

**ICAPWG Proposed  
NYISO Services Tariff**

**Proposed Stage II Tariff on Implementation of a  
Permanent Installed Capacity Market Design**

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

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- Changes are not Marked in this Document.

**Prepared for the  
November 30, 2000 BIC Meeting**

## **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; (iii) normalized design weather conditions; and (iv) adjustments for Special Case Resources.

### **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**

An auction conducted no later than thirty (30) days prior to the start of each Capability Period, in which Unforced Capacity may be purchased and sold in a six-month strip.

#### **2.17b Capability Year**

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

### **2.18a CARL Data**

Control Area Resource and Load (“CARL”) data submitted by Control Area System Resources to the ISO.

### **2.32a Control Area System Resource**

A set of Resources owned or controlled by an entity within a Control Area that also is the operator of such Control Area. Entities supplying Unforced Capacity using Control Area System Resources will not designate particular Resources as the suppliers of Unforced Capacity.

### **2.38a Deficiency Procurement Auction**

An auction conducted pursuant to Section 5.14.1(a) to procure sufficient Unforced Capacity to cover the remainder of the LSEs’ Installed Capacity requirement for an Obligation Procurement Period.

### **2.46a DMNC Test Period**

The period within a Capability Period during which a Resource required to do so shall conduct a DMNC test if that DMNC test is to be valid for purposes of allowing the Resource to participate in the New York Installed Capacity market. Such periods will be established pursuant to the ISO Procedures.

**2.49a Energy Limited Resource**

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 a unit is in demand, but is unavailable due to a Forced Outage.

**2.49c Excess Amount**

The difference, if any, between the dollar amounts charged to purchasers of Unforced Capacity in an ISO-administered Installed Capacity auction and the dollar amounts paid to sellers of Unforced Capacity in that ISO-administered Installed Capacity auction.

**2.52a Expedited Dispute Resolution Procedures**

The procedures set forth in Section 5.16 of this Tariff.

**2.59a Forced Outage**

An unscheduled outage that cannot be postponed until the nearest following Weekend.

**2.59b GADS Data**

Data submitted to the NERC for collection into the NERC's Generating Availability Data System ("GADS").

**2.74 Installed Capacity**

External or Internal Capacity, in increments of 100 kW, that is made available, pursuant to Tariff requirements and ISO Procedures, for the portion of an Obligation Procurement Period for which Capacity is being used to satisfy the NYCA Installed Capacity Requirement.

**2.74a Installed Capacity Equivalent**

The Generator capability that corresponds to its Unforced Capacity, calculated in accordance with the ISO Procedures.

**2.74b Installed Capacity Marketer**

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

**2.74c Installed Capacity Supplier**

An Energy Limited Resource, Generator, Installed Capacity Marketer, Interruptible Load Resource, Special Case Resource, Intermittent Power Resource, municipally-owned generation, System Resource or Control Area System Resource that satisfies the ISO's qualification requirements for selling Unforced Capacity.

**2.77a Intermittent Power Resource**

Capacity Resources that depend upon wind or solar energy for their fuel.

**2.99a Maintenance Outage**

An outage that can be postponed to the nearest following Weekend but requires that the unit be removed before the nearest following Planned Outage, unless otherwise agreed in accordance with the ISO Procedures.

**2.107a Monthly Auction**

An auction administered by the ISO pursuant to Section 5.13.3 of the ISO Services Tariff.

**2.107b Native Load Customers**

The wholesale and retail power customers of the Transmission Owners on whose behalf the Transmission Owners, by statute, franchise, regulatory requirement, or contract, have undertaken an obligation to construct and operate the Transmission Owners' systems to meet the reliable electric needs of such customers.

**2.120a NYCA Installed Capacity Requirement**

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

**2.120b NYCA Installed Reserve Margin**

The amount of additional Installed Capacity required by the NYSRC in order for the NYCA to meet NPCC reliability criteria above the forecasted NYCA upcoming Capability Year peak Load expressed as a decimal.

**2.120c NYCA Unforced Capacity Requirement**

The Unforced Capacity equivalent of the NYCA Installed Capacity Requirement.

**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, Obligation Procurement Periods shall be one calendar month in duration and shall begin on the first day of each calendar month.

**2.128b Operating Data**

Pursuant to Section 5.12.5 of this Tariff, Operating Data shall mean GADS Data, data equivalent to GADS Data, CARL Data, metered Load data, or actual system failure occurrences data, all as described in the ISO Procedures.

**2.137a Planned Outage**

An outage of predetermined length that is scheduled at least thirty (30) days before its occurrence in accordance with the ISO Procedures.

**2.160b Resource**

An Energy Limited Resource, Generator, Installed Capacity Marketer, Interruptible Load Resource, Special Case Resource, Intermittent Power Resource, municipally-owned generation, System Resource, or Control Area System Resource.

**2.172a Special Case Resource**

Loads capable of being interrupted upon demand, and distributed Generators, rated 100 kW or higher, that are not visible to the ISO's Market Information System and that are subject to special rules, set forth in Section 5.12.11(a) of this Tariff and related ISO Procedures, in order to facilitate their participation in the Installed Capacity market as Installed Capacity Suppliers.

**2.177a System Resource**

A portfolio of Installed Capacity provided by Resources 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, which is not the operator of the Control Area where such Resources are located, and that is made available, in whole or in part, to the ISO.

