5.16 ~~New Capacity Zone Study and Procedures~~Biennial Process Regarding the Creation of New Localities and Elimination of Existing Localities

Capitalized terms used in this Section 5.16 and not defined in this Services Tariff shall have the meaning set forth in the ~~Open Access Transmission Tariff~~ ISO OATT.

The ISO shall conduct the ~~New Capacity Zone study in accordance with this Section ("NCZ Study") and provide a written report of the results to stakeholders on or before January 15 in each ICAP Demand Curve Reset Filing Year~~ Locality Assessment Process biennially in odd numbered calendar years ("Locality Assessment Filing Year") in accordance with this Section 5.16.

5.16.1 ~~NCZ Study Methodology~~Locality Assessment Study.

~~5.16.1.1 The NCZ Study, developed in accordance with ISO Procedures, will test, under summer peak system conditions, using the following assumptions and methodology:~~

~~5.16.1.1.1 The following assumptions will be applied: (i) transmission facilities (other than existing merchant transmission projects) identified as existing in the ISO's Load and Capacity Data report most recently published prior to the NCZ Study Start Date; (ii) all firm plans for changes to transmission facilities by Transmission Owners in the ISO's Load and Capacity Data report most recently published prior to the NCZ Study Start Date scheduled to be in-service prior to the NCZ Study Capability Period; (iii) planned generation projects or Merchant Transmission Facilities that have accepted either (a) Deliverable MW or (b) a System Deliverability Upgrade cost allocation and provided cash or posted required security pursuant to OATT Attachment S, which for (a) and (b) is from a Class Year Final Decision Round that occurs~~

~~prior to the NCZ Study Start Date (subject to Section 5.16.1.1.2); (iv) System Upgrade Facilities and System Deliverability Upgrades associated with planned projects identified in (iii) above, except that System Deliverability Upgrades where construction of the System Deliverability Upgrade has been deferred pursuant to OATT Attachment S Sections 25.7.12.2 and 25.7.12.3 will only be included if construction of the System Deliverability Upgrades has been triggered under OATT Attachment S Section 25.7.12.3; (v) all transmission retirements and derates identified in the ISO's Load and Capacity Data report most recently published prior to the NCZ Study Start Date and scheduled to occur prior to the NCZ Study Capability Period; (vi) all existing Generators with CRIS identified in, and all projects with Unforced Capacity Deliverability Rights on the date of, the ISO's Load and Capacity Data report most recently published prior to the NCZ Study Start Date; and all CRIS rights from resources considered "deactivated" as defined in OATT Attachment S Section 25.9.3.1 unless the ability to transfer those rights has expired without completing a transfer as permitted under OATT Attachment S Section 25.9.4 or 25.9.5 as of the NCZ Study Start Date; and (vii) any transfer of CRIS rights pursuant to OATT Attachment S not identified in the Load and Capacity Data report most recently published prior to the NCZ Study Start Date but is completed and the transferee is operational prior to the NCZ Study Start Date.~~

~~5.16.1.1.2 Planned generation and Merchant Transmission Facilities identified pursuant to Section 5.16.1.1.1 will be excluded and not recognized in the NCZ Study if (a) the Commission has accepted the cancellation or termination of a rate schedule consisting of an Interconnection Agreement (absent the filing of another Interconnection Agreement for the project), or (b) for projects that either do not~~

~~have an executed Interconnection Agreement or have an executed Interconnection Agreement that is (i) not required to be filed with the Commission or (ii) is required to be filed but has not yet been filed, the ISO receives written notice from the project that it is withdrawing from the interconnection queue and/or a Notice of Termination under the interconnection agreement.~~

~~5.16.1.1.3 The Load forecast used will be the NCZ Study Capability Period peak demand forecast contained in the ISO's Load and Capacity Data report most recently published prior to the NCZ Study Start Date.~~

~~5.16.1.1.4 The base case conditioning steps contained in OATT Attachment S Sections 25.7.8.2.3 (excluding and not recognizing MW of CRIS requested by Developers other than CRIS identified in Section 5.16.1.1.1 (iii)), 25.7.8.2.4, 25.7.8.2.5, 25.7.8.2.10, and 25.7.8.2.11, will be applied to the above inputs and assumptions.~~

~~5.16.1.1.5 The ISO will perform the NCZ Study by applying to the above inputs and assumptions the methodology contained in OATT Attachment S Sections 25.7.8.2.6, 25.7.8.2.7, 25.7.8.2.8, 25.7.8.2.9, 25.7.8.2.12, and 25.7.8.2.13 to Highways. Deliverability will be determined through a shift from generation to generation within each Capacity Region that contains Highways. Each such Capacity Region will be tested on an individual basis.~~

~~On or before October 1 of the year prior to an ICAP Demand Curve Reset Filing Year, the ISO will review the inputs and assumptions for the NCZ Study with stakeholders and provide an opportunity for stakeholders to comment.The ISO shall provide an opportunity for the Market Monitoring Unit to review and comment on the NCZ Study consistent with Services Tariff Attachment O Section 30.4.6.3.2.~~

5.16.1.1 The Locality Assessment Study is composed of a Locality Creation Test as set forth in Section 5.16.1.3 and a Locality Elimination Test as set forth in Section 5.16.1.4. The ISO will incorporate the results of the Locality Assessment Study in a Locality Assessment Report as set forth in Section 5.16.4. The ISO will review the results of the Locality Assessment Study with stakeholders, and will complete the study on or before March 1 of the Locality Assessment Filing Year.

