

DRAFT NYISO Services Tariff: Stage II Tariff on Implementation of a Permanent ICAP Market Design

*(Tariff as Modified by the February 1, April 28, August 22 and
September 1, 2000 FERC Compliance Filings, the May 31, 2000 FERC Order,
and the draft late September Continuation of Stage I Filing)*

Marked to Show the following Modifications:

- Changes from March 26, 2000 draft as a result of subsequent FERC filings are marked as dotted, like this.
- Substantive changes to the March 26, 2000 draft are marked as double underlined, like this.
- [Notes for the Working Group's consideration are in brackets and highlighted, like this.]

Prepared for the September 15, ICAPWG Meeting

[Note on length of OPP in this draft: As you know, the NYISO engaged an independent consulting firm, The Brattle Group, to examine reliability impacts of changing the Obligation Procurement Period from the current 6-month requirement to a one-month requirement. The May 2000 Report of the Brattle Group concluded that, under certain conditions, there would be no adverse reliability impacts of such a change. Subsequently, both the NYISO MC and BIC endorsed this change.]

After the MC and BIC endorsement, bid caps were imposed on the New York electricity markets. This is one of the conditions that the Brattle Group indicated could affect its findings. In light of these changed circumstances, and in consultation with the ICAPWG, the NYISO is having the findings of the Brattle group re-examined. This review will be complete sometime in October.]

After the review is complete, the MC and BIC endorsement of a one-month OPP may be reconsidered as well. Until that time, and with an explicit acknowledgment that the length of the OPP remains an open issue, this Draft Stage II Tariff reflects a change to a one-month OPP.]

[Note on "ICAP"/"UCAP" terminology in this draft: At the Sept. 15 ICAPWG meeting, we need to reach consensus about whether the permanent market design is properly called "ICAP" or "UCAP." We left "ICAP" in this draft for simplicity.]

I. Definitions

2.2a Adjusted Actual Peak Load

Actual peak Load adjusted to reflect: (i) Load relief measures such as voltage reduction and Load Shedding; (ii) peak Load reductions provided by Interruptible Load Resources; and (iii) normalized design weather conditions, as necessary.

2.17 Capability Period

Six month periods which are established as follows: (1) from May 1 through October 31 of each year ("Summer Capability Period"); and (2) from November 1 of each year through April 30 of the following year ("Winter Capability Period").

2.17a Capability Period Auction

Auction conducted no later than thirty (30) days prior to the start of each Capability Period.

2.17b Capability Year

A Summer Capability Period, followed by a Winter Capability Period (*i.e.*, May 1 - April 30).

2.?? Demand Hours

The time period each day beginning [8:00:01] and ending [22:00:00,] inclusive. [The ISO is currently reviewing the times.]

2.46a DMNC Test Period

The period within a Capability Period during which a Generator's, System Resource's or Special Case Resource's DMNC test must be conducted if that DMNC test is to be valid for purposes of allowing the Supplier to participate in the NY ~~determining the amount of~~ Installed Capacity market that resource is permitted to provide. Such periods will be established pursuant to the ISO Procedures.

2.49a Energy Limited Resource

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Capacity resources that, due to design considerations, environmental restrictions on operations, cyclical requirements, such as the need to recharge or refill, or other non-economic reasons, are unable to operate continuously on a daily basis, but are able to operate for at least four consecutive hours each day.

2.49b Equivalent Demand Forced Outage Rate

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

2.?? Equivalent Availability Factor

The portion of time, calculated pursuant to the ISO procedures, a unit is available to operate, recognizing equivalent partial outage time.

2.? Equivalent Forced Outage Factor

The portion of time, calculated pursuant to the ISO procedures, a unit is unavailable due to Forced Outages.

2.? Equivalent Maintenance Outage Factor

The portion of time, calculated pursuant to the ISO procedures, a unit is unavailable due to maintenance outages. [Refer to Equation 4, page 5]

2.? f-factor

Factors which adjust the total number of full Forced Outage and partial Forced Outage hours to reflect those which occur during Demand hours. Separate factors exist to adjust full (ff) and partial (fp) outage hours. [Refer to Equation 10, page 6]

2.59a Forced Outage

An unscheduled outage that cannot be postponed until the ~~next~~ nearest weekend, due to equipment failure, environmental, including emissions, requirements, and, in the case of run-of-river hydro generation, lack of water.

2.59b GADS Data

Data regarding Generator Availability that is reported to the NERC and collected in its Generating Availability Data System (“GADS”) database.

2.74 Installed Capacity

External or Internal Capacity, in increments of 100 kW, that is continuously made available, pursuant to Tariff requirements and ISO Procedures, for the portion of an Obligation Procurement Period for which that Capacity is being sold or purchased for the purpose of satisfying the NYCA’s Installed Reserve Requirement.

2.74a Installed Capacity Marketer

An entity which has signed this Tariff and which purchases Installed Capacity Unforced Capacity Credits from qualified Installed Capacity Suppliers, or from LSEs with excess Installed Capacity Unforced Capacity Credits, either bilaterally or through an ISO-administered auction. Installed Capacity Marketers that purchase Installed Capacity Unforced Capacity Credits through an ISO-administered auction may only resell Installed Capacity purchased in such auctions in the NYCA.

2.74b Installed Capacity Supplier

An Energy Limited Resource, Generator, Installed Capacity Marketer, Interruptible Load Resource, Special Case Resource or System Resource that satisfies the ISO’s qualification requirements for selling Installed Capacity Unforced Capacity.

2.99a Maintenance Outage

~~An unscheduled outage that can be postponed until the next weekend, but which requires the Generator, Interruptible Load Resource, Special Case Resource or System Resource in question to be removed before its next planned outage.~~ An outage that can be postponed beyond the end of the next weekend, but requires the unit be removed before the ~~next~~ nearest planned outage.

2.??? NYCA Installed Capacity Requirement

Requirement established for each Capability Year by multiplying the NYCA peak Load forecasted by the ISO by one plus the NYCA Installed Reserve Margin.

2.??? NYCA Installed Reserve Margin

Margin established each calendar year by the NYSRC. [Definition should be amplified.]

2.122a Obligation Procurement Period

The period of time during which LSEs shall be required to satisfy their Installed Capacity requirements. Starting with the 2001 Summer Capability Period ~~2000-2001 Winter Capability Period~~, Obligation Procurement Periods shall be one calendar month in duration and shall begin on the first day of each calendar month.

2.??? Planned Outage

An outage of predetermined length that is scheduled in accordance with the ISO Procedures.

2.177a System Resource

A portfolio of Installed Capacity ~~(should this be Unforced Capacity Credits??)~~ provided by Generators located in a single ISO-defined Locality, the remainder of the NYCA, or any single External Control Area, that is owned by or under the control of a single entity and that is made available, in whole or in part, to the ISO. System Resources may be External or Internal to the NYCA.

2.194a Unforced Capacity

The standard by which Generators, Interruptible Load Resources and System Resources will be rated, in accordance with formulae to be included in the ISO Procedures, on the basis of their respective Equivalent Demand Forced Outage Rates, in order to quantify the extent of their contribution to satisfy the Unforced Capacity equivalent of the NYCA's Installed Capacity Reserve Requirement.

