

Proposed NYISO Services Tariff

Stage 2 Tariff on an Installed Capacity Market Design

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ARTICLE 2

DEFINITIONS

[...]

2.38a ~~Deficiency Procurement Auction~~ Demand Curve

A series of prices, declining with the amount of increasing Installed Capacity.

[...]

2.98a Locational Unforced Capacity Requirement

The Unforced Capacity equivalent of a Locational Installed Capacity Requirement.

[...]

2.99a LSE Unforced Capacity Obligation

~~An auction conducted pursuant to Section 5.14.1(a) of this Tariff to procure sufficient~~
The amount of Unforced Capacity to cover, including, and potentially in excess of, the remainder
of LSEs' NYCA and Locality Unforced Capacity requirementsRequirements, that each NYCA
LSE must obtain for an Obligation Procurement Period, as determined by the applicable Spot
Market Auction.

[...]

2.120c NYCA Unforced Capacity Requirement

The Unforced Capacity equivalent of the NYCA Installed Capacity Requirement.

[...]

2.160c Rest of State

The set of all non-Locality NYCA LBMP Load Zones. As of the 2002-2003 Capability
Year, Rest of State includes all NYCA LBMP Load Zones other than LBMP Load Zones J and

K.

[...]

2.172b1 Spot Market Auction

An auction conducted pursuant to Section 5.14.1(a) of this Tariff to procure and set LSE Unforced Capacity Obligations for the subsequent Obligation Procurement Period, pursuant to the applicable Demand Curve.

2.172b2 Statewide

The set of all NYCA LBMP Load Zones, including those identified as a Locality and the set identified as Rest of State.

[...]

ARTICLE 5

CONTROL AREA SERVICES: RIGHTS AND OBLIGATIONS

[...]

5.9 ~~5.9~~ Installed Capacity — Implementation of Revised Installed Capacity Market Provisions

~~Beginning with the 2001-2002 Winter Capability Period, Sections 5.10 through 5.16 of this Tariff, implementing a revised the Installed Capacity market design, shall govern the LSE Unforced Capacity requirements of LSEs Obligations, the qualification of Installed Capacity Suppliers, and the ISO's administration of Installed Capacity auctions. If, however, it is impossible to implement the revised Installed Capacity provisions in time for the 2001-2002 Winter Capability Period because they are not accepted by the Commission in time to implement the provisions, including resolution of the translation of the price cap for In-City mitigated units, or technical problems make timely implementation possible, the then effective Sections 5.9 through 5.16 of this Tariff, which implement the transitional Installed Capacity market design, shall continue in effect until such time as it is possible to implement this revised Installed Capacity market design.~~

5.10 ~~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 of one plus the NYCA Installed Reserve Margin. ~~Beginning with the 2001-2002 Winter Capability Period, the~~ The ISO shall translate the NYCA Installed Reserve Margin, and thus the NYCA Installed Capacity

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Requirement, into a NYCA Unforced Capacity Requirement, in accordance with the ISO Procedures.

The NYCA Unforced Capacity Requirement represents a minimum level of Unforced Capacity that must be secured by LSEs in the NYCA. Under the provisions of this Services Tariff and the ISO Procedures, LSEs will be obligated to purchase Unforced Capacity at levels that may be above the NYCA Unforced Capacity Requirement, as determined by the applicable Demand Curve. Qualified Resources will have the opportunity to supply amounts of Unforced Capacity above the NYCA Unforced Capacity Requirement, as determined by the applicable Demand Curve.

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 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. New Transmission projects to which the NYISO has granted UDRs will not affect the determination by the NYISO of the amount of Unforced Capacity that must be located within the NYCA or within each Locality of the NYCA.

5.11-5.11 Requirements Applicable to LSEs

5.11.1-5.11.1 Allocation of the NYCA Installed Capacity Requirement to LSEs

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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 its peak Load forecast based on 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

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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 Unforced Capacity requirement will equal the product of: (i) the NYCA Installed Capacity Requirement as translated into a NYCA Unforced Capacity Requirement; 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. Each LSE's portion of the NYCA Unforced Capacity Requirement represents a minimum level of Unforced Capacity that must be secured by that LSE. The LSE Unforced Capacity Obligation will be determined each Obligation Procurement Period by the Spot Market Auction and the applicable Demand Curve, all in accordance with the ISO Procedures. Each LSE will be responsible for acquiring sufficient Unforced Capacity to satisfy its LSE Unforced Capacity Obligation.

