

Proposed NYISO Services Tariff

Stage 2 Tariff on an Installed Capacity Market Design

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With Revised Market Rules when Demand Curve

Clears below Minimum Requirements

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accordance with the ISO Procedures, will be completed by November 1 of the applicable Capability Year, except the first periodic independent review, which will be concluded by December 31, 2004. The first periodic review will be initiated immediately following the Summer 2003 Capability Period, and the recommendations will be received not later than December 31, 2004 in time to determine the ICAP Demand Curves to be applied for the Summer 2005 Capability Period in accordance with the ISO Procedures.

Upon FERC approval, the ICAP Demand Curves will be adjusted by the ISO to render them consistent with the results of the review process in accordance with the ISO Procedures; provided that nothing in this Tariff shall be construed to limit the ability of the ISO or its Market Participants to propose and adopt alternative provisions to this Tariff through established governance procedures.

5.14.1(c) Supplemental Supply Fee

Any LSE that has not met its share of the NYCA Minimum Installed Capacity Requirement or its share of the Locational Minimum Installed Capacity Requirement after the completion of an ICAP Spot Market Auction shall be assessed the lower of either the cost the ISO requires to contract for sufficient capacity to meet the minimum requirement or the supplemental supply fee based on the localized levelized embedded cost of a gas turbine, as set forth in the Table below, multiplied by one and one half (1.5), divided by twelve (12), and

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multiplied by the number of MWs the LSE needs to meet its share of the NYCA Minimum Installed Capacity Requirement or its share of the Locational Minimum Installed Capacity Requirement.

The ISO will attempt to use these ~~se supplemental supply~~ fees assessed pursuant to the immediately preceding paragraph to procure Unforced Capacity at the lowest available price from Installed Capacity Suppliers that are capable of supplying Unforced Capacity including: 1) Installed Capacity Suppliers that were not qualified to supply capacity prior to the ICAP Spot Market Auction; 2) Installed Capacity Suppliers that offered Unforced Capacity at levels above the ICAP Spot Market Auction Market-Clearing Price; and 3) Installed Capacity Suppliers that did not offer Unforced Capacity in the ICAP Spot Market Auction. In the event that different Installed Capacity Suppliers offer the same price, the ISO will give preference to Installed Capacity Suppliers that were not qualified to supply capacity prior to the ICAP Spot Market Auction.

Offers from Installed Capacity Suppliers are subject to review pursuant to the NYISO Market Monitoring Plan-Market Mitigation Measures (Attachment H to the Services Tariff). If the ISO attempts to procure Unforced Capacity from such Installed Capacity Suppliers, the ISO shall pay such Installed Capacity Suppliers the clearing price of the demand curve at the minimum requirement. Installed Capacity Suppliers selected by the ISO to provide capacity after the ICAP Spot Market Auction will be paid a negotiated price, subject to the standards,

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~~procedures and remedies in the NYISO Market Monitoring Plan Market Mitigation Measures.~~

If additional purchases are still needed to meet the NYCA or Locational Minimum Installed Capacity Requirement, the ISO will attempt to procure Unforced Capacity at the lowest available prices from new capacity resources such as Special Case Resources or capacity resources that have not bid into or provided capacity to the NYCA market in previous period. The ISO will not pay an Installed Capacity Supplier more than the applicable supplemental supply fee per MW of Unforced Capacity, ~~or and~~, in the case of In-City generation that is subject to capacity market mitigation measures, the annual mitigated 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, provided, however, that nothing in this paragraph shall affect the amounts due to Installed Capacity suppliers who offered Unforced Capacity at levels above the ICAP spot market auction market clearing price or Installed Capacity suppliers that did not offer Unforced Capacity in the ICAP spot market auction as described above. For the circumstance when there is insufficient capacity to meet NYCA or Locational Minimum Installed Capacity Requirements, the ISO will charge deficient LSEs in the spot market auction a Supplemental Supply Balancing Fee equal to the ICAP Spot Market clearing price and refund this money as described in section

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[5.14.3.](#) Any remaining monies collected by the ISO pursuant to this section will be ~~applied to reduce the Schedule 1 charges~~ [distributed as described in section 5.14.3.](#)

Beginning May 1, 2003, the following localized levelized embedded cost of gas turbines in the New York City Locality, the Long Island Locality, and Rest of State,

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(No Changes)

required to pay to the ISO the applicable Market-Clearing Price of Unforced Capacity established in that ICAP Spot Market Auction. In the event that the ICAP Spot Market Auction clears below the NYCA Minimum Installed Capacity Requirement or the Locational Minimum Installed Capacity Requirement, whichever is applicable to the Installed Capacity Supplier, the Installed Capacity Supplier shall be assessed the applicable deficiency charge based on the localized levelized embedded cost of a gas turbine, as set forth in the Table above, multiplied by one and one half (1.5), divided by twelve (12), times the amount of its shortfall.