II. Article 5

5.9 Installed Capacity — Implementation of a Permanent Installed Capacity Market Design

Beginning with the commencement of the 2001 Summer Capability Period ~~2000-2001 Winter Capability Period~~, the permanent Installed Capacity provisions of Sections 5.10-~~5.16~~ 5.15 of this Tariff shall govern the Installed Capacity requirements of LSEs, the qualification of Installed Capacity Suppliers, and the ISO's administration of Installed Capacity auctions. If, however, it is impossible to implement the permanent Installed Capacity provisions in time for the 2001 Summer Capability Period ~~2000-2001 Winter Capability Period~~ because: (i) they are not accepted by FERC in a timely manner; or (ii) unanticipated technical problems make timely implementation impossible, then the then-effective Installed Capacity provisions of the Tariff shall continue in effect until such time as it is possible to implement the permanent Installed Capacity market provisions.

5.10 NYCA Installed Capacity Requirement

The NYCA Installed Capacity Requirement ~~requirement~~ is derived from the NYCA's Installed Reserve Margin, which is established each year by the NYSRC. The NYCA Installed Capacity Requirement ~~requirement~~ for the Capability Year beginning each May 1 will be established by multiplying the NYCA peak Load forecasted by the ISO by one plus the NYCA Installed Reserve Margin, expressed on a percentage basis. Beginning with the 2001 Summer ~~2000-2001 Winter~~ Capability Period, the ISO will translate the NYCA Installed Reserve Capacity Margin, and thus the NYCA Installed Capacity Requirement ~~requirement~~, into Unforced Capacity terms, by dividing the sum of the Unforced Capacity equivalents of each resource evaluated in the NYSRC's annual NYCA Installed Reserve study by the annual NYCA peak load used in conducting that study.

The ISO will calculate a NYCA peak Load each year by applying regional Load growth unit 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 all Market Participants ~~shall be and~~ described in the ISO Procedures. Disputes concerning the development of regional Load growth factors shall be resolved through the ISO's Dispute Resolution Procedures set forth in Section 5.16 of this Tariff. [The new Section 5.16 will be developed at the

ICAPWG. This provision may also need further revision based on the outcome of discussions held at the LFWG.]

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

5.11 Requirements Applicable to LSEs

5.11.1 Allocation of the NYCA Installed Capacity Requirement to LSEs

Each Transmission Owner and each municipal electric utility will submit to the ISO, for its review pursuant to mutually agreed upon procedures which shall be described in the ISO Procedures, a weather-adjusted Capability Year peak Load forecast for its Transmission District. The ISO Procedures shall authorize the ISO to approve each Transmission Owner's forecasting methodology. Each Transmission District's peak Load forecast shall assume, as a starting point, the relevant Transmission District's Adjusted Actual Peak Load during the prior calendar year, and shall incorporate regional Load growth factors developed pursuant to Section 5.10 of this Tariff. Each Transmission Owner must also submit aggregate peak Load data, coincident with the Transmission District peak, for all customers served by each LSE active within its Transmission District. The aggregate peak Load data may be derived from direct meters or Load profiles of the customers served. Each Transmission Owner shall be required to submit such forecasts and aggregate peak Load data, no later than *February 15* each year, which shall reflect verified Load-shifting through *December 31* of the previous year. [These dates may change as a result of the discussions held at the LFWG.]

All aggregate peak Load data submitted by a Transmission Owner must be accompanied by documentation indicating that each affected LSE has been provided the data regarding the assignment of customers to the affected LSE. Any disputes between LSEs and Transmission Owners regarding such data or assignments shall be resolved pursuant to the Dispute Resolution Procedures set forth in Section 5.16, or the Transmission Owner's retail access procedures, as applicable. The ISO shall allocate the NYCA Installed Capacity requirement among all LSEs serving Load in the NYCA prior to the beginning of each Capability Year. Each LSE's Installed Capacity requirement will equal the product of: (i) the NYCA Installed Capacity requirement as translated into Unforced Capacity terms pursuant to Section 5.10 of this Tariff; and (ii) the peak Load of that LSE's customers in each Transmission District,

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coincident with the Transmission District peak, adjusted for applicable regional Load growth, divided by the sum of the forecasted peak Loads located in all Transmission Districts.

The ISO shall calculate a preliminary Installed Capacity requirement estimate for each LSE, which will reflect documented Load-shifting adjustments through the end of February, and provide it to each LSE no later than March 22nd each year. Transmission Owners must submit the required Load-shifting information to the ISO and to each LSE affected by the Load-shifting no later than March 7th each year. The ISO shall notify each LSE of its final Installed Capacity requirement on April 10th each year. Each LSE's final Installed Capacity requirement shall reflect documented Load-shifts as of April 1st that are scheduled to occur before May 1st. Transmission Owners must submit the required Load-shifting information to the ISO and to each LSE affected by the Load-shifting no later than April 1 each year. In the event that there is a pending dispute regarding a Transmission Owner's forecast as of April 10th, the ISO shall nevertheless establish each LSE's final Installed Capacity requirement, subject to possible adjustments consistent with the ISO's Dispute Resolution Procedures set forth in Section 5.16 of this Tariff.

Each month, as Transmission Owners report Customers gained and lost by LSEs through Load-shifting, the ISO will adjust the requirement for each LSE such that (a) the total Transmission District Installed Capacity requirement remains constant and (b) an individual LSE's requirement reflects the gains and losses. If an LSE loses a customer as a result of that customer leaving New York State, the Load-losing LSE shall be relieved of its obligation to procure Installed Capacity to cover the Load associated with the departing customer as of the date that the customer's departure is accepted by the ISO and shall be free to sell any excess Installed Capacity. In addition, when a customer leaves New York State, the ISO will adjust each LSE's Installed Capacity requirement so that the total Transmission District Installed Capacity requirement remains constant.

5.11.2 LSE Obligations

Each LSE must procure Installed Capacity, ~~in the form of Unforced Capacity Credits,~~ in an amount equal to its Installed Capacity requirement, ~~expressed in terms of Unforced Capacity Debits,~~ from any Installed Capacity Supplier through Bilateral Transactions and/or purchases in ISO-administered Installed Capacity auctions. Each LSE must demonstrate that it has obtained sufficient Installed Capacity number of Unforced Capacity Credits prior to the beginning of each Obligation Procurement Period. To satisfy this requirement, each LSE must submit completed Installed Capacity

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certification forms to the ISO by the date specified in the ISO Procedures, which shall be no later than ten (10) days prior to the beginning of an Obligation Procurement Period. The Installed Capacity certification forms submitted by the LSEs shall be in the format and include all the information prescribed by the ISO Procedures. The ISO shall develop appropriate certification forms which shall, at a minimum, require LSEs to: (i) designate the total number of Unforced Capacity Credits they have procured; (ii) specify how many of their Unforced Capacity Credits are associated with resources located in each ISO defined Locality, the remainder of the NYCA and each External Control Area; and (iii) identify any Installed Capacity Supplier from which they have procured Unforced Capacity Debits pursuant to Bilateral Transactions.

LSEs that fail to timely satisfy their Installed Capacity requirement, or that fail to make timely submissions of the required certification forms, shall be required to participate in a Deficiency Procurement Auction pursuant to Section 5.14.1 of this Tariff.