**2.194a Unforced Capacity**

The measure by which Installed Capacity Suppliers will be rated, in accordance with formulae set forth in the ISO Procedures, to quantify the extent of their contribution to satisfy the NYCA Installed Capacity Requirement, and which will be used to measure the portion of that NYCA Installed Capacity Requirement for which each LSE is responsible.

**2.194b Weekend**

A period of time that starts each Friday at 22:00:01 and finishes the following Monday at 8:00:00.

## **II. Article 5**

### **5.9 Installed Capacity - Implementation of a Permanent Installed Capacity Market Design**

Beginning with the 2001 Summer Capability Period, Sections 5.10 - 5.16 of this Tariff, implementing a permanent Installed Capacity market design, 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 because they are not accepted by FERC in time to implement the provisions or technical problems make timely implementation impossible, the then-effective Sections 5.9 - 5.15 of this Tariff, which implement the transitional Installed Capacity market design, shall continue in effect until such time as it is possible to implement the permanent Installed Capacity market design provisions.

### **5.10 NYCA Installed Capacity Requirement**

The NYCA Installed Capacity Requirement is derived from the NYCA Installed Reserve Margin, which is established each year by the NYSRC. The NYCA Installed Capacity Requirement for the Capability Year beginning each May 1 will be established by multiplying the NYCA peak Load forecasted by the ISO by the quantity one plus the NYCA Installed Reserve Margin expressed as a decimal. Beginning with the 2001 Summer Capability Period, the ISO shall translate the NYCA Installed Reserve Margin, and thus the NYCA Installed Capacity Requirement, into a NYCA Unforced Capacity Requirement, in accordance with the ISO Procedures.

The ISO will calculate a NYCA peak Load each year by applying regional Load growth 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 Market Participants and described in the ISO Procedures. Disputes concerning the development of regional Load growth factors shall be resolved through the Expedited Dispute Resolution Procedures set forth in Section 5.16 of this Tariff.

The ISO shall determine the amount of Unforced Capacity that must be sited within the NYCA, and within each Locality, and the amount of Unforced 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 in accordance with the ISO Procedures. Each municipal electric utility may choose to submit the Transmission District's peak Load forecast provided by a Transmission Owner or to provide its own. Any disputes arising out of the submittals required in this paragraph shall be resolved through the Expedited Dispute Resolution Procedures set forth in Section 5.16 of this Tariff.

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 through the Expedited Dispute Resolution Procedures set forth in Section 5.16 of this Tariff, 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 a NYCA Unforced Capacity Requirement pursuant to Section 5.10 of this Tariff; and (ii) the peak Load of that LSE's customers in each Transmission District, 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.

Prior to the beginning of each Capability Year, the ISO shall calculate a preliminary Unforced Capacity requirement estimate for each LSE, reflecting documented Load-shifting adjustments; provide it to each LSE; and notify each LSE of its final Unforced Capacity requirement applicable at the beginning of the Capability Year, all in accordance with the ISO Procedures. Transmission Owners shall submit the required Load-shifting information to the ISO and to each LSE affected by the Load-



shifting, in accordance with the ISO Procedures. In the event that there is a pending dispute regarding a Transmission Owner's forecast, the ISO shall nevertheless establish each LSE's final Unforced Capacity requirement in accordance with the schedule established in the ISO Procedures, subject to possible adjustments that may be required as a result of resolution of the dispute through the Expedited 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 Unforced 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 Unforced Capacity. In addition, when a customer leaves New York State, the ISO will adjust each LSE's Unforced Capacity requirement so that the total Transmission District's share of the NYCA Unforced Capacity Requirement remains constant.

### **5.11.2 LSE Obligations**

Each LSE must procure Unforced Capacity, in an amount equal to its Unforced Capacity requirement, 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 a sufficient amount of Unforced Capacity prior to the beginning of each Obligation Procurement Period. To satisfy this requirement, each LSE must submit completed Installed Capacity certification forms to the ISO by the date specified in the ISO Procedures. The Installed Capacity certification forms submitted by the LSEs shall be in the format and include all the information prescribed by the ISO Procedures.

LSEs that fail to timely satisfy their Unforced Capacity requirement, or that fail to make timely submissions of the required Installed Capacity 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 Unforced 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 Installed Capacity auction for that Obligation Procurement Period that successfully cleared, or, in the event that no such clearing price exists, the Market-Clearing Price in the Capability Period 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 nearest following 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 sufficient Unforced Capacity to meet its increased Unforced Capacity requirement for the nearest following Obligation Procurement Period, and the Load-losing LSE may sell Unforced Capacity that it no longer needs to satisfy its Installed Capacity requirement.

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 in accordance with and by the date set forth in the ISO Procedures. The ISO shall provide each LSE with a revised Unforced Capacity requirement for the following Obligation Procurement Period, which shall reflect all documented Load-shifts as of the end of the current Obligation Procurement Period. Any disputes among Market Participants concerning Load-shifting shall be resolved through the Expedited Dispute Resolution Procedures set forth in Section 5.16 of this Tariff, 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 Obligation Procurement Period 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 Expedited Dispute Resolution Procedures set forth in Section 5.16 of this Tariff, or the Transmission Owner's retail access procedures, as applicable.

#### **5.11.4 LSE Locational Installed Capacity Requirements**

The ISO will determine the Locational Installed Capacity Requirements, stated as a percentage of the Locality's forecasted Capability Year peak Load and expressed in Unforced Capacity terms, 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, in accordance with the ISO Procedures.

