment priority that it affords its own Control Area Load, fails to provide the information required for certification as an Installed Capacity Supplier established in the ISO Procedures, the ISO may take the following actions: On the first day that required information is late, the ISO shall notify the Installed Capacity Supplier that required information is past due and that it reserves the right to impose financial sanctions if the information is not provided by the end of the following day. Starting on the third day that the required information is late, the ISO may impose a daily financial sanction up to the higher of \$500 or \$5 per MW of Installed Capacity that the Generator, Interruptible Load Resource, System Resource, or Control Area System Resource in question is capable of providing. Starting on the tenth day that the required information is late, the ISO may impose a daily financial sanction up to the higher of \$1000 or \$10 per MW of **Installed Capacity Equivalent the Installed Capacity Supplier is qualified to supply.**

If an Installed Capacity Supplier fails to provide the information required by Subsection 5.12.1(v) of this Tariff in a timely fashion, the ISO may take the following actions: On the first calendar day that required information is late, the ISO shall notify the Installed Capacity Supplier that required information is past due and that it reserves the right to impose financial sanctions if the information is not provided by the end of that first calendar day. Starting on the second calendar day that the required information is late, the ISO may impose a daily financial sanction up to the higher of \$500 or \$5 per MW of Installed Capacity Equivalent the Installed Capacity Supplier is qualified to supply.

If a TO a fails to provide the information required by Subsection 5.11.3 of this Tariff in a timely fashion, the ISO may take the following actions: On the first day that required information is late, the ISO shall notify the TO that required information is past due and that it reserves the right to impose financial sanctions if the information is not provided by the end of the following day. Starting on the third day that the required information is late, the ISO may impose a daily financial sanction up to \$5,000 a day. Starting on the tenth day that required information is late, the ISO may impose a daily financial sanction up to \$10,000.

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5.13 Installed Capacity Auctions

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5.14 Installed Capacity Deficiencies and Deficiency Procurement Auctions

5.14.1 LSE Deficiencies

5.14.1(a) Deficiency Procurement Auction

If an LSE violates Sections 5.11.2 or 5.11.3 of this Tariff by failing to procure sufficient Unforced Capacity to cover its Unforced Capacity requirement for an Obligation Procurement Period or by failing to timely submit its Installed Capacity certification form, the ISO shall procure sufficient Unforced Capacity to cover the remainder or the entirety, as applicable, of the LSE's Unforced Capacity requirement for that Obligation Procurement Period through Deficiency Procurement Auctions.

The ISO shall conduct a Deficiency Procurement Auction preceding the start of an Obligation Procurement Period; the exact date of the Deficiency Procurement Auction shall be established in the ISO Procedures. The Deficiency Procurement Auction will consist of two phases. Both phases of each Deficiency Procurement Auction shall be conducted on the same day. In each phase of each Deficiency Procurement Auction the ISO shall submit monthly deficiency bids on behalf of deficient LSEs at a level per MW determined by dividing the appropriate number specified in the following Table by six (6).

Deficiency Bids and Charges

The following deficiency bids and charges shall apply in implementing UCAP through April 30, 2003.

In-City New York City (LBMP Load Zone J)	\$83.96/kW of Unforced Capacity per Capability Period (Equivalent to \$75.00/kW of Installed Capacity per Capability Period)
Long Island (LBMP Load Zone K)	\$74.42/kW of Unforced Capacity per Capability Period (Equivalent to \$70.00/kW of Installed Capacity per Capability Period)
All Other LBMP Load Zones in the NYCA	\$69.20/kW of Unforced Capacity per Capability Period (Equivalent to \$62.50/kW of Installed Capacity per Capability Period)

Beginning May 1, 2003, these deficiency bids and charges will be based on three times the localized levelized embedded cost of gas turbines in the New York City Locality, the Long Island Locality, or elsewhere in the NYCA, respectively.

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5.14.2 Installed Capacity Supplier Deficiencies

In the event that the amount of Unforced Capacity that an Installed Capacity Supplier certifies in a given month is determined to be more than the amount that the Installed Capacity Supplier is authorized to supply for that month, the ISO shall prospectively purchase Unforced Capacity on behalf of that deficient Installed Capacity Supplier in the amount of the deficiency in the appropriate Deficiency Procurement Auction **or through post-Deficiency Procurement Auction Unforced Capacity purchases.**

In the event that an Installed Capacity Supplier sells in the Capability Period Auction more Unforced Capacity than it is qualified to sell in any specific month due to a derating or other cause, the Installed Capacity Supplier shall be deemed deficient for that month. To cover this deficiency, the Installed Capacity Supplier shall purchase sufficient Unforced Capacity in the relevant Monthly Auction or through Bilateral Transactions, and certify to the ISO consistent with the ISO Procedures that it has covered such deficiency. If the Installed Capacity Supplier does not cover such deficiency or if it does not certify to the ISO in a timely manner, the ISO shall prospectively purchase Unforced Capacity on behalf of that deficient Installed Capacity Supplier in the appropriate Deficiency Procurement Auction or through post-Deficiency Procurement Auction Unforced Capacity purchases to cover the deficiency.

In the event that an External Installed Capacity Supplier fails to deliver to the NYCA the Energy associated with the Unforced Capacity it committed to the NYCA due to a failure to obtain transmission service or rights, the External Installed Capacity Supplier shall be deemed to have been deficient from the last time the External Installed Capacity Supplier "demonstrated" delivery of its Installed Capacity Equivalent ("ICE"), or any part thereof, until it next delivers its ICE or the end of the term for which it sold the applicable block of Unforced Capacity, whichever occurs first, subject to the limitation that any prior lack of demonstrated delivery will not precede the beginning of the current Capability Period or the period for which the Unforced Capacity was sold, whichever is most recent. A deficient External Installed Capacity Supplier shall be required to pay to the ISO a deficiency charge as set in section 5.14.1(a) of this Services Tariff, prorated for the number of hours in the month that External Installed Capacity Supplier is deficient (i.e., deficiency charge / 6 months / total number of hours in month when deficiency occurred * number of hours deficient).

The ISO shall submit a deficiency bid, calculated pursuant to Section 5.14.1 of this Tariff in the appropriate Deficiency Procurement Auction on behalf of a deficient Installed Capacity Supplier as if it were a deficient LSE. The deficient Installed Capacity Supplier shall be required to pay to the ISO the Market-Clearing Price of Unforced Capacity established in that Deficiency Procurement Auction.

If an Installed Capacity Supplier is found, at any point during a Capability Period, to have been deficient for that Capability Period, *e.g.*, when the amount of Unforced Capacity that it supplies is found to be less than the amount it was committed to supply, the Installed Capacity

Supplier shall be retrospectively liable to pay the ISO the monthly deficiency charge, calculated pursuant to Section 5.14.1 of this Tariff.

Any remaining monies collected by the ISO pursuant to Section 5.14.1 will be applied as specified in Section 5.14.3.

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5.15 Payment and Allocation of Installed Capacity Auction Rebates

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5.16 Expedited Dispute Resolution Procedures

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