5.11.3 Load-Shifting Adjustments

The ISO shall account for Load-shifting among LSEs each month using the best available information provided to it and the affected LSEs by the individual Transmission Owners. The ISO shall, upon notice of Load-shifting by a Transmission Owner and verification by the relevant Load-losing LSE, increase the Load-gaining LSE's Installed Capacity requirement and decrease the Load-losing LSE's Installed Capacity requirement to reflect the Load-shifting. The Load-gaining LSE shall pay the Load-losing LSE a pro-rated portion of the Market-Clearing Price of Installed Capacity, as established at the most recent previous monthly Installed Capacity auction for that month Obligation Procurement Period that successfully cleared, or, in the event that no such clearing price exists, the Market-Clearing Price in the Capability Period Strip Auction Obligation Procurement Auction divided by six (6) for each day that the Load-gaining LSE serves the Load, until the first day of the month after the next monthly Installed Capacity auction is held. The amount paid by a Load-gaining LSE shall be reduced by the Load-losing LSE's share of any rebate associated with the lost Load paid pursuant to Section 5.15 of this Tariff. By the time specified in the ISO Procedures, the Load-gaining LSE must procure a sufficient Installed Capacity number of Unforced Capacity Credits to meet its increased Installed Capacity requirement for the remainder of the Obligation Procurement Period, and the Load-losing LSE may sell Installed Capacity Unforced Capacity Credits that it no longer needs to satisfy its own Installed Capacity requirement.

By the seventh (7th) day of each Obligation Procurement Period, each Transmission Owner shall report to the ISO and to each LSE serving Load in its Transmission District the updated, aggregated LSE Loads documented as of the end of the prior Obligation Procurement Period. By the tenth (10th) day of the current Obligation Procurement Period, the ISO shall provide each LSE with a revised Installed Capacity requirement for the following Obligation Procurement Period, which shall reflect all documented Load-shifts as of the end of the current month. Any disputes among Market Participants concerning Load-shifting shall be resolved pursuant to the ISO's Dispute Resolution Procedures or the Transmission Owner's retail access procedures, as applicable. In the event of a pending dispute concerning a Load-shift, the ISO shall make its monthly Installed Capacity adjustments as if the Load-shift reported by the Transmission Owners had occurred, or if the dispute pertains to the timing of a Load-shift, as if the Load-shift occurred on the effective date reported by the Transmission Owner, but will retroactively modify these allocations, as necessary, based on determinations made pursuant to the ISO's Dispute Resolution Procedures, or the Transmission Owner's retail access procedures, as applicable. [The procedure prescribed in the last sentence regarding disputes over load-shifting is under review by the LFWG]

5.11.4 LSE Locational Capacity Requirements

The ISO will determine the Locational Installed Capacity Requirement, stated as a percentage of the Locality's forecasted Capability Year peak Load and expressed in Unforced Capacity terms, [do we need more explanation of this translation] 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, based on the appropriate average Equivalent Demand Forced Outage rate for Installed Capacity Suppliers in the relevant Locality, as determined by the ISO.

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Each LSE will secure the required number of Installed Capacity ~~Unforced Capacity Credits~~ for the upcoming Obligation Procurement Period from resources consistent with the locational requirements established by the ISO. Installed Capacity ~~Unforced Capacity Credits~~ associated with Generators located in the New York City Locality that are subject to market mitigation measures may not be sold at a price greater than the locational price cap, 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 Installed Capacity ~~Unforced Capacity Credits~~ associated with any Generator that is subject to market mitigation measures in an ISO-administered auction may not resell those Installed Capacity ~~Unforced Capacity Credits~~ in a subsequent auction for a price higher than the price it paid for it. The ISO shall inform Customers that purchase Installed Capacity ~~Unforced Capacity Credits~~ in an ISO-administered auction of the number of Installed Capacity ~~Unforced Capacity Credits~~ they have purchased that are 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

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 or System Resources rated 1 MW or greater, other than entities purchasing Unforced Capacity Credits from External System Resources located in External Control Areas that have agreed to certain curtailment conditions (see below), and other than Special Case Resources which are subject to the information requirements of Section [5.12.8] of this Tariff, must: (i) provide information reasonably requested by the ISO including the name and location of Generators and Interruptible Load Resources; (ii) provide documentation to the ISO, of DMNC testing for the previous like Capability Period, or historical production data for the previous like Capability Period, no more than twelve (12) months old, except in the case of new Generators, or, in the case of Interruptible Load Resources, documentation of sustained disconnection for one (1) hour or longer that is no more than one (1) year old, in accordance with ISO Procedures;

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(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) provide documentation demonstrating that it will not utilize the same Installed Capacity for more than one (1) buyer at the same time; (vi) if the resource is an Energy Limited Resource, Generator or System Resource it must commit that it will either schedule it in Day-Ahead Bilateral Transactions to supply Load within the NYCA or bid it into the Day-Ahead or Hour-Ahead Energy Market, unless the Energy Limited Resource, Generator or System Resource is unable to do so due to a maintenance or forced outage or due to temperature related de-ratings; (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 or Hour-Ahead Energy Market, for both Energy and Operating Reserves; (viii) in the case of Energy Limited Resources, Generators and System Resources, GADS data on a monthly basis, and in the case of Interruptible Load Resources, Equivalent GADS data that is acceptable to the ISO; (ix) abide by ISO Procedures; and (x) prior to May 1, 2001, 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 NSR (unless the Generator is unable to meet its commitment because of a scheduled or forced outage), except for the generators described in subsections (a), (b), (c) and (d) below: [The NYISO is still reviewing existing and proposed bidding requirements applicable to ICAP Suppliers, and may suggest further revisions to this section.]

- (a) Generators providing Energy under existing contracts (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 existing must-take PURPA contracts 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 electric Energy resulting from the supply of steam to the district steam system located in New York City (LBMP Zone J) and/or topping or extraction turbine Generators utilized in replacing or repowering existing 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;

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- (c) ~~Existing intermittent (i.e., non-schedulable) renewable resource Generators within the NYCA, plus up to an additional 50 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 no later than February 15th, and for the Winter Capability Period no later than August 15th.

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

In the case of entities purchasing Installed Capacity from External 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 they afford their own Control Area Load, the ~~information~~ requirements for certification as an Installed Capacity Supplier shall be established in the ISO Procedures.

5.12.2 Additional Provisions Applicable to External Installed Capacity Suppliers

External Generators, External System Resources and entities purchasing from them may qualify as Installed Capacity Suppliers if they demonstrate that their Installed Capacity is the Unforced Capacity Credits associated with them are deliverable to the NYCA and will not be recalled or curtailed by an External Control Area to satisfy its own Control Area Loads.

Alternatively, an entity that purchases Installed Capacity Unforced Capacity from an External System Resource located in an External Control Area may qualify to sell Installed Capacity in the NYCA if it demonstrates that the External Control Area will afford NYCA Load the same curtailment

priority that it affords its own Control Area Native Load. The amount of Installed Capacity ~~number of~~ Unforced Capacity Credits that may be supplied by such entities will be reduced by the ISO, pursuant to ISO Procedures, to reflect the possibility of curtailment.

LSEs with External Installed Capacity as of the effective date of the Tariff will be entitled to designate External Installed Capacity at the same NYCA Interface with another Control Area, in the same amounts in effect on the effective date of the Tariff. To the extent such External Installed Capacity corresponds to Existing Transmission Capacity for Native Load as reflected in Table 3 to Attachment L to the ISO OATT, these External Installed Capacity rights will continue without term and shall be allocated to the LSE's retail access customers in accordance with the LSE's retail access program on file with the PSC and subject to any necessary filings with the Commission. External Installed Capacity rights existing as of September 17, 1999 that do not correspond to Table 3 of Attachment L to the ISO OATT shall survive for the term of the relevant External Installed Capacity contract or until the relevant External Generator is retired.