5.16.1.1.1 The ISO shall provide an opportunity for the Market Monitoring Unit to review and comment on the Locality Assessment Study consistent with Services Tariff Attachment O Section 30.4.6.3.2.

5.16.1.2 The ISO shall perform the Locality Assessment Study using the Locality Assessment Study Base Case. The ISO will create the Locality Assessment Study Base Case using the most recent base case from the reliability planning process as established in Attachment Y of the ISO OATT and ISO Procedures, which base case will be updated pursuant to this Section 5.16.1.2. The ISO will update the reliability planning process base case following the completion of the Reliability Needs Assessment by requesting Local Transmission Plan ("LTP") updates, updated NYPA transmission plans, and generator status updates. The ISO will review these updates for inclusion in the Locality Assessment Study Base Case in accordance with the RNA Base Case inclusion rules. The ISO will establish a lock down date after which base case inputs and assumptions for the Locality Assessment Study Base Case will not be modified. To the extent practicable, this lock down date will be on or before January 1 of a Locality Assessment Filing Year. Prior to the lock down date, the ISO will review key study assumptions with stakeholders.

5.16.1.3 Locality Creation Test

5.16.1.3.1 The Locality Creation Test determines whether a transmission security violation arises on the New York State Bulk Power Transmission Facilities following the occurrence of two generator contingency events, as defined in NYSRC's Reliability Rules. The ISO will perform the Locality Creation Test by modifying the Locality Assessment Study Base Case to model any two generator contingency events followed by system adjustments. The ISO will then test the conformance of the New York State Bulk Power Transmission Facilities with the applicable Reliability Criteria for transmission design as defined in Attachment Y of the ISO OATT.

5.16.1.3.2 If, for any combination of such generator and applicable Reliability Criteria contingency events, the ISO identifies a transmission security violation associated with a boundary between Load Zones in year five of the RNA Study Period, a new Locality will be created pursuant to Section 5.16.2.

5.16.1.4 Locality Elimination Test

5.16.1.4.1 The ISO will perform the Locality Elimination Test for each Locality; *provided*, *however*, the ISO will not perform the Locality Elimination Test for (i) Load Zone J and (ii) Load Zone K; and will not perform or if it has commenced performing will cease performing the Locality Elimination Test if it has identified a resource adequacy need described in Section 5.16.5(a).

5.16.1.4.2 For each subject Locality, the Locality Elimination Test determines whether a transmission security violation arises on the New York State Bulk Power Transmission Facilities following the occurrence of four generator contingency events, as defined in NYSRC's Reliability Rules, within the existing Locality. The ISO will perform the Locality Elimination Test by modifying the Locality Assessment Study Base Case. The ISO will first remove all MW subject to an Offer

Floor determined at the time of Class Year 2017 or a later Class Year pursuant to Section 23.4.5.7 of the ISO Services Tariff. The ISO will then modify the base case to model any four generator contingency events within the assessed Locality followed by system adjustments. The ISO will then test the conformance of the New York State Bulk Power Transmission Facilities with the applicable Reliability Criteria for transmission design as defined in Attachment Y of the ISO OATT.

~~5.16.1.2~~ 5.16.1.4.3 If, for all combinations of such generator and applicable Reliability Criteria contingency events, the ISO identifies that there is no transmission security violation associated with the boundary of the assessed Locality in years one and five of the RNA Study Period, and provided the ISO has not identified a resource adequacy need described in Section 5.16.5(a), the Locality will be eliminated.

5.16.2 Identification of New Capacity Zone Boundary

~~The ISO shall identify the boundary of a New Capacity Zone if there is a constrained Highway interface into one or more Load Zones. The boundary of the New Capacity Zone may encompass a single constrained Load Zone or group of Load Zones including one or more constrained Load Zones on the constrained side of the Highway. In determining the New Capacity Zone boundary, the ISO shall consider the extent to which incremental Capacity in individual constrained Load Zones could impact the reliability and security of constrained Load Zones, taking into account interface capability between constrained Load Zones.~~If the Locality Creation Test identifies pursuant to Section 5.16.1.3.2 that a new Locality is to be created, the ISO shall identify the boundary of the new Locality to be proposed pursuant to this Section 5.16.2 (i.e., a New Capacity Zone). The new Locality to be proposed will consist of one or more contiguous Load Zones. The ISO with determine which Load Zones will be included in the new Locality, with stakeholder input, based on the New York State Bulk Power Transmission

Facility constraints that are identified in the Locality Creation Test.