Prior to the beginning of each Capability Year, the ISO shall calculate a ~~preliminary NYCA Unforced Capacity requirement estimate for~~ Requirement. The ISO shall allocate a portion of the NYCA Unforced Capacity Requirement to each LSE, reflecting documented Load-shifting adjustments; provide it, prior 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

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pending dispute regarding a Transmission Owner's forecast, the ISO shall nevertheless establish each LSE's ~~final~~portion of the NYCA Unforced Capacity ~~requirement~~Requirement applicable at the beginning of each Capability Year 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. Prior to the Winter Capability Period, the ISO shall adjust the NYCA Unforced Capacity Requirement in accordance with the ISO Procedures.

Each month, as Transmission Owners report customers gained and lost by LSEs through Load-shifting, the ISO will adjust ~~the requirement for each LSE's~~ portion of the NYCA Unforced Capacity Requirement such that (i) the total Transmission District Installed Capacity requirement remains constant and (ii) an individual LSE's ~~requirement~~allocated portion reflects the gains and losses. If an LSE loses a customer as a result of that customer leaving ~~New York State~~the Transmission District, 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 Transmission District, the ISO will adjust each LSE's portion of the NYCA Unforced Capacity ~~requirement~~Requirement so that the total Transmission District's share of the NYCA Unforced Capacity Requirement remains constant.

5.11.2 ~~5.11.2~~ **LSE Obligations**

Each LSE must procure Unforced Capacity in an amount equal to, or greater than, its portion of the NYCA Unforced Capacity ~~requirement~~Requirement from any qualified

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Installed Capacity Supplier through Bilateral Transactions and/or purchases in ISO-
-administered Installed Capacity auctions or by self-supply. Each LSE must ~~demonstrate~~
~~that it has obtained a sufficient~~ certify the amount of Unforced Capacity it has
obtained prior to the beginning of each Obligation Procurement Period. ~~To satisfy this~~
~~requirement, each LSE must submit~~ by submitting completed Installed Capacity
certification forms to the ISO by the date specified in the ISO Procedures. The
certification must list all Unforced Capacity the LSE holds, including any amount in
excess of its portion of the NYCA Unforced Capacity Requirement or Locational
Unforced Capacity Requirement, as applicable. The Installed Capacity certification
forms submitted by the LSEs shall be in the format and include all the information
prescribed by the ISO Procedures.

~~All 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~~ entered by the ISO in the Spot
Market Auction pursuant to Section 5.14.1 of this Tariff.

5.11.3 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 portion of
the NYCA Unforced Capacity requirement Requirement and Locational Unforced
Capacity Requirement, as applicable, and decrease the Load-losing LSE's portion of the
NYCA and Locational as applicable, Unforced Capacity requirement Requirement(s) to
reflect the Load-shifting. The Load-gaining LSE shall pay the Load-losing LSE an

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~~portion amount, pro-rated on a daily basis of, based on the Market-Clearing Price of~~
~~Unforced Capacity, as established at and the total Unforced Capacity quantity cleared in~~
~~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, a~~
~~portion pro-rated on a daily basis of the applicable Spot 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 Monthly Installed Capacity auction Auction is held. The amount paid by a Load-~~
~~gaining LSE shall reflect any portion of the Load-losing LSE's Unforced Capacity~~
~~Obligation, for the applicable Obligation Procurement Period, above the Load-losing~~
~~LSE's portion of the NYCA Unforced Capacity Requirement and Locational Unforced~~
~~Capacity Requirement, as applicable, that is attributable to the shifting Load, in~~
~~accordance with the ISO Procedures. In addition, 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 portion of the NYCA Unforced Capacity requirement Requirement and~~
~~Locational Unforced Capacity Requirement, as applicable, for the nearest following~~
~~Obligation Procurement Period, and the Load-losing LSE may sell Unforced Capacity~~
~~that it no longer needs to satisfy its portion of the NYCA Unforced Capacity~~
~~requirement Requirement and Locational Unforced Capacity Requirement, as applicable.~~

Each Transmission Owner shall report to the ISO and to each LSE serving Load in its Transmission District the updated, aggregated LSE Loads with documentation in

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accordance with and by the date set forth in the ISO Procedures. The ISO shall provide each LSE with a revised reallocate a portion of the NYCA Unforced Capacity requirement Requirement and Locational Unforced Capacity Requirement, as applicable, to each LSE 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 **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.