Each LSE will secure the required amount of Unforced Capacity for the upcoming Obligation Procurement Period from Resources consistent with the locational requirements established by the ISO. Unforced Capacity 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 Unforced Capacity associated with any Generator that is subject to market mitigation measures in an ISO-administered auction may resell that Unforced Capacity in a subsequent auction for no greater than the mitigated price cap or the price it paid for that Unforced Capacity, in accordance with Sections 5.13.2, 5.13.3, and 5.14.1 of this Tariff. The ISO shall inform Customers that purchase Unforced Capacity in an ISO-administered auction of the amount of Unforced Capacity they have purchased that is 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, Intermittent Power Resources, and System Resources rated 1 MW or greater, other than External System Resources and Control Area System Resources which have agreed to certain Curtailment conditions as set forth in the last paragraph of Section 5.12.1, below, and other than Special Case Resources, existing municipally-owned generation, Energy Limited Resources, and Intermittent Power Resources, to the extent those entities are subject to the requirements of Section 5.12.11 of this Tariff, shall:

## CLEAN November 21, 2000 Proposed ICAPWG Tariff

- (i) provide information reasonably requested by the ISO including the name and location of Generators, Interruptible Load Resources, and System Resources;
- (ii) in accordance with the ISO Procedures, perform DMNC tests and submit the results to the ISO, or provide to the ISO appropriate historical production data;
- (iii) abide by the ISO Generator maintenance coordination procedures;
- (iv) provide the expected return date from any outages (including partial outages) to the ISO;
- (v) provide documentation demonstrating that it will not utilize the same Installed Capacity for more than one (1) buyer at the same time;
- (vi) except for Installed Capacity Marketers and Interruptible Load Resources, schedule Day-Ahead Bilateral Transactions to supply Load within the NYCA or Bid into the Day-Ahead Market, unless the Energy Limited Resource, Generator, or System Resource is unable to do so due to a Maintenance Outage or Forced Outage or due to temperature related deratings. Generators may also enter into the MIS an upper operating limit that would define the operating limit under normal system conditions. The circumstances under which the ISO will direct a Generator to exceed its upper operating limit are described in the ISO Procedures;
- (vii) if the Resource is an Interruptible Load Resource, it must commit that it will Bid, at the price at which it is willing to be interrupted, in the Day-Ahead Market, for both Energy and Operating Reserves;
- (viii) provide Operating Data in accordance with Section 5.12.5 of this Tariff;
- (ix) comply with the ISO Procedures;
- (x) when the ISO issues a Supplemental Resource Evaluation request (an SRE), Bid into the in-day market unless the entity has a Bid pending in the Hour-Ahead Market when the SRE request is made or is unable to Bid in response to the SRE request due to a Maintenance Outage or Forced Outage or due to temperature related deratings; and
- (xi) Installed Capacity Suppliers located east of the central-east constraint shall Bid in the Day-Ahead and Real-Time Markets all Capacity available for supplying 10-Minute

## CLEAN November 21, 2000 Proposed ICAPWG Tariff

Non-Spinning Reserve (NSR) (unless the Generator is unable to meet its commitment because of a Planned Outage or Forced Outage), except for the Generators described in subsections (a), (b), (c) and (d) below.

- (a) Generators providing Energy under contracts executed and effective on or before November 18, 1999 (including PURPA contracts) in which the power purchasers do not control the operation of the supply source but would be responsible for penalties for being off-schedule, with the exception of Generators under must-take PURPA contracts executed and effective on or before November 18, 1999, who have not provided telemetering to their local TO and historically have not been eligible to participate in the NYPP market, which will continue to be treated as TO Load modifiers under the ISO-administered markets;
- (b) Existing topping turbine Generators and extraction turbine Generators producing Energy resulting from the supply of steam to the district steam system located in New York City (LBMP Zone J) in operation on or before November 18, 1999, and/or topping or extraction turbine Generators utilized in replacing or repowering steam supplies from such units (in accordance with good engineering and economic design) that cannot follow schedules, up to a maximum total of 365 MW of such units;
- (c) Existing intermittent (i.e., non-schedulable) renewable resource Generators in operation on or before November 18, 1999 within the NYCA, plus up to an additional 500 MW of such Generators; and
- (d) Units that have demonstrated to the ISO that they are subject to environmental, contractual or other legal or physical requirements that would otherwise preclude them from providing 10-Minute NSR.

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

Requirements to qualify as Installed Capacity Suppliers for External System Resources and Control Area System Resources located in External Control Areas that have agreed not to Curtail the

Energy associated with such Installed Capacity or to afford it the same Curtailment priority that it affords its own Control Area Load shall be established in the ISO Procedures.

### **5.12.2 Additional Provisions Applicable to External Installed Capacity Suppliers**

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

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

### **5.12.3 Installed Capacity Supplier Planned Outages Scheduling Requirements**

All Installed Capacity Suppliers, except for Interruptible Load Resources, Control Area System Resources, and Special Case Resources, that intend to supply Unforced Capacity to the NYCA shall submit a confidential notification to the ISO of their proposed Planned Outages schedules in accordance with the ISO Procedures. 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 rescheduling of Planned Outages. In the case of Generators actually supplying Unforced Capacity to the NYCA, if voluntary rescheduling is ineffective, the ISO will invoke forced rescheduling of Planned Outages to

ensure that projected Operating Reserves over the upcoming year are adequate. The rescheduling process is described in the ISO Procedures.