5.16.3 Indicative NCZ Locational Minimum Installed Capacity Requirement

~~For each Load Zone or groups of Load Zones identified in the NCZ Study as having a constrained Highway Interface, on or before March 1 of each ICAP Demand Curve Reset Filing Year, the ISO shall determine Indicative NCZ Locational Minimum Installed Capacity Requirement. The ISO shall provide an opportunity to stakeholders to review and comment on the Indicative NCZ Locational Minimum Installed Capacity Requirement. This Indicative NCZ Locational Minimum Installed Capacity Requirement will be used solely for establishing revised ICAP Demand Curves in accordance with 5.14.1.2.~~The ISO shall determine the Indicative NCZ Locational Minimum Installed Capacity Requirement for each new Locality identified by the ISO under Section 5.16.2. The ISO shall provide an opportunity to stakeholders to review and comment on the Indicative NCZ Locational Minimum Installed Capacity Requirement. This Indicative NCZ Locational Minimum Installed Capacity Requirement will be used solely: (i) for establishing the ICAP Demand Curve for the New Capacity Zone in accordance with Section 5.14.1.2, and (ii) in the Class Year Study for a Class Year commencing in the Locality Assessment Filing Year after May 1 and before the Locational Minimum Installed Capacity Requirement is established under Section 5.11.4.

5.16.4 ~~NCZ~~ Locality Assessment Report and Filing

~~On or before March 31 of an ICAP Demand Curve Reset Filing Year,~~

~~(a) If the NCZ Study identifies a constrained Highway Interface, the ISO shall file for Commission review proposed tariff revisions necessary to establish and recognize the New Capacity Zone or Zones, and shall include in the filing a report of the results of the NCZ Study. If the ISO proposes that a New Capacity Zone that is comprised of a group of Load Zones instead of a single Load Zone, the ISO shall~~

~~include in the filing the basis for its determination, consistent with Section 5.16.2. If the NCZ Study does not identify a constrained Highway interface, the ISO shall file with the Commission the ISO's determination that the NCZ Study did not indicate that any New Capacity Zone is required pursuant to this process, along with a report of the results of the NCZ Study.~~

5.16.4.1 Locality Assessment Report

The ISO shall prepare a Locality Assessment Report, which shall describe the results of the Locality Assessment Study.

5.16.4.2 Locality Assessment Filing

On or before May 1 of a Locality Assessment Filing Year,

(a) If the Locality Assessment Study identifies the creation of a new Locality, or the study identifies the elimination of a Locality, the ISO shall file for Commission review proposed tariff revisions necessary to establish and recognize the new Locality or Localities or to eliminate an existing Locality or Localities; provided, however, that if the ISO identifies a resource adequacy need described in Section 5.16.5(a), the ISO shall not file to eliminate the applicable Locality. If the ISO proposes a new Locality that is comprised of a group of Load Zones instead of a single Load Zone, the ISO shall include in the filing the basis for its determination, consistent with Section 5.16.1.3.2. The Locality Assessment Filing will also identify the Indicative NCZ Locational Minimum Installed Capacity Requirement for any new proposed Locality.

(b) If the Locality Assessment Study does not identify the creation or elimination of a Locality, the ISO shall file with the Commission the ISO's determination that the Local Assessment Study did not indicate that the respective changes were required pursuant to this process.

(c) If the ISO did not perform or ceased performing the Locality Elimination Test because it identified a resource adequacy need as described in Section 5.16.5(a), the ISO shall file with the Commission the ISO's determination that the Locality Assessment Study was not required or was not required to be completed and describe the basis for such determination as set forth in Section 5.16.5(b).

(d) The ISO shall also include in the Locality Assessment Filing the Locality Assessment Report.

5.16.5 Obligations In the Event Certain Resource Adequacy Needs Are Identified

(a) If the ISO identifies a resource adequacy need as described in subsections (i), (ii), or (iii) of this Section 5.16.5(a) that is occurring or is projected to exist within the first five Capability Years of the RNA Study Period, the ISO shall not perform the Locality Elimination Test or if it has commenced performance of it, shall cease performing it, and it shall not file to eliminate a Locality. For purposes of Section 5.16 of this Tariff, a resource adequacy need means any Locality for which the ISO has identified (i) a resource adequacy Reliability Need in the most recent RNA; (ii) a resource adequacy Generator Deactivation Reliability Need based on a generator deactivation as identified in a Generator Deactivation Assessment and that was not reflected in the most recent RNA (without regard to whether the generator has deactivated, provided the notice of deactivation has not been withdrawn); or (iii) a resource adequacy need that the ISO determines is an imminent threat to reliability pursuant to Section 31.2.11 of the ISO OATT that results from a change in system conditions from those reflected in the most recent RNA.

(b) The ISO will review with stakeholders, and will include in its report to the Commission under Section 5.1.6.4.2 its identification of a resource adequacy need identified in Section 5.16.5(a) and the assumptions that led thereto, subject to any

restrictions on the disclosure of Confidential Information or Critical Energy Infrastructure Information.

5.16.6 MMU Responsibilities

~~(b)~~

The ISO shall provide an opportunity for the Market Monitoring Unit to review and comment on the ~~NCZ~~ Locality Assessment Study and any proposed tariff revisions, consistent with Services Tariff Attachment O Section 30.4.6.3.2.