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Business Issues Committee February 14, 2018

5.16 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 ISO Services Tariff shall have the meaning set forth in the ISO OATT.

The ISO shall conduct the Locality Assessment Process biennially in odd numbered calendar years (“Locality Assessment Filing Year”) in accordance with this Section 5.16.

5.16.1 Locality Assessment Study.

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

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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.

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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.

5.16.1.4.3 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

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resource adequacy need described in Section 5.16.5(a), the Locality will be eliminated.

5.16.2 Identification of New Capacity Zone Boundary

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 will 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

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 Locality Assessment Report and Filing

5.16.4.1 Locality Assessment Report

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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

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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

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

5.16.6 MMU Responsibilities

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