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~~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 Locational Unforced Capacity for Requirements represent a minimum amount of locational Unforced Capacity that must be secured by LSEs located in the NYCA Localities. Under the upcoming provisions of this Services Tariff and the ISO Procedures, LSEs located in the NYCA Localities will be obligated to purchase locational Unforced Capacity at levels that may be above the Locational Unforced Capacity Requirement, as determined by the applicable Demand Curve. Each LSE sited in a NYCA Locality will be responsible for acquiring sufficient Unforced Capacity to satisfy its LSE Unforced Capacity Obligation. The LSE Unforced Capacity Obligation will be determined each Obligation Procurement Period consistent with the locational requirements established by the ISO. When by the Spot Market Auction and the applicable Demand Curve, all in accordance with ISO Procedures. Eligible qualified Resources will have the opportunity to supply amounts of locational Unforced Capacity above the Locational Unforced Capacity Requirement, as determined by the applicable Demand Curve.

Following the Spot Market Auction, each LSE must own sufficient Unforced Capacity to satisfy its LSE Unforced Capacity Obligation. To be counted towards an LSE's Locational Installed Capacity Requirement, Unforced Capacity owned by the

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holder of the UDRs or contractually combined with UDRs, ~~Unforced Capacity~~ must be deliverable to the NYCA interface with the UDR transmission facility pursuant to NYISO requirements ~~in order for it to be counted toward an LSE's Locational Installed Capacity Requirement.~~

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 not resell that Unforced Capacity in a subsequent auction ~~for no~~ at a price greater than the mitigated price cap, as applied in accordance with the ISO Procedures 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 ~~5.12~~ Requirements Applicable to Installed Capacity Suppliers

5.12.1 ~~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

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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:

- (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) in accordance with the ISO Procedures,
 - (a) provide documentation demonstrating that it will not use the same Unforced Capacity for more than one (1) buyer at the same time, and
 - (b) in the event that the Installed Capacity Supplier supplies more Unforced Capacity than it is qualified to supply in any specific month (*i.e.*, is short on Capacity), documentation that it has procured sufficient Unforced Capacity to cover this deficiency.
- (vi) except for Installed Capacity Marketers and Interruptible Load Resources, Bid into the Day-Ahead Market, unless the Energy Limited Resource, Generator or System Resource is unable to do so due to an outage as defined in the ISO

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Procedures or due to temperature related de-ratings. 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 an outage as defined in the ISO Procedures, or due to other operational issues, 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 Spinning Reserves or 10-Minute Non-Spinning Reserve (NSR) (unless the Generator is unable to meet its commitment because of an outage as defined in the ISO Procedures), 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

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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 used 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 Power Resources 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.

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

External Generators, External System Resources, and Control Area System Resources qualify as Installed Capacity Suppliers if they demonstrate to the satisfaction of the NYISO that the Installed Capacity Equivalent of their Unforced Capacity is deliverable to the NYCA or, in the case of an entity using a UDR to meet a Locational Installed Capacity Requirement, to the NYCA interface associated with that UDR transmission facility and will not be recalled or curtailed by an External Control Area to satisfy its own Control Area Loads, or, in the case of Control Area System Resources, 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. Procedures for qualifying and selling External Installed Capacity are detailed in the Installed Capacity Manual.

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

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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 **5.12.3** **Installed Capacity Supplier Outage 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 outage 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 re-scheduling of outages. In the case of Generators actually supplying Unforced Capacity to the NYCA, if voluntary re-scheduling is ineffective, the ISO will invoke forced re-scheduling of their outages to ensure that projected Operating Reserves over the upcoming year are adequate.

A Generator that refuses a forced rescheduling of its outages for any unit shall be prevented from supplying Unforced Capacity in the NYCA with that unit during any month where it undertakes such outages. The rescheduling process is described in the ISO Procedures.