5.12.3 Installed Capacity Supplier Maintenance Scheduling Requirements

[Note to the ICAPWG: Are the maintenance scheduling requirements acceptable as they are, or do we need further discussion?] All Installed Capacity Suppliers, except for Interruptible Load Resources, External System Resources that are Control Areas and Special Case Resources, intending to supply Installed Capacity to the NYCA must submit a confidential notification to the ISO of their proposed outage schedules for the next three calendar years no later than July 1st of the current calendar year, ~~except for the 2000 2001 Capability Year in which case the deadline for submission of proposed outage schedules will be February 29, 2000.~~ Transmission Owners will be notified of these and subsequently revised outage schedules. Based upon a reliability assessment, if Operating Reserve deficiencies are projected to occur in certain weeks for the upcoming calendar year, the ISO will request voluntary maintenance re-scheduling. In the case of Generators actually supplying Installed Capacity Unforced Capacity Credits to the NYCA, if voluntary re-scheduling is ineffective, the ISO will invoke forced re-scheduling of their outages to ensure that projected Operating Reserves over the upcoming year are adequate. The re-scheduling process will be described in detail in the ISO Procedures.

A Supplier that intends to supply Installed Capacity Unforced Capacity Credits in a given month that did not qualify as an Installed Capacity Supplier prior to the beginning of the Obligation

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Procurement Period must notify the ISO no later than the first day of the prior month so that it may be subject to forced rescheduling of its proposed maintenance outages in order to qualify as an Installed Capacity Supplier.

Interruptible Load Resources shall notify the ISO at least thirty (30) days prior to the beginning of an Obligation Procurement Period of scheduled maintenance that would reduce their ability to interrupt. Interruptible Load Resources must also submit to the ISO, and, at the ISO's discretion, also submit to the local Transmission Owner, a written commitment that any scheduled maintenance that would reduce their ability to interrupt without reducing their Load a corresponding amount will only be conducted from November 1 through March 31.

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

5.12.4 Required Certification That Installed Capacity Has Not Been Resold

Each Installed Capacity Supplier must submit the appropriate ISO certification forms to the ISO no later than the dates specified in the ISO Procedures, demonstrating that the ~~Unforced Capacity Credits~~ Installed Capacity it has sold has not been sold elsewhere. ~~The ISO shall develop appropriate certification forms.~~

5.12.5 Submission of GADS Data [Stage II first draft Section 5.12.6]

Each Generator, Special Case Resource and System Resource who wants to qualify as Installed Capacity Supplier in the NYCA shall submit to the ISO GADS Data in the format provided in the ISO Procedures. Each Interruptible Load Resource who wants to qualify as Installed Capacity Supplier in the NYCA, shall submit equivalent GADS Data in a form and substance acceptable to the ISO as provided in the ISO Procedures. For the purpose of Sections 5.12.5 and 5.12.6 of this Tariff, equivalent GADS Data in a form and substance acceptable to the ISO as provided in the ISO Procedures and submitted by an Interruptible Load Resource shall be deemed GADS Data.

To allow the implementation of a permanent Installed Capacity market design by the 2001 Summer Capability Period, each Generator, Special Case Resource, System Resource and Interruptible Load Resource shall have submitted its GADS Data pertaining to the months of January to September

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2000 by October 20, 2000. From the month of October 2000 forward, each Generator, Special Case Resource, System Resource and Interruptible Load Resources shall submit its GADS Data for each month by the twentieth (20th) day of the following month.

The ISO shall assign an Unforced Capacity rating of zero (0) mW for every month for which a Generator, Special Case Resource, System Resource or Interruptible Load Resource does not submit its GADS Data in compliance with this Section. Upon showing of extraordinary circumstances, the ISO retains, however, the discretion to accept GADS Data which have not been submitted in a timely manner, or which do not fully conform with the ISO Procedures.

To initiate the permanent Installed Capacity market design, GADS data from the calendar year 1999 shall be incorporated into the ISO's Unforced Capacity calculations for each Installed Capacity Supplier starting with the 2000 2001 Winter Capability Period. All Energy Limited Resources, Generators and System Resources must begin to submit relevant 1999 GADS data to the ISO no later than April 30, 1999. Generators that did not record GADS data during calendar 1999 may retroactively calculate what their relevant calendar 1999 GADS data would have been, using their own records, subject to the ISO's supervision and review. Energy Limited Resources, Generators and System Resources that fail to submit GADS data in a timely manner will be assigned an Equivalent Demand Forced Outage Rate rate equal to their capacity factor for the prior calendar year, or if capacity factor information is unavailable, 75% of the average GADS Availability for the applicable NERC Generator Class.

5.12.6 Calculation of Unforced Capacity and Availability Rate Ratings [Stage II first draft Section 5.12.5]

To establish the amount of Installed Capacity that they are authorized to sell in the NYCA, the ISO shall calculate every Capability Year the individual Unforced Capacity rating of each Generator, Special Case Resource, Interruptible Load Resource and System Resource, other than each System Resource that also is a Control Area, and the Availability rating of each System Resource who also is a Control Area.

The ISO shall calculate the Unforced Capacity ratings on the basis of the Equivalent Demand Forced Outage Rates of each Generator, Energy Limited Resource, Interruptible System Resource and System Resource, other than a System Resource that is also a Control Area. The ISO shall calculate

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these Equivalent Demand Forced Outage Rate using a twelve month rolling average in accordance with formulae provided in the ISO Procedures. The ISO shall also calculate the Availability rates of each System Resource that is also a Control Area using a twelve month rolling average in accordance with formulas provided in the ISO Procedures. In addition, the ISO shall perform separate Summer and Winter Capability Periods Unforced Capacity calculations for each Generator to more accurately reflect seasonal variations in their DMNC ratings.

[The following provision is not consistent with the current practice in PJM and may present difficulties to implement in New York. Members of the ICAPWG may further explore these issues.]

When an Energy Limited Resource, Generator, Interruptible Load Resource or System Resource is forced into an outage by an equipment failure that does not involve equipment controlled by its owner or an affiliate of its owner, the outage will not be counted for purposes of calculating that Energy Limited Resource, Generator, Interruptible Load Resource or System Resource's ~~its~~ Equivalent Forced Outage Demand Rate.

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

~~The ISO shall use a twelve month rolling average of GADS data as the basis for calculating the Equivalent Demand Forced Outage Rate for each Energy Limited Resource, Generator and System Resource, except for a System Resource that is a Control Area, for the Capability Year, and shall use a twelve month rolling average of GADS equivalent data as the basis for calculating each Interruptible Load Resource's Equivalent Demand Forced Outage Rate for the Capability Year. The ISO shall use these Equivalent Demand Forced Outage Ratings to calculate each Energy Limited Resource's Generator's or System Resource's Unforced Capacity rating and each Interruptible Load Resource's Availability. Each Energy Limited Resource's, Generator's or System Resource's Unforced Capacity~~

~~rating, and each Interruptible Load Resource's Availability, shall establish the amount of Unforced Capacity Credits Installed Capacity that each will be authorized to sell.~~

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

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

5.12.7 Availability Requirements

Subsequent to certification, each Installed Capacity Supplier shall, except as noted in Section [5.12. ___] of this Tariff, demonstrate on a daily basis that its actual Availability, based on DMNC, corresponds to the amount of Unforced Capacity it has been authorized to sell, pursuant to ISO Procedures, by: (i) scheduling a bilateral transaction in each hour of the Day-Ahead Market; (ii) bidding energy in each hour of the Day-Ahead Market; or (iii) notifying the ISO of maintenance or forced or partial generation outages. The total amount of energy that an Installed Capacity Supplier schedules, bids, or declares to be unavailable, on a given day must equal its Installed Capacity sold DMNC. ~~Installed Capacity Suppliers that are not scheduled through the Day Ahead Market must submit Recall Bids the following day in accordance with Section [5.16.10] of this Tariff.~~

5.12.8 Installed Capacity Sales [Stage I Section 5.12.5]

Each Installed Capacity Supplier will be authorized to sell an amount of Installed Capacity allocated a number of Unforced Capacity Credits during each Obligation Procurement Period each month, based on ~~the~~ separate seasonal Unforced Capacity calculations performed by the ISO for the Summer and Winter Capability Periods Obligation Procurement Periods. Installed Capacity Unforced Capacity Credits may be sold in six-month strips, or in monthly, or multi-monthly segments.