A Generator that refuses a forced rescheduling of its Planned Outages for any unit shall be prevented from selling Unforced Capacity in the NYCA for that unit during any month where it undertakes such Planned Outages.

A Supplier that intends to supply Unforced Capacity in a given month that did not qualify as an Installed Capacity Supplier prior to the beginning of the Obligation Procurement Period must notify the ISO in accordance with the ISO Procedures so that it may be subject to forced rescheduling of its proposed Planned Outages in order to qualify as an Installed Capacity Supplier. A Supplier that refuses the ISO's forced rescheduling of its proposed Planned Outages shall not qualify as an Installed Capacity Supplier for that unit for any month during which it schedules or conducts a Planned Outage.

Interruptible Load Resources shall notify the ISO in accordance with the ISO Procedures 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 by a corresponding amount will only be conducted in accordance with the ISO Procedures.

Maintenance schedules for External System Resources and Control Area System Resources 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 it has sold has not been sold for use in an External Control Area.

#### **5.12.5 Operating Data Reporting Requirements**

To qualify as Installed Capacity Suppliers in the NYCA, Resources shall submit to the ISO Operating Data in accordance with this Section 5.12.5 and the ISO Procedures. Resources that do not submit Operating Data in accordance with the following subsections and the ISO Procedures shall be subject to the sanctions provided in Section 5.12.12(a) of this Tariff.

Resources that were not in operation on January 1, 2000 shall submit Operating Data to the ISO no later than one month after such Resources commence commercial operation, and in accordance with the ISO Procedures and the following subsections as applicable.

**5.12.5(a) Generators, System Resources, Energy Limited Resources, Interruptible Load Resources, and Special Case Resources - GADS Data or Data Equivalent to GADS Data**

To qualify as Installed Capacity Suppliers in the NYCA, Generators, System Resources, Energy Limited Resources, Interruptible Load Resources, and Special Case Resources or the purchasers from those Resources shall submit GADS Data, data equivalent to GADS Data, or other Operating Data to the ISO in accordance with the ISO Procedures. To implement a permanent Installed Capacity market design by the 2001 Summer Capability Period, Generators, System Resources, Energy Limited Resources, Interruptible Load Resources, and Special Case Resources shall submit their GADS Data, data equivalent to GADS Data, or other Operating Data in accordance with the ISO Procedures pertaining to the months of January to November 2000 by December 20, 2000. From the month of December 2000 forward, Generators, System Resources, Energy Limited Resources, Interruptible Load Resources, and Special Case Resources shall submit their GADS Data, data equivalent to GADS data, or other Operating Data each month in accordance with the ISO Procedures. Prior to the successful implementation of a software modification that allows gas turbines to submit multiple bid points, the difference between the base Load and DMNC Capacity levels of these units shall not be considered to be forced out for any hours that the unit was available at its base Load Capacity in accordance with the ISO Procedures.

**5.12.5(b) Control Area System Resources - CARL Data and Actual System Failure Occurrences Data**

To qualify as Installed Capacity Suppliers in the NYCA, Control Area System Resources shall submit to the ISO CARL Data and actual system failure occurrences data in accordance with the ISO Procedures. To allow the implementation of a permanent Installed Capacity market design by the 2001 Summer Capability Period, Control Area System Resources shall submit their CARL Data and actual system failure occurrences data pertaining to the months of January to November 2000 by December 20, 2000. From the month of December 2000 forward, Control Area System Resources shall submit CARL Data and actual system failure occurrences data each month in accordance with the ISO Procedures.



**5.12.5(c) Intermittent Power Resources and Municipally-Owned Generation - Data Equivalent to GADS Data**

To qualify as Installed Capacity Suppliers in the NYCA, Intermittent Power Resources, or the purchasers from those Resources, and municipally-owned generation shall submit data equivalent to GADS Data or other Operating Data to the ISO in accordance with the ISO Procedures. To allow the implementation of a permanent Installed Capacity market design by the 2001 Summer Capability Period, Intermittent Power Resources and municipally-owned generation shall submit their data equivalent to GADS Data or other Operating Data pertaining to the months of January to November 2000 by December 20, 2000. From the month of December 2000 forward, Intermittent Power Resources and municipally-owned generation shall submit their data equivalent to GADS data or other Operating Data each month in accordance with the ISO Procedures.

**5.12.6 Unforced Capacity and Availability Rates, and Capacity Factor for Intermittents**

**5.12.6(a) Monthly Calculations**

The ISO shall calculate each month for each Resource the amount of Unforced Capacity that each Installed Capacity Supplier is qualified to sell in the NYCA based on a rolling twelve-month calculation, and in accordance with formulae provided in the ISO Procedures.

The amount of Unforced Capacity that each Generator, System Resource, Energy Limited Resource, Interruptible Load Resource, Special Case Resource, and municipally-owned generation is authorized to sell in the NYCA shall be based on ISO calculations of individual Equivalent Demand Forced Outage Rates. The amount of Unforced Capacity that each Control Area System Resource is authorized to sell in the NYCA shall be based on the ISO's calculations of each Control Area System Resource's individual Availability rate. The amount of Unforced Capacity that each Intermittent Power Resource is authorized to sell in the NYCA shall be based on the individual historical Capacity factor adjusted by the ISO to remove the effects of Planned Outages and Maintenance Outages.