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A Generator 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 Capability Period must notify the ISO in accordance with the ISO Procedures so that it may be subject to forced re-scheduling of its proposed outages in order to qualify as an Installed Capacity Supplier. A Supplier that refuses the ISO's forced rescheduling of its proposed outages shall not qualify as an Installed Capacity Supplier for that unit for any month during which it schedules or conducts an outage.

Interruptible Load Resources shall notify the ISO in accordance with the ISO Procedures of outages 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 outages 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. Outage schedules for External System Resources and Control Area System Resources shall be coordinated by the External Control Area and the ISO in accordance with the ISO Procedures.

5.12.4 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 certified has not been sold for use in an External Control Area.

5.12.5 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

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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.

5.5.125.12.5(a) **Generators, System Resources, Energy Limited Resources, Interruptible Load Resources, and Special Case Resources**

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 of Unforced Capacity associated with those Resources shall submit GADS Data, data equivalent to GADS Data, or other Operating Data to the ISO 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, these units shall not be considered to be forced out for any hours that the unit was available at its base load capability in accordance with the ISO Procedures.

5.12.5(b) **Control Area System Resources**

To qualify as Installed Capacity Suppliers in the NYCA, Control Area System Resources, or the purchasers of Unforced Capacity associated with those Resources, shall submit CARL Data and actual system failure occurrences_data to the ISO each month in accordance with the ISO Procedures.

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5.12.5(c) Intermittent Power Resources and Municipally-Owned Generation

To qualify as Installed Capacity Suppliers in the NYCA, Intermittent Power Resources, or the purchasers of Unforced Capacity associated with those Resources, and municipally-owned generation shall submit data equivalent to GADS Data or other Operating Data to the ISO each month in accordance with the ISO Procedures.

5.12.5(d) Transmission Projects Granted Unforced Capacity Deliverability Rights

An owner of a transmission project that receives UDRs must, among other obligations, submit outage data or other operational information in accordance with NYISO procedures to allow the NYISO to determine the number of UDRs associated with the transmission facility.

5.12.6 5.12.6 Operating Data Default Value and Collection

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 supply 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 supply in the NYCA shall be based on the ISO's calculations of individual Equivalent Demand Forced Outage Rates. The amount of Unforced

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Capacity that each Control Area System Resource is authorized to supply in the NYCA shall be based on the ISO's calculation of each Control Area System Resource's availability. The amount of Unforced Capacity that each Intermittent Power Resource is authorized to supply in the NYCA shall be based on the individual historical Capacity factor adjusted by the ISO to remove the effects of outages.

The ISO shall calculate the Equivalent Demand Forced Outage Rates, Availability rates, and Capacity factors 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 Resource 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 deem a Resource to be completely forced out for each month for which the Resource has not submitted its Operating Data in accordance with Section 5.12.5 of this Tariff and the ISO Procedures. A Resource that has been deemed completely forced out for a particular month may submit new Operating Data, for that month, to the ISO at any time. The ISO will use such new Operating Data when calculating, in a timely manner in accordance with the ISO Procedures, a new rolling average for the Resource.

Upon a showing of extraordinary circumstances, the ISO

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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, 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 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 any outages. 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 the Unforced Capacity it supplies.

5.12.8 Unforced Capacity Sales

Each Installed Capacity Supplier will be authorized to supply 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.

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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 supply in that or 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 supply Unforced 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 supplied 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 supplied 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 supply Unforced Capacity on a foregoing basis during the Winter Capability Period based upon a DMNC test that is performed and reported to the ISO after

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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 certified 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 supplied for the Winter Capability Period.

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 certified 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 5.12.9 Sales of Unforced Capacity by System Resources

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

5.12.10-5.12.10 Curtailment of External Transactions In-Hour

All Unforced Capacity that is not out of service, or scheduled to serve the Internal NYCA Load in the Day-Ahead Market may be scheduled to supply Energy for use in External Transactions provided, however, that such External Transactions shall be subject to Curtailment within the hour, consistent with ISO Procedures. Such Curtailment shall not exceed the Installed Capacity Equivalent committed to the NYCA.

If an Installed Capacity Supplier's Exports are Curtailed in-hour to resolve a New York reserves shortage, the Transmission Customer scheduling such Exports shall be paid, for the remainder of the hour, the higher of the Real-Time LBMP at the New York proxy bus associated with the Exports, or the real-time price at the relevant proxy bus used by the External Control Area for Transactions with New York.