If an Energy Limited Resource's, Generator's or System Resource's Equivalent Demand DMNC rating Forced Outage Rate Rating is determined to have increased during an Obligation

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Procurement Period, pursuant to testing procedures described in the ISO Procedures, the amount of Installed Capacity ~~number of Unforced Capacity Credits~~ that it shall be authorized to sell during that Obligation Procurement Period shall also be increased on a prospective basis.

If a Generator's ~~2000~~ 1999 Summer Capability Period DMNC rating was derated from its ~~1999~~ 1998 Summer Capability Period DMNC rating, the Generator may sell Installed Capacity up to the level demonstrated in ~~1999~~ 1998 for the entire ~~2001~~ 2000 Summer Capability Period based upon a temperature adjusted DMNC test that is performed and reported to the ISO between March 1 and March 24, ~~2001~~ 2000. The Generator will be required to verify the claimed DMNC rating by performing an additional test during the ~~2001~~ 2000 Summer DMNC Test Period. Any shortfall between the amount of Installed Capacity sold by the Generator for the ~~2001~~ 2000 Summer Capability Period and the amount verified during the ~~2001~~ 2000 Summer DMNC Test Period will be subject to deficiency charges pursuant to section 5.14.2 of this tariff. The deficiency charges will be applied to no more than the difference between the Generator's ~~2000~~ 1999 summer period DMNC rating and the amount of Installed Capacity the Generator sold for the ~~2001~~ 2000 Summer Capability Period. If a new Generator enters service during an Obligation Procurement Period it may qualify as an Installed Capacity Supplier, pursuant to ISO Procedures, and sell Unforced Capacity Credits Capacity in the NYCA.

Furthermore, if a Generator's ~~2000-2001~~ 1999-2000 Winter Capability Period DMNC rating was derated from its ~~1999-2000~~ 1998-1999 Winter Capability Period DMNC rating, the Generator may sell Installed Capacity up to the level demonstrated in ~~1999-2000~~ 1998-1999 for the entire ~~2000-2001~~ 2000-2001 Winter Capability Period based upon a temperature adjusted DMNC test that is performed and reported to the ISO between September 1 and September 24, ~~2001~~ 2000. The Generator will be required to verify the claimed DMNC rating by performing an additional test during the ~~2001-2002~~ 2000-2001 Winter DMNC Test Period. Any shortfall between the amount of Installed Capacity sold by the Generator for the ~~2000-2001~~ 2000-2001 Winter Capability Period and the amount verified during the ~~2001-2002~~ 2000-2001 Winter DMNC Test Period will be subject to deficiency charges pursuant to section 5.14.2 of this Tariff. The deficiency charges will be applied to no more than the difference between the Generator's ~~2000-2001~~ 1999-2000 Winter period DMNC rating and the amount of Installed Capacity the Generator sold for the ~~2001-2002~~ 2000-2001 Winter Capability Period.

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If a new Generator enters service during an Obligation Procurement Period it may qualify as an Installed Capacity Supplier, pursuant to ISO Procedures, and sell Installed Capacity in the NYCA. Subsequent to the sale of Installed Capacity, any each Installed Capacity Supplier, except as noted in Section **[5.12.]** of this Tariff, which fails on a daily basis to demonstrate that the amount of Energy it schedule, bid, or declare to be unavailable on that day is not less than the an amount of Installed Capacity that it sold for that day, rounded down to the nearest whole MW is subject to sanctions pursuant to Section 5.12.12(b) of this Tariff. . Mw. If an entity other than the owner of an Energy Limited Resource, Generator, Interruptible Load Resource or System Resource that is providing Installed Capacity is responsible for bidding and scheduling it, the owner and that entity must designate which of them will be responsible for complying with the scheduling, bidding and notification requirements. of this paragraph. The designated bidding and scheduling entity will be subject to sanctions pursuant to Section **[5.12.12(b)]** of this Tariff, if the bidding and scheduling requirements are violated.

5.12.10 System Resources Sales *[Stage I Section 5.12.6]*

An Installed Capacity Supplier offering to sell Installed Capacity ~~Unforced Capacity Credits~~ associated with Internal System Resources must submit the GADS and DMNC testing data described in Sections 5.12.1 and 5.12.6 for all of its resources. Such an Installed Capacity Supplier will be allowed to sell the amount of Installed Capacity ~~a number of Unforced Capacity Credits~~ that the ISO determines, pursuant to the ISO Procedures, to reflect ~~be~~ an appropriate Equivalent Demand Forced Outage Rate. Installed Capacity Suppliers offering to sell System Resources may only aggregate resources on the basis of ISO-defined Localities, the remainder of the NYCA, or on an individual External Control Area basis, as per the ISO Procedures.

5.12.11 External Transactions and Recall Procedures

All Installed Capacity that is not out on maintenance or a forced outage, or scheduled in the Day-Ahead Market may be used to supply Energy for use in External Transactions but will be subject to recall at any time by the ISO.

~~Installed Capacity Suppliers that supply Energy outside of the NYSCA must submit recall Bids defining the price at which the ISO may recall the Energy associated with the Installed Capacity they~~

~~have sold to the NYCA. External Installed Capacity Suppliers that supply Energy for use outside of the NYCA must comply with the notice and information requirements set forth in the ISO Procedures.~~

~~The ISO will recall Energy, in accordance with ISO Procedures, to resolve shortages of total Operating Reserves, after exhausting all other available Energy Bids. When automated evaluation of recall Bids is available, and in the event that the ISO recalls Energy it will do so on a least cost Bid basis, taking into consideration recall Bids and External Proxy Generator Bus prices consistent with the need to maintain the reliability of the New York State Transmission System.~~

~~If an Installed Capacity Supplier's Energy is recalled it shall be paid the higher of its recall Bid or the Real Time LBMP at the relevant Proxy Generator Bus. Recall Bids shall not set Real Time or Day Ahead LBMPs. Installed Capacity Suppliers must submit their recall Bids at the same time that they enter into arrangements to supply Energy for use outside of the NYCA.~~

5.12.12 Special Case Resources and Other Installed Capacity Suppliers

5.12.12(a) Special Case Resources

Special Case Resources may qualify as Installed Capacity, without having to comply with the daily bidding, and scheduling and notification requirement set forth in Section 5.12.8, or the Availability requirements of this Section 5.12.7 of this Tariff, if: (i) they are available to operate for a minimum of four (4) 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 four (24) hours in advance, and a notification to operate two (2) hours ahead; and (ii) they were not operated as a Load modifier coincident with the peak upon which the Installed Capacity requirement of the LSE that serves that customer is based, unless that LSE's Installed 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

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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.