The ISO shall calculate the Equivalent Demand Forced Outage Rates, Availability rates, and Capacity factor annually and update them monthly using a twelve-month rolling average of Operating Data in accordance with formulae provided in the ISO Procedures. 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.

**5.12.6(b) Default Unforced Capacity**

In its calculation of Unforced Capacity, the ISO shall use zero (0) for the Unforced Capacity for each month for which an Installed Capacity Supplier has not submitted its Operating Data in accordance with Section 5.12.5 of this Tariff and the ISO Procedures. Installed Capacity Suppliers with an Unforced Capacity of zero (0) for any month may submit new Operating Data to the ISO at any time. When the ISO compiles a new rolling average Unforced Capacity, the ISO shall replace the Unforced Capacity of zero (0) value for the relevant month with such new Operating Data submitted in accordance with the ISO Procedures.

Upon a showing of extraordinary circumstances, the ISO retains the discretion to accept at any time Operating Data which have not been submitted in a timely manner, or which do not fully conform with the ISO Procedures.

**5.12.6(c) Exception for Certain Equipment Failures**

When a Generator, Special Case Resource, Energy Limited Resource, Non-Utility Generator, or System Resource is forced into an outage by an equipment failure that involves equipment located on the high voltage side of the electric network beyond the step-up transformer, and including such step-up transformer, the outage will not be counted for purposes of calculating that Energy Limited Resource, Generator, or System Resource's Equivalent Forced Outage Demand Rate. When an Energy Limited Resource, Generator, or System Resource is forced into an outage by an equipment failure that involves equipment located on the low voltage side of the electric network between the step-up transformer and the Resource, the outage will be treated as a Forced Outage or partial Forced Outage, as applicable, for purposes of calculating that Energy Limited Resource's, Generator's, or System Resource's Equivalent Demand Forced Outage Rate.

**5.12.7 Availability Requirements**

Subsequent to qualifying, each Installed Capacity Supplier shall, except as noted in Section 5.12.11 of this Tariff, on a daily basis (i) schedule a Bilateral Transaction; (ii) Bid Energy in each hour of the Day-Ahead Market in accordance with the applicable provisions of Section 5.12.1 of this Tariff; or (iii) notify the ISO of Maintenance Outages, Forced Outages and partial Forced Outages in an amount expressed in terms of Installed Capacity that is equivalent to the Unforced Capacity it has sold in that Obligation Procurement Period. The total amount of Energy that an Installed Capacity Supplier schedules, bids, or declares to be unavailable on a given day must equal or exceed the Installed Capacity Equivalent of its Unforced Capacity sold.

### **5.12.8 Unforced Capacity Sales**

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

If an Energy Limited Resource's, Generator's, System Resource's or Control Area System Resource's DMNC rating is determined to have increased during an Obligation Procurement Period, pursuant to testing procedures described in the ISO Procedures, the amount of Unforced Capacity that it shall be authorized to sell in future Obligation Procurement Periods shall also be increased on a prospective basis in accordance with the schedule set forth in the ISO Procedures.

New Generators and Generators that have increased their Capacity since the previous Summer Capability Period due to changes in their generating equipment may qualify to sell Capacity on a foregoing basis during the Summer Capability Period based upon a DMNC test that is performed and reported to the ISO after March 1 and prior to the beginning of the Summer Capability Period DMNC Test Period. The Generator will be required to verify the claimed DMNC rating by performing an additional test during the Summer DMNC Test Period. Any shortfall between the amount of Unforced Capacity sold by the Generator for the Summer Capability Period and the amount verified during the 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 previous Summer Capability Period Unforced Capacity and the amount of Unforced Capacity equivalent the Generator sold for the Summer Capability Period.

New Generators and Generators that have increased their Capacity since the previous Winter Capability Period due to changes in their generating equipment may qualify to sell Capacity on a foregoing basis during the Winter Capability Period based upon a DMNC test that is performed and reported to the ISO after September 1 and prior to the beginning of the Winter Capability Period DMNC Test Period. The Generator will be required to verify the claimed DMNC rating by performing an additional test during the Winter Capability Period DMNC Test Period. Any shortfall between the amount of Unforced Capacity sold by the Generator for the Winter Capability Period and the amount verified during the Winter Capability Period 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 previous Winter Capability Period Unforced Capacity and the amount of Unforced Capacity equivalent the Generator sold for the Winter Capability Period.

Subsequent to the sale of Unforced Capacity, any Installed Capacity Supplier, except as noted in Section 5.12.11 of this Tariff, which fails on a daily basis to schedule, bid, or declare to be unavailable in the Day-Ahead Market an amount of Unforced Capacity, expressed in terms of Installed Capacity Equivalent, 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. If an entity other than the owner of an Energy Limited Resource, Generator, Interruptible Load Resource, System Resource, or Control Area System Resource that is providing Unforced Capacity is responsible for fulfilling bidding, scheduling, and notification requirements, the owner and that entity must designate to the ISO which of them will be responsible for complying with the scheduling, bidding and notification requirements. The designated bidding and scheduling entity shall be subject to sanctions pursuant to Section 5.12.12(b) of this Tariff.

