

DRAFT ICAP Demand Curve Compliance Filing
Business Issues Committee – 09/21/05

New York Independent System Operator, Inc.
FERC Electric Tariff
Original Volume No. 2

~~Fourth~~Fifth Revised Sheet No. 157
Superseding ~~Third~~Fourth Revised Sheet No. 157

pursuant to this Section. The ICAP Demand Curves will be translated into Unforced Capacity terms in accordance with the ISO Procedures.

A periodic ~~independent~~ review of the ICAP Demand Curves ~~will~~shall be performed every three (3) years in accordance with the ISO Procedures to determine ~~whether~~ the parameters of the ICAP Demand Curves ~~should be adjusted. Among other criteria, the~~ for a period of the next three Capability Years. The periodic review will determine shall assess: (i) the current localized levelized embedded cost of gas turbines (the “Incremental Unit”) in each NYCA Locality and the Rest of State ~~and associated to meet minimum capacity requirements;~~ (ii) the likely projected annual Energy and Ancillary Services revenues. ~~Each periodic independent review, which will include stakeholder input in accordance with the ISO Procedures, will be completed by September 1 of the applicable Capability Year in time to determine the ICAP Demand Curves to be applied for~~ Incremental Unit over the period covered by the three subsequent Capability Years in accordance with the ISO Procedures. adjusted ICAP Demand Curves, net of the costs of producing such Energy and Ancillary Services, under conditions in which the available capacity would equal or slightly exceed the minimum Installed Capacity requirement; (iii) the appropriate shape ~~and~~ slope of the ICAP Demand Curves, and the associated point at which the dollar value of the ICAP Demand Curves should decline to zero; and (iv) the appropriate translation of the annual net revenue requirement of the Incremental Unit determined from the factors specified above, into monthly values that take into account seasonal differences in the amount of capacity

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available in the ICAP Spot Market Auctions.

The periodic review shall be conducted in accordance with the schedule and procedures specified in the ISO Procedures. A proposed schedule will be reviewed with the stakeholders and issued not later than May 30 of the year prior to the year of the filing specified in (xi) below. The schedule and procedures shall provide for:

(i) ISO development, with stakeholder review and comment, of a request for proposals to provide independent consulting services to determine recommended values for the factors specified above, and appropriate methodologies for such determination;

(ii) selection of an independent consultant in accordance with the request for proposals;

(iii) submission to the ISO and the stakeholders of a draft report from the independent consultant on the independent consultant's determination of recommended values for the factors specified above;

(iv) stakeholder review of and comment on the data, assumptions and conclusions in the independent consultant's draft report, with participation by the responsible person or persons providing the consulting services;

(v) participation by the ISO's independent Market Advisor in the periodic review, including review of the draft request for proposals, review of the independent consultant's report, and promulgation for stakeholder review of any proposed adjustments recommended by the Market Advisor in the values determined by the independent consultant or in the ISO's proposed ICAP Demand Curves;

(vi) issuance by the independent consultant of a final report;

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(vii) issuance of a draft of the ISO's recommended adjustments to the ICAP

Demand Curves for stakeholder review and comment:

(viii) issuance of the ISO's proposed ICAP Demand Curves, taking into account the report of the independent consultant, the recommendations of the Market Advisor, and the views of the stakeholders together with the rationale for accepting or rejecting any such inputs:

(ix) submission of stakeholder requests for the ISO Board of Directors to review and adjust the ISO's proposed ICAP Demand Curves;

(x) presentations to the ISO Board of Directors of stakeholder views on the ISO's proposed ICAP Demand Curves; and

(xi) filing with the Commission of ICAP Demand Curves as approved by the ISO Board of Directors incorporating the results of the periodic review, such filing to be made not later than November 30 of the year prior to the year that includes the beginning of the first Capability Year to which such ICAP Demand Curves would be applied. The filing shall specify ICAP Demand Curves for a period of three Capability Years.