Installed Capacity sold to an LSE by a Special Case Resource pursuant to this subsection may not be resold by that LSE.

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.

5.12.12(b) Existing Municipally-Owned Generation

~~During the 2001 Summer Capability Period 2000 2001 Winter Capability Period, a municipal utility that owns existing generation in excess of its Installed Capacity requirement, net of NYPA provided capacity, may offer the excess capacity for sale as Installed Capacity provided that it is willing to operate the generation at the ISO's request, and provided that the Energy produced is deliverable to the New York State Power System. Such a municipal utility shall not be required to comply with the requirement of Section 5.12.8 of this Tariff that an Installed Capacity Supplier bid into the Energy market or enter into bilateral transactions. Municipal utilities shall, however, be required to submit their typical physical operating parameters, such as their start-up times, to the ISO. This subsection is only applicable to Generators that were in service or under construction as of December 31, 1999.~~

5.12.12(c) Energy Limited Resources

An Energy Limited Resource may qualify as an Installed Capacity Supplier if it bids into the Day-Ahead Market [The ISO is still reviewing the bidding requirements applicable to ICAP suppliers.] for twenty four (24) hours each day and if it is able to provide the Energy equivalent of the claimed Installed Capacity for four (4) hours of Energy each day. After an Energy-Limited Resource has provided the Energy equivalent of the claimed Installed Capacity for four (4) hours, the ISO will avoid calling on it during those hours in which the ISO knows it will be recharging, or replacing depleted resources. Nevertheless, the ISO may call on Energy Limited Resources at any time during an emergency.

5.12.13 Sanctions Applicable to Installed Capacity Suppliers

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

5.12.13(a) Sanctions for Failing to Provide Required Information

If an Installed Capacity Supplier fails to provide the information required by Section **5.12.1(i) - 5.12.1(iv)** of this Tariff in a timely fashion, or if a Supplier of Installed Capacity from External System Resources located in an External Control Area 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 next 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 or 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 that the Generator, Interruptible Load Resource or System Resource in question is capable of providing.

5.12.13(b) Sanctions for Failing to Comply with Scheduling and Bidding Requirements

On any day in which an Installed Capacity Supplier fails to comply with the scheduling and bidding requirements of Sections **5.12.1(vi) and (vii)** of this Tariff, or in which a Supplier of Installed

Capacity from External System Resources located in an External Control Area 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 comply with scheduling and bidding requirements for certification as an Installed Capacity Supplier established in the ISO Procedures, the ISO may impose a financial sanction up to the product of a deficiency charge, calculated pursuant to the Table in Section 5.14.1 of this Tariff (pro-rated on a daily basis), and the maximum number of MWs that the Installed Capacity Supplier failed to schedule or bid in any hour in that day provided, however, that no financial sanction shall apply to any Installed Capacity Supplier who demonstrates that the Energy it schedules, bids, or declares to be unavailable on any day is not less than the Installed Capacity that it sells for that day rounded down to the nearest whole MW.

In addition, if an Installed Capacity Supplier fails to comply with the scheduling and bidding requirements of Sections [5.12.1(vi) and (vii)] of this Tariff, or if a Supplier of Installed Capacity from External System Resources located in an External Control Area 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 comply with the scheduling and bidding requirements for certification as an Installed Capacity Supplier established in the ISO Procedures during an hour in which the ISO recalls Energy associated with NYCA Installed Capacity Suppliers, the ISO may impose an additional financial sanction equal to the product of the number of MWs the Installed Capacity Supplier failed to schedule during that hour and the corresponding Real-Time LBMP at the applicable Proxy Generator Bus. An Installed Capacity Supplier that is subjected to the aforementioned sanction, and which has supplied Energy for use outside of the NYCA, shall not be paid its recall Bid, and shall receive no other compensation for recalled Energy, if the ISO recalls Energy associated with its Installed Capacity during the hour in which the aforementioned sanction is imposed. [We need to discuss deletion of recall bids from the Tariff.]

5.13 Installed Capacity Auctions

5.13.1 General Auction Requirements

The ISO will administer Installed Capacity auctions to accommodate LSEs' and Installed Capacity Suppliers' efforts to enter into Installed Capacity transactions and to give LSEs an opportunity to satisfy their Installed Capacity requirements. The ISO shall conduct regular auctions, at the request of an LSE, at the times specified in this Section and the ISO Procedures.

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Installed Capacity Suppliers, LSEs and Installed Capacity Marketers that are Customers under this Tariff will be allowed to participate in Installed Capacity auctions, provided that they satisfy the creditworthiness requirements set forth in Section 11.0 of the ISO OATT. Installed Capacity purchased in Installed Capacity auctions may not be sold to External Control Areas. Offers to sell and bids to purchase Installed Capacity shall be made in \$/kW for the time period appropriate to the auction. The ISO shall impose no limits on bids or offers in any auction, except to the extent required by any applicable market mitigation measures.

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

In-City Generators that are subject to FERC-approved market mitigation measures are required to offer to sell all such Installed Capacity into the ISO-administered Installed Capacity auctions. All other Installed Capacity Suppliers may offer to sell into the ISO-administered Installed Capacity auctions at their discretion.

The ISO Procedures shall specify the dates by which the ISO will post the results of Installed Capacity auctions. The ISO Procedures shall ensure that there are at least four business days between the time that auction results are posted and the dates that LSEs are required to demonstrate that they have procured sufficient Installed Capacity to cover their Installed Capacity requirements pursuant to Section 5.11.2 of this Tariff.

5.13.2 The Capability Period Auction [*Formerly "The Obligation Procurement*

A ~~Obligation Procurement~~ Capability Period Auction will be conducted, at the request of an LSE, no later than thirty (30) days prior to the start of each ~~Obligation Procurement~~ Capability Period in which Installed Capacity will be purchased and sold for the entire duration of the Obligation Procurement Period. The exact date of the ~~Obligation Procurement~~ Capability Period Auction shall be established in the ISO Procedures. The ~~Obligation Procurement~~ Capability Period Auction is intended to establish Market-Clearing Prices for each ISO-defined Locality, the remainder of the NYCA and adjacent External Control Areas.

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Each ~~Obligation Procurement Period~~ Capability Period Auction shall consist of two phases which shall be conducted on the same day. Participation in the first phase shall be limited to: (i) LSEs located in the New York City Locality seeking to make locational Installed Capacity purchases in order to satisfy their In-City Locational Installed Capacity requirement; (ii) any other entity seeking to purchase In-City locational Installed Capacity; (iii) qualified In-City Generators; and (iv) any other Installed Capacity Supplier that owns excess Installed Capacity associated with qualified In-City Generators. In the first phase of the ~~Obligation Procurement Period~~ Capability Period Auction, LSEs that are awarded Installed Capacity shall pay the Market-Clearing Price of Installed Capacity determined in that phase. Installed Capacity Suppliers that are selected to provide Installed Capacity shall receive the Market-Clearing Price determined in that phase, except in the case of In-City Generators that are subject to mitigation measures, which shall receive the lesser of the Market-Clearing Price or the applicable locational price cap. Any entity that resells Installed Capacity associated with In-City Generators that are subject to market mitigation measures shall receive the lesser of the Market-Clearing Price or the price that it paid for that Installed Capacity. If the Market-Clearing Price exceeds the total amount paid to Installed Capacity Suppliers, the ISO shall rebate the Excess Amount pursuant to Section 5.15 of this Tariff.