### **5.12.9 Sales of Unforced Capacity by System Resources**

Installed Capacity Suppliers offering to sell Unforced Capacity associated with Internal System Resources shall submit for each of its Resources the Operating Data and DMNC testing data or historical data described in Sections 5.12.1 and 5.12.5 of this Tariff and in accordance with the ISO Procedures. Such an Installed Capacity Supplier will be allowed to sell the amount of Unforced Capacity that the ISO determines pursuant to the ISO Procedures to reflect an appropriate Equivalent Demand Forced Outage Rate. Installed Capacity Suppliers offering to sell System Resources may only aggregate Resources in accordance with the ISO Procedures.

### **5.12.10 External Transactions**

All Installed Capacity that is not out on a Maintenance Outage or Forced Outage, or scheduled in the Day-Ahead Market may be scheduled to supply Energy for use in External Transactions. In addition, all Energy not scheduled in the Day-Ahead Market or selected through the SRE process shall be subject to Transaction cuts within the hour, consistent with the ISO Procedures regarding Emergency Energy purchases.

If an Installed Capacity Supplier's External Transaction is curtailed, it shall be paid the higher of the actual SCD based Real-Time LBMP at its Proxy Generator Bus or the relevant Proxy Generator Bus associated with the Export Transaction, or, the Real-Time price at the relevant Proxy Generator Bus used by the External Control Area for Transactions with New York.

### **5.12.11 Special Case Resources, Municipally-Owned Generation, Energy Limited Resources and Intermittent Power Resources**

**5.12.11(a) Special Case Resources**

Special Case Resources may qualify as Installed Capacity Suppliers, without having to comply with the daily bidding, scheduling, and notification requirements set forth in Section 5.12.7 of this Tariff, if (i) they are available to operate for a minimum of four (4) consecutive hours each day, at the direction of the ISO, except for those subject to operating limitations established by environmental permits, which will not be required to operate in excess of two (2) hours and which will be derated by the ISO pursuant to ISO Procedures to account for the Load serving equivalence of the hours actually available, following notice of the potential need to operate twenty-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 with verification and validation procedures set forth in the ISO Procedures. Such procedures will not require metering other than interval billing meters on customer Load or testing other than DMNC or sustained disconnect, as appropriate, unless agreed to by the customer, except that Special Case Resources not called to supply Energy in a Capability Period may be required to run a test once every Capability Period in accordance with ISO Procedures.

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

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

**5.12.11(b) Existing Municipally-Owned Generation**

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 Unforced 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 5.12.7 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.

**5.12.11(c) Energy Limited Resources**

An Energy Limited Resource may qualify as an Installed Capacity Supplier if it Bids its Installed Capacity Equivalent into the Day-Ahead Market each day and if it is able to provide the Energy equivalent of the Unforced Capacity for at least four (4) hours each day. Energy-Limited Resources shall also Bid an upper operating limit, designating desired operating limits. The ISO shall schedule Energy above the upper operating limit, if at all, only by dispatcher control, pursuant to ISO Procedures, recognizing that the Energy Limited Resource may not be capable of responding.

**5.12.11(d) Intermittent Power Resources**

Intermittent Power Resources may qualify as Installed Capacity Suppliers, without having to comply with the daily bidding and scheduling requirements set forth in Section 5.12.7 of this Tariff, and may claim up to their Unforced Capacity as Installed Capacity. To qualify as Installed Capacity Suppliers, Intermittent Power Resources shall comply with the notification requirements of Section 5.12.7 of this Tariff. In calculating Unforced Capacity for an Intermittent Power Resource, the historical Capacity factor will be adjusted to remove the effects of Planned Outages and Maintenance Outages in accordance with the ISO Procedures.

**5.12.12 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.

**5.12.12(a) Sanctions for Failing to Provide Required Information**

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

**5.12.12(b) Sanctions for Failing to Comply with Scheduling, Bidding, and Notification Requirements**

On any day in which an Installed Capacity Supplier fails to comply with the scheduling, bidding, or notification requirements of Subsections 5.12.1(vi), (vii), or (x), or with Section 5.12.7 of this Tariff, or in which a Supplier of Installed Capacity from External System Resources or Control Area 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, bidding, or notification 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 Unforced Capacity, expressed in terms of Installed Capacity Equivalent, 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, bidding, or notification requirements of Sections 5.12.1(vi), (vii), or (x), or with Section 5.12.7 of this Tariff, or if a Supplier of Installed Capacity from External System Resources or from a Control Area System Resource 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, bidding, or notification requirements for certification as an Installed Capacity Supplier established in the ISO Procedures during an hour in which the ISO curtails Transactions 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.

### **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.

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. Unforced Capacity purchased in Installed Capacity auctions may not be sold for the purposes of meeting Installed Capacity requirements imposed by operators of External Control Areas. Offers to sell and Bids to purchase Unforced 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 in accordance with the ISO Procedures, demonstrating that their Unforced 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 Unforced 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 Unforced Capacity to cover their Installed Capacity requirements pursuant to Section 5.11.2 of this Tariff.

### **5.13.2 Capability Period Auction**

A Capability Period Auction will be conducted, at the request of an LSE, no later than thirty (30) days prior to the start of each Capability Period in which Unforced Capacity will be purchased and sold for the entire duration of the Capability Period. The exact date of the Capability Period Auction shall be established in the ISO Procedures. The 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.