If an Installed Capacity Supplier is found, at any point during a Capability Period, to have had a shortfall for that Capability Period, *e.g.*, when the amount of Unforced Capacity that it supplies is found to be less than the amount it was committed to supply, the Installed Capacity Supplier shall be retrospectively liable to pay the ISO the applicable Market-Clearing Price of Unforced Capacity established in that ICAP Spot Market Auction.

Any remaining monies collected by the ISO pursuant to Section 5.14.1 and 5.14.2 will be applied as specified in Section 5.14.3.

5.14.3 Application of Supplemental Supply Fees and Installed Capacity Supplier Deficiency Charges

Any remaining monies collected by the ISO through supplemental supply balancing fees or Installed Capacity Supplier deficiency charges pursuant to Section 5.14.1 ~~but not used to procure Unforced Capacity on behalf of LSEs or Installed Capacity Suppliers deemed to have a shortfall~~ shall be applied as provided in this Section 5.14.3.

5.14.3(a) General Application of NYCA Rebates for Supplemental Supply Fees and Deficiency Charges

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Except as provided in Section 5.14.3(b), ~~remaining~~ monies from NYCA supplemental supply fees and ICAP deficiency charges will be applied to all LSEs to reduce the Rate Schedule 1 charge in the following month in proportion to their share of the NYCA Minimum Installed Capacity Requirement.

5.14.3(b) Locational Minimum Installed Capacity Rebates

(i) New York City

If an Unforced Capacity shortfall exists ~~during the first month of a Capability Period~~ after any ICAP Spot Market Auction, the ISO shall rebate, ~~calculated on a monthly basis and to be paid at the beginning of the month~~, any ~~remaining unspent deficiency charges or~~ supplemental supply balancing fees collected for that month ~~for to~~ the New York City 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 Minimum Installed Capacity Requirement. Rebates shall include interest accrued between the time payments were collected and the time that rebates are paid.

~~If during the second through the sixth month of a Capability Period, an Unforced Capacity shortfall exists in the New York City 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 or supplemental supply fees collected for that month for the New York City Locality to Load-gaining LSEs. The rebate shall be such that the price paid for such Unforced Capacity is no lower than the weighted~~

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~~average aggregate purchase price paid for those months in the Capability Period auction, the first Monthly Auction, the first ICAP Spot Market Auction and any deficiency charges collected. Rebates shall include interest accrued between the time payments were collected and the time that rebates are paid. To the extent there is money left over after such rebates, it shall be allocated among all LSEs in that Locality in proportion to their share of the applicable Locational Minimum Installed Capacity Requirement.~~

~~The temporary rebates described in this Section 5.14.3(b)(i) shall terminate when an Unforced Capacity surplus is forecasted at the beginning of each of two consecutive Summer Capability Periods in the New York City Locality. To the extent there is any money left over after such rebates, it shall be distributed in accordance with Section 5.15.~~

(ii) Long Island

If an Unforced Capacity shortfall exists ~~during any month of a Capability Period~~after the ICAP Spot Market Auction in 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 supplemental supply balancing fees collected for that month ~~for to~~ 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 Location Installed Capacity Requirement. Rebates shall include interest accrued between the time payments were collected and the time that rebates are paid. ~~The temporary rebates described in this Section~~

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~~5.14.3(b)(ii) shall terminate when an Unforced Capacity surplus is forecasted at the beginning of each of two consecutive Summer Capability Periods in the Long Island Locality. To the extent there is money left over after such rebates, it shall be distributed in accordance with Section 5.15.~~

5.15 Payment and Allocation of Installed Capacity Auction Rebates

The ISO shall rebate to all LSEs, except NYPA, with Locational Minimum 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 except NYPA 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 strip or monthly auctions. The ISO shall allocate such rebates among In-City LSEs except NYPA on a monthly basis. NYPA will not share in any rebates under this Section. Rebates shall include interest accrued between the time they were collected and the time that they are paid.