All ~~Obligation Procurement Period~~ Capability Period and LSEs may participate in the second phase of the Obligation Procurement Period Auction, except with respect to any Installed Capacity associated with In-City Generators that are subject to market mitigation measures, which may sell in the second phase only if it has been established by the ISO that all LSEs located in the New York City Locality have satisfied their In-City Locational Installed Capacity Requirements. LSEs awarded Installed Capacity in the second phase shall pay the applicable Market-Clearing Price determined in that phase. Installed Capacity Suppliers, with the exception noted below, including In-City Generators otherwise subject to market mitigation measures, that are selected to provide Installed Capacity shall receive the applicable Market-Clearing Price determined in that phase. Any entity that resells Installed Capacity associated with In-City Generators subject to market mitigation measures shall receive the lesser of the applicable Market-Clearing Price or the price it paid for that Installed Capacity. The ISO shall rebate any Excess Amount pursuant to Section 5.15 of this Tariff. During the 2000 Summer Obligation Procurement Period, In-City Generators that are permitted to offer to sell in the second phase shall be permitted to make separate offers in the first and second phases of the Obligation Procurement Period Auction. [NYISO would like to discuss the conditions that would allow removal of this provision from the Tariff.]

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The results of the ~~Obligation Procurement Period~~ Capability Period Auction will be made available to Market Participants at the time specified in the ISO Procedures which shall be prior to the start of the Monthly ~~Installed Capacity~~ Auctions held prior to the beginning of each Obligation Procurement Period.

5.13.3 Monthly Auctions

Monthly Auctions will be held, at the request of an LSE, no later than fifteen (15) days prior to the start of each Obligation Procurement Period, ~~and, at the request of an LSE, no later than the fifteenth (15th) day of each month during an Obligation Procurement Period,~~ during which Installed Capacity may be purchased and sold for any one or more remaining months in the ~~Obligation Procurement Period~~ Capability Period. The exact dates of each Monthly Auction shall be established in the ISO Procedures. Each Monthly Auction is intended to establish Market-Clearing Prices for each ISO-defined Locality, the remainder of the NYCA and all adjacent External Control Areas.

Each Monthly Auction ~~held prior to the beginning of an Obligation Procurement Period~~ shall consist of two phases which shall be conducted on the same day. Participation in the first phase shall be limited to: (i) LSEs located in the New York City Locality seeking to make locational Installed Capacity purchases in order to satisfy their In-City Locational Installed Capacity ~~requirement Requirement~~; (ii) any other entity seeking to purchase In-City locational Installed Capacity; (iii) qualified In-City Generators; and (iv) any other Installed Capacity Supplier that owns excess Installed Capacity associated with qualified In-City Generators. In the first phase of each Monthly Auction, LSEs that are awarded Installed Capacity shall pay the Market-Clearing Price of Installed Capacity determined in that phase. Installed Capacity Suppliers that are selected to provide Installed Capacity shall receive the Market-Clearing Price determined in that phase, except in the case of In-City Generators that are subject to mitigation measures, which shall receive the lesser of the Market-Clearing Price or the applicable locational price cap. Any entity that resells Installed Capacity associated with In-City Generators that are subject to market mitigation measures shall receive the lesser of the Market-Clearing Price or the price that it paid for that Installed Capacity. If the Market-Clearing Price exceeds the total amount paid to Installed Capacity Suppliers, the ISO shall rebate the Excess Amount pursuant to Section 5.15 of this Tariff.

All Installed Capacity Suppliers and LSEs may participate in the second phase of each ~~pre-Obligation Procurement Period~~ Monthly Auction, except with respect to any Installed Capacity

associated with In-City Generators that are subject to market mitigation measures, which may sell in the second phase only if it has been established by the ISO that all LSEs located in the New York City Locality have satisfied their In-City Locational Installed Capacity Requirements. LSEs awarded Installed Capacity in the second phase shall pay the applicable Market-Clearing Price determined in that phase. Installed Capacity Suppliers, with the exception noted below, including In-City Generators otherwise subject to market mitigation measures, that are selected to provide Installed Capacity shall receive the applicable Market-Clearing Price determined in that phase. Any entity that resells Installed Capacity associated with In-City Generators subject to market mitigation measures shall receive the lesser of the applicable Market-Clearing Price or the price it paid for that Installed Capacity. The ISO shall rebate any Excess Amount pursuant to Section 5.15 of this Tariff. During the 2000 2001 Summer Obligation Procurement Period, In-City Generators that are permitted to offer to sell in the second phase shall be permitted to make separate offers in the first and second phases of the auction.

~~Monthly Auctions held during an Obligation Procurement Period shall be phased unless the ISO has established that all LSEs with Locational Installed Capacity Requirements located in the New York City Locality have satisfied their locational requirements. If the ISO establishes that these LSEs have not satisfied their Locational Installed Capacity Requirements, that Monthly Auction will be conducted as if it were being held prior to the beginning of an Obligation Procurement Period (*i.e.*, it shall consist of two phases.) If, however, the ISO establishes that LSEs have satisfied their Locational Installed Capacity Requirements, that Monthly Auction will not be phased and will be conducted as if it were the second phase of a pre-Obligation Procurement Period Monthly Auction.~~

~~The results of each Monthly Auction will be made available to Market Participants no later than thirteen (13) days prior to the beginning of the next month.~~

5.13.4 Detailed Installed Capacity Auction Description

Additional detail concerning the ISO's Installed Capacity auction procedures are provided in the ISO's detailed "Installed Capacity Auction Description," which is on file with the Commission.

5.14 Installed Capacity Deficiencies and Deficiency Procurement Auctions

5.14.1 LSE Deficiencies

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If an LSE violates Sections 5.11.2 or 5.11.3 ~~or 5.11.4~~ of this Tariff by failing to procure sufficient Installed Capacity ~~enough Unforced Capacity Credits~~ to cover its Installed Capacity requirement for an Obligation Procurement Period, or for a portion of an Obligation Procurement Period a result of Load-shifting, ~~for any month within an Obligation Procurement Period~~, the ISO shall procure sufficient Installed Capacity to cover the remainder of the LSE's Installed Capacity requirement for that Obligation Procurement Period, or month, through Deficiency Procurement Auctions.

The ISO shall conduct ~~the initial~~ a Deficiency Procurement Auction no later than the twenty-third (23rd) day of the month immediately preceding the start of an Obligation Procurement Period. The exact date of the ~~initial~~ Deficiency Procurement Auction shall be established in the ISO Procedures. The ~~initial~~ Deficiency Procurement Auction will consist of ~~six (6) separate~~ two-phase Monthly Auctions. Both phases of each initial Deficiency Procurement Auction shall be conducted on the same day. In each phase of each initial 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.

Deficiency Bids and Charges

LOCATION	INTERIM FIRST THREE YEARS AFTER ISO COMMENCES OPERATIONS	END-STATE AFTER THREE YEARS OF ISO OPERATIONS
In-City New York City (LBMP Load Zone J)	\$75/kW per Obligation Procurement Period	3 Times Localized Levelized Embedded Cost of GT
Long Island (LBMP Load Zone K)	Year 1: \$60/kW per Obligation Procurement Period Year 2: \$65/kW per Obligation Procurement Period Year 3: \$70/kW per Obligation Procurement Period	3 Times Localized Levelized Embedded Cost of GT

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<p align="center">All Other LBMP Load Zones in the NYCA</p>	<p align="center">Year 1: \$52.5/Kw per Obligation Procurement Period Year 2: \$57.5 Year 3: \$62.5</p>	<p align="center">3 Times Localized Levelized Embedded Cost of GT</p>
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[This Table needs to be converted. A smaller group composed of members of the ICAPWG is currently reviewing these issues.]