5.12.11-5.12.11 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,

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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-one (21) hours in advance if notification is provided by 3:00 P.M. ET, or twenty-four (24) hours in advance otherwise, 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 Unforced Capacity requirement of the LSE that serves that customer is based, unless that LSE's Unforced 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

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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 supplied 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 Unforced Capacity requirement, net of NYPA-provided Capacity, may offer the excess Capacity for sale as Installed 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

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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 municipally-owned generation 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. Energy Limited Resources that are not scheduled in the Day-Ahead Market to operate at a level above their bid-in upper operating limit, may be scheduled Hour-Ahead, or may be called in Real-Time pursuant to a manual intervention by ISO dispatchers, who will account for the fact that 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

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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 outages in accordance with the ISO Procedures.

5.12.12-5.12.12 Sanctions Applicable to Installed Capacity Suppliers and Transmission Owners

Pursuant to this Section, the ISO may impose financial sanctions on Installed Capacity Suppliers and Transmission Owners that fail to comply with certain provisions of this Tariff. The ISO shall notify Installed Capacity Suppliers and Transmission Owners 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 and Transmission Owners 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 (i) an Installed Capacity Supplier fails to provide the information required by Subsections 5.12.1(i), (ii), (iii), (iv), or (viii) of this Tariff in a timely fashion, or (ii) a Supplier of Unforced 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

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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 of 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 of up to the higher of \$1000 or \$10 per MW of Installed Capacity that the Generator, Interruptible Load Resource, System Resource, or Control Area System Resource in question is capable of providing.

If an Installed Capacity Supplier fails to provide the information required by Subsection 5.12.1(v) of this Tariff in a timely fashion, the ISO may take the following actions: On the first calendar 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

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of that first calendar day. Starting on the second calendar 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.

If a TO fails to provide the information required by Subsection 5.11.3 of this Tariff in a timely fashion, the ISO may take the following actions: On the first day that required information is late, the ISO shall notify the TO 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 \$5,000 a day. Starting on the tenth day that required information is late, the ISO may impose a daily financial sanction up to \$10,000.

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

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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 Installed Capacity that it supplies 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 an Installed Capacity Supplier of Unforced 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 Unforced 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

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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 Unforced Capacity Transactions and to give LSEs an opportunity to ~~satisfy their~~ acquire sufficient Unforced Capacity to meet their portion of the NYCA Unforced Capacity requirements ~~Requirement and Locational Unforced Capacity Requirement, as applicable.~~ The ISO shall conduct regular auctions, ~~at the request of an LSE,~~ at the times specified in this Section and the ISO Procedures, and may conduct additional auctions as necessary.

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

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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 unsold Unforced Capacity in the Spot Market Auction if such Unforced Capacity into the ISO-administered Installed Capacity auctions. ~~All other Installed Capacity Suppliers may offer~~ has not previously been committed to sell into the ISO-administered Installed Capacity auctions at their discretion New York City Locality through a Strip Auction or Monthly Auction.

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~~ time that auction results are posted and the dates that LSEs are required to demonstrate that they have procured sufficient Unforced Capacity to ~~cover~~ satisfy their portion of the NYCA Unforced Capacity requirements Requirement and Locational Unforced Capacity Requirement, as applicable, pursuant to Section 5.11.2 of this Tariff. LSEs holding Unforced Capacity which they want credited against their Unforced Capacity Obligations must certify such Unforced Capacity when submitting their Installed Capacity certifications.

5.13.2-5.13.2 Capability Period Auction

A Capability Period Auction will be conducted 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,~~

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~~the remainder of the NYCA and adjacent External Control Areas~~ allow visible long-term
Unforced Capacity transactions between Market Participants.