Each 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 Unforced Capacity purchases in order to satisfy their In-City Locational Installed Capacity Requirement; (ii) any other entity seeking to purchase In-City locational Unforced Capacity; (iii) qualified In-City Generators; and (iv) any other Installed Capacity Supplier that owns excess Unforced Capacity associated with qualified In-City Installed Capacity Suppliers. In the first phase of the Capability Period Auction, LSEs that are awarded Unforced Capacity shall pay the Market-Clearing Price of Unforced Capacity determined in that phase. Installed Capacity Suppliers that are selected to provide Unforced 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 Unforced Capacity associated with In-City Generators that are subject to market mitigation measures shall receive no greater than the mitigated price cap for that Unforced 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 the Obligation Procurement Period Auction, except with respect to any Unforced 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 Unforced Capacity in the second phase shall pay no greater than the mitigated price cap for that Unforced Capacity. Installed Capacity Suppliers, with the exception noted below, including In-City Generators otherwise subject to market mitigation measures, that are selected to provide Unforced Capacity shall receive the applicable Market-Clearing Price determined in that phase. Any entity that resells Unforced Capacity associated with In-City Generators subject to market mitigation measures shall receive no greater than the mitigated price cap for that Unforced Capacity. The ISO shall rebate any Excess Amount pursuant to Section 5.15 of this Tariff.

The results of the 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 first Monthly Auction held prior to the beginning of each Capability Period.

### **5.13.3 Monthly Auctions**

Auctions will be held each Obligation Procurement Period, during which Unforced Capacity may be purchased and sold for the forthcoming month, and any other months as specified in the ISO Procedures. 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 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 Unforced Capacity purchases in order to satisfy their In-City Locational Installed Capacity Requirement; (ii) any other entity seeking to purchase In-City locational Unforced Capacity; (iii) qualified In-City Generators; and (iv) any other Installed Capacity Supplier that owns excess Unforced Capacity. In the first phase of each Monthly Auction, LSEs that are awarded Unforced Capacity shall pay the Market-Clearing Price of Unforced Capacity determined in that phase. Installed Capacity Suppliers that are selected to provide Unforced 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 Unforced Capacity associated with In-City Generators that

are subject to market mitigation measures shall receive no greater than the mitigated price cap for that Unforced 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 Monthly Auction, except with respect to any Unforced 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 Unforced Capacity in the second phase shall pay no greater than the mitigated price cap for that Unforced Capacity. Installed Capacity Suppliers, with the exception noted below, including In-City Generators otherwise subject to market mitigation measures, that are selected to provide Unforced Capacity shall receive the applicable Market-Clearing Price determined in that phase. Any entity that resells Unforced Capacity associated with In-City Generators subject to market mitigation measures shall receive no greater than the mitigated price cap or the price it paid for that Unforced Capacity. The ISO shall rebate any Excess Amount pursuant to Section 5.15 of this Tariff.

Monthly Auctions held during a Capability 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 Capability Period Monthly Auction.

The results of each Monthly Auction will be made available to Market Participants in accordance with the ISO Procedures.

#### **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**

**5.14.1(a) Deficiency Procurement Auction**

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

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

**Deficiency Bids and Charges**

<b>LOCATION</b>	<b>INTERIM FIRST THREE YEARS AFTER ISO COMMENCES OPERATIONS</b>	<b>END-STATE AFTER THREE YEARS OF ISO OPERATIONS</b>
<b>In-City New York City (LBMP Load Zone J)</b>	<b>\$81.08/kW per Capability Period</b>	<b>3 Times Localized Levelized Embedded Cost of GT</b>
<b>Long Island (LBMP Load Zone K)</b>	<b>Year 1: \$64.86/kW per Capability Period</b> <b>Year 2: \$70.26/kW per Capability Period</b> <b>Year 3: \$75.68/kW per Capability Period</b>	<b>3 Times Localized Levelized Embedded Cost of GT</b>
<b>All Other LBMP Load Zones in the NYCA</b>	<b>Year 1: \$56.75/kW per Capability Period</b> <b>Year 2: \$62.09/kW per Capability Period</b> <b>Year 3: \$67.59/kW per Capability Period</b>	<b>3 Times Localized Levelized Embedded Cost of GT</b>

During the first phase of a 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 Unforced Capacity purchases in order to satisfy their In-City Locational Installed Capacity Requirement as translated to Unforced Capacity. The ISO shall solicit Bids from qualified In-City Generators, and from any other entity that owns excess In-City locational Unforced Capacity. LSEs that are awarded Unforced Capacity in the first phase auction shall pay to the ISO the lesser of the Market-Clearing Price of Unforced Capacity determined in that phase or the deficiency bid. The ISO shall pay Installed Capacity Suppliers that are selected to provide Unforced Capacity the Market-Clearing Price determined in that phase which can be no greater than the deficiency bid, except in the case of Unforced Capacity associated with In-City Generators that are subject to mitigation measures, which shall receive

the lesser of the Market-Clearing Price or the price that it paid for that Unforced Capacity. Any entity that resells Unforced Capacity associated with In-City Generators that are subject to market mitigation measures shall receive no greater than the mitigated price cap for that Unforced 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 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 Unforced 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 Unforced Capacity shall pay to the ISO the lesser of the applicable Market-Clearing Price of Unforced 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 Unforced Capacity, except as noted below, to Installed Capacity Suppliers that are selected to provide Unforced Capacity, including participating In-City Generators otherwise subject to market mitigation measures. Any entity that resells Unforced Capacity associated with In-City Generators that are subject to market mitigation measures shall receive no greater than the mitigated price cap for that Unforced Capacity. The ISO shall rebate any Excess Amount pursuant to Section 5.15 of this Tariff.