During the first phase of a ~~an initial~~ Deficiency Procurement Auction the ISO shall submit deficiency bids on behalf of deficient LSEs located in the New York City Locality that are required to make locational Installed Capacity purchases in order to satisfy their In-City Locational Installed Capacity ~~Requirement~~ requirement. The ISO shall solicit bids from qualified In-City Generators, and from any other entity that owns excess In-City locational Installed Capacity. LSEs that are awarded Installed Capacity in the first phase auction shall pay to the ISO the lesser of the Market-Clearing Price of Installed Capacity determined in that phase or the deficiency bid. The ISO shall pay Installed Capacity Suppliers that are selected to provide Installed Capacity the Market-Clearing Price determined in that phase which can be no greater than the deficiency bid, except in the case of Installed Capacity associated with In-City Generators that are subject to mitigation measures, which shall receive the lesser of the Market-Clearing Price or the applicable locational price cap. Any entity that resells Installed Capacity associated with In-City Generators that are subject to market mitigation measures shall receive the lesser of the Market-Clearing Price or the price that it paid for that Installed Capacity. If the Market-Clearing Price exceeds the total amount paid to Installed Capacity Suppliers, the ISO shall rebate the Excess Amount pursuant to Section 5.15 of this Tariff.

In the second phase of each initial Deficiency Procurement Auction, the ISO shall submit deficiency bids on behalf of all remaining deficient LSEs and shall solicit bids from all qualified Installed Capacity Suppliers, including Installed Capacity associated with In-City Generators otherwise subject to mitigation measures that has not been sold, provided that all LSEs located in the New York City Locality have satisfied their In-City Locational Installed Capacity Requirements. Deficient LSEs that are awarded Installed Capacity shall pay to the ISO the lesser of the applicable Market-Clearing Price of Installed Capacity determined in that phase, or the deficiency bid. The ISO will use these deficiency payments to pay the applicable Market-Clearing Price determined in that phase of Installed Capacity, except as noted below, to Installed Capacity Suppliers that are selected to provide Installed

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Capacity, including participating In-City Generators otherwise subject to market mitigation measures. Any entity that resells Installed Capacity associated with In-City Generators that are subject to market mitigation measures shall receive the lesser of the Market-Clearing Price or the price that it paid for that Installed Capacity. The ISO shall rebate any Excess Amount pursuant to Section 5.15 of this Tariff. During the 2000 Summer Obligation Procurement Period and 2000-2001 Winter Obligation Procurement Period, In-City Generators that are permitted to offer to sell in the second phase shall be permitted to make separate offers in the first and second phases of the initial Deficiency Procurement Auction.

In addition to the initial Deficiency Procurement Auction, the ISO shall conduct a monthly Deficiency Procurement Auction no later than the twenty third (23rd) day of any month in which a Load-gaining LSE fails to procure Installed Capacity to cover new Load it has gained. The exact date of each monthly Deficiency Procurement Auction shall be established in the ISO Procedures. If In-City LSEs are required to participate in a monthly Deficiency Procurement Auction in order to satisfy their In-City Locational Installed Capacity Requirement the auction will be conducted as if it were an initial Deficiency Procurement Auction (*i.e.*, it shall consist of two phases.) If In-City LSEs are not required to participate in a monthly Deficiency Procurement Auction in order to satisfy their In-City Locational Installed Capacity Requirement the auction will not be phased but will instead be conducted as if it were the second phase of an initial Deficiency Procurement Auction.

Any LSEs that are still deficient after the completion of a Deficiency Procurement Auction must pay a monthly deficiency charge to the ISO based on the deficiency charges set forth in the Table above, divided by six, and multiplied by the number of MWs by which they are deficient. The ISO will attempt to use these deficiency charges to procure Installed Capacity from Generators that are capable of selling Installed Capacity but that failed to qualify to sell it prior to the Deficiency Procurement Auction, *e.g.*, recently upgraded Generators, new Generators and existing Generators that were otherwise not able to qualify. The ISO shall not procure Installed Capacity from previously qualified Installed Capacity Suppliers that withheld their Installed Capacity. The ISO will not pay an Installed Capacity Supplier more than the applicable deficiency charge per MW of Installed Capacity, or the applicable locational price cap per MW of Installed Capacity, whichever is less, pro-rated to reflect the portion of the Obligation Procurement Period for which the Installed Capacity Supplier provides Installed Capacity. Any remaining monies collected by the ISO pursuant to this paragraph will be applied as specified in Section 5.14.3.

The ISO shall not reveal the number of MWs that LSEs are deficient prior to a Deficiency Procurement Auction.

5.14.2 Installed Capacity Supplier Deficiencies

In the event that the amount of Installed Capacity that an Installed Capacity Supplier is authorized to sell in a given month is determined to have been less than the amount that the Installed Capacity Supplier actually sold for that month, the ISO shall prospectively purchase Installed Capacity on behalf of that deficient Installed Capacity Supplier in the appropriate Deficiency Procurement Auction.

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 Installed Capacity established in that Deficiency Procurement Auction.

If an Installed Capacity Supplier is found, at any point during an Obligation Procurement Period, to have been deficient for any prior portion of that Obligation Procurement Period, *e.g.*, when the amount of Installed Capacity that it sells is found to be less than the amount it was authorized to sell, 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.

5.14.3 Application of Deficiency Charges

Any remaining monies collected by the ISO through deficiency charges pursuant to Section 5.14.1 but not used to procure Installed Capacity on behalf of deficient LSEs shall be applied as provided in this Section 5.14.3.

5.14.3(a) General Application of Deficiency Charges

Except as provided in Section 5.14.3(b), remaining monies will be applied to reduce the Rate Schedule 1 charge in the following month.

5.14.3(b) Temporary Targeted Installed Capacity Rebate

During any month in which an Installed Capacity deficiency exists in the New York City Locality during the 2000 Summer Capability Period, the ISO shall rebate, calculated on a monthly basis and to be paid after October 23, 2000, amounts above \$8.75/kW but not exceeding \$12.50/kW, paid by LSEs either to procure Installed Capacity in a regular Obligation Procurement Period Auction, or paid as a deficiency charge. When determining the amount paid by an LSE to procure Installed Capacity for any month, the ISO shall first consider the amount of any proportional rebate received by the LSE for the month as specified in Section 5.15. Any remaining monies collected by the ISO shall be applied to reduce the Rate Schedule 1 charge in the following month.

5.15 Payment and Allocation of Installed Capacity Auction Rebates

The ISO shall rebate to all LSEs with Locational Installed Capacity requirements in the New York City Locality any Excess Amount that remains after the completion of an auction. Such rebates shall be allocated among all New York City LSEs in proportion to their share of the locational New York City Installed Capacity requirement, regardless of whether they actually took part in the first phase of the relevant auction. The ISO shall allocate such rebates among In-City LSEs on a monthly basis. Rebates shall include interest accrued between the time they were collected and the time that they are paid.

5.16 Dispute Resolution Procedures

[To be developed after discussion with the ICAPWG.]