**5.14.1(b) Deficiency Charges Imposed**

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 Unforced Capacity from Installed Capacity Suppliers that are capable of selling Unforced Capacity but that failed to qualify to sell it prior to the Deficiency Procurement Auction. The ISO shall not procure Unforced Capacity from previously qualified Installed Capacity Suppliers that withheld their Unforced Capacity. The ISO will not pay an Installed Capacity Supplier more than the applicable deficiency charge per MW of Unforced Capacity, or the applicable locational price cap per MW of Unforced Capacity, whichever is less, pro-rated to reflect the portion of the Obligation Procurement Period for which the Installed Capacity Supplier provides Unforced 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 Unforced Capacity that an Installed Capacity Supplier sells in a given month is determined to have been more than the amount that the Installed Capacity Supplier is authorized to sell for that month, the ISO shall prospectively purchase Unforced 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 Unforced Capacity established in that Deficiency Procurement Auction.

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

For any month in which an Unforced Capacity deficiency is forecasted at the beginning of a Capability Period in the New York City Locality or the Long Island Locality, the ISO shall rebate, calculated on a monthly basis and to be paid at the beginning of each month, any remaining unspent

deficiency charges collected for that month for the Locality. The rebate calculated for the Locality shall be allocated among all LSEs in that Locality in proportion to their share of the applicable Locational Installed Capacity Requirement. Rebates shall include interest accrued between the time they were collected and the time that they are paid. The temporary rebates described in this Section 5.14.3(b) shall terminate when an Unforced Capacity surplus is forecasted at the beginning of each of two consecutive Summer Capability Periods.

### **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 Expedited Dispute Resolution Procedures**

#### **5.16.1 Five-Day Consultation Period**

Parties to a dispute involving a matter that is subject to the procedures of this Section must immediately confer and attempt to resolve the dispute on an informal basis. If the parties are unable to resolve the dispute within five (5) calendar days by mutual agreement, the dispute shall be immediately submitted to the ISO's Dispute Resolution Administrator ("DRA").

#### **5.16.2 Written Submissions**

Immediately upon conclusion of the five-day consultation period, the party requesting the dispute resolution shall submit to the DRA and all other parties to the dispute, a concise written statement specifying that expedited dispute resolution under this Section is requested and describing the nature of the dispute, the issues to be resolved and the specific award requested. The party opposing the requested relief shall then have five (5) calendar days to submit to the DRA and the party requesting the dispute resolution, a concise written response which shall include a proposed disposition of the dispute.

#### **5.16.3 Appointment of the Arbitrator**



The DRA shall keep at all times a list of ten (10) qualified arbitrators for matters which may be subject to the procedures of this Section. Within five (5) calendar days of receipt of a request for dispute resolution under this Section, the DRA shall appoint one arbitrator from that list to preside over the dispute. The arbitrator shall be selected by the DRA by randomly drawing names from the list until an available arbitrator is found. If none of the arbitrators on the list is available, the DRA shall appoint a qualified arbitrator to preside over the dispute. No person shall be eligible to act as an arbitrator who is a past or present officer, employee of, or consultant to any of the disputing parties, or of an entity related to or affiliated with any of the disputing parties, or is otherwise interested in the matter to be arbitrated, except upon the express written consent of the parties. Any individual appointed as an arbitrator shall make known to the disputing parties any such disqualifying relationship or interest and a new arbitrator shall be appointed by the DRA, unless express written consent is provided by each party.

#### **5.16.4 Arbitration Proceeding**

There shall be no right to discovery between the parties, including, but not limited to, depositions, interrogatories or other information requests. The arbitrator may request, and the parties shall produce, any information in addition to the written statements that is deemed by the arbitrator to be relevant to the issues presented. The arbitrator shall resolve the arbitration matter solely on the basis of the written statements and evidence submitted by the parties unless, in the sole discretion of the arbitrator, a hearing is deemed necessary. Any such hearing shall be limited to one (1) day and conducted in accordance with procedures determined by the arbitrator. Absent agreement to the contrary by all parties to the dispute, no person or entity shall be permitted to intervene. Except as otherwise set forth in this Section, the arbitrator will follow the Commercial Arbitration Rules of the American Arbitration Association and the expedited procedures contained therein.

#### **5.16.5 Arbitration Award**

Within fifteen (15) calendar days of the appointment of the arbitrator, the arbitrator shall select as an arbitration award the award proposed by one of the parties in their written submission (except that, in disputes concerning the development of regional Load growth factors pursuant to Section 5.10 of this Tariff, the arbitration award shall be either the forecast developed by the Transmission Owner or by the ISO) and shall render a concise written decision including findings of fact and the basis for the decision. All costs associated with the time, expenses and other charges of the arbitrator shall be borne by the unsuccessful party. Each party shall bear its own costs, including attorney and expert fees, if any. No award shall be deemed to be precedential in any other arbitration related to a different dispute.

**5.16.6 Limited Appeal**

The decision of the arbitrator shall be final and binding upon the parties, except that, within one year of the arbitration decision, a party may request that any federal, state regulatory or judicial authority (in the State of New York) having jurisdiction take such action as may be appropriate with respect to any arbitration decision that is based on fraudulent conduct or demonstrable bias of the arbitrator.