~~Each~~The Capability Period Auction ~~shall consist of two phases, which shall~~ will
be conducted and solved simultaneously on the same day for locational and Statewide
Unforced Capacity. Participation ~~in the first phase shall be limited to~~ shall consist of: (i)
LSEs ~~located in the New York City Locality seeking to make locational purchase
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 Installed Capacity Suppliers~~; and (iv) any other
~~Installed Capacity Supplier~~ entity 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 applicable Market-
Clearing Price of Unforced Capacity determined in that phase ~~the Capability Period
Auction~~. Installed Capacity Suppliers that are selected to provide Unforced Capacity
shall receive the applicable Market-Clearing Price determined of Unforced Capacity in
that phase ~~the Capability Period Auction~~, except in the case of In-City Generators that are
subject to mitigation measures, which shall receive the lesser of the applicable Market-
Clearing Price or the applicable locational mitigated price cap, as applied in accordance
with the ISO Procedures. 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, as applied in accordance with the ISO Procedures for that
Unforced Capacity. If the Market-Clearing Price exceeds the total amount paid to

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Installed Capacity Suppliers, the ISO shall rebate the Excess Amount pursuant to Section 5.15 of this Tariff. In-City Generators that are subject to market mitigation measures are restricted from selling Unforced Capacity to entities outside the New York city Locality in the Capability Period Auction.

~~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~~ **5.13.3 Monthly Auctions**

Monthly Auctions will be held ~~each Obligation Procurement Period~~ during which Unforced Capacity may be purchased and sold for the forthcoming ~~month~~ Obligation Procurement Period, and any other month or months remaining in the Capability Period, as specified in the ISO Procedures. The exact dates of each Monthly Auction shall be

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established in the ISO Procedures. Each Monthly Auction is intended to ~~establish~~allow
visible Unforced Capacity transactions between Market-Clearing Prices for each ISO-
defined Locality, the remainder of the NYCA and all adjacent External Control Areas
Participants.

Each Monthly Auction ~~shall consist of two phases, which shall~~will be conducted
and solved simultaneously on the same day for locational and Statewide Unforced
Capacity. Participation ~~in the first phase shall be limited to~~consist of: (i) LSEs ~~located in~~
~~the New York City Locality seeking to make locational~~purchase 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 Installed Capacity Suppliers;~~ and (iv) any other ~~Installed Capacity Supplier~~entity
that owns excess ~~In-City~~ 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~~in the Monthly Auction. 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~~applicable 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, as applied in accordance
with the ISO Procedures 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~~

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~~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 are restricted from selling Unforced Capacity to entities outside the New York City Locality have satisfied their In-City Locational Installed Capacity Requirements in the Monthly Auctions. 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.~~

~~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 pre-Capability Period Monthly Auction.~~

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

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5.13.4 ~~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 Procedures.

5.14 ~~5.14~~ Installed Capacity Spot Market Auction and Installed Capacity Supplemental Supply Fees and Installed Capacity Supplier Deficiencies and Deficiency Procurement Auctions

5.14.1 LSE Deficiencies

5.14.1 LSE Participation in the Spot Market Auction

5.14.1(a) ~~Deficiency Procurement~~ Spot Market 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 Unforced Capacity requirement for an Obligation Procurement Period or by failing to timely submit its Installed Capacity certification form, the ISO shall procure sufficient Unforced Capacity to cover the remainder or the entirety, as applicable, of the LSE's Unforced Capacity requirement for that Obligation Procurement Period through Deficiency Procurement Auctions.

The ISO shall conduct a Deficiency Procurement ~~Auction~~ Spot Market Auction, including bidding for each of the two (2) NYCA Localities and Statewide, immediately preceding the start of ~~an~~ each Obligation Procurement Period; ~~the~~ The exact date of the ~~Deficiency~~ Spot Procurement ~~Market~~ Auction shall be established in the ISO Procedures. ~~The Deficiency Procurement Auction~~ All LSEs will consist of two phases. Both phases of each Deficiency Procurement ~~Auction shall be conducted~~ entered on the same day Spot Market Auction

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to procure their Unforced Capacity Obligation. In each phase of each Deficiency Procurement the Spot Market Auction, the ISO shall submit monthly deficiency bids on behalf of deficient all LSEs at a level per MW determined by dividing the appropriate number specified in a Demand Curve established in accordance with ISO Procedures. The Spot Market Auction will set the following Table by six (6)-LSE Unforced Capacity Obligation for each NYCA LSE.

Deficiency Bids and Charges

The following deficiency bids and charges shall apply in implementing UCAP through April 30, 2003.

In-City New York City Period (LBMP Load Zone J)	\$83.96/kW of Unforced Capacity per Capability (Equivalent to \$75.00/kW of Installed Capacity per Capability Period)
Long Island Period (LBMP Load Zone K)	\$74.42/kW of Unforced Capacity per Capability (Equivalent to \$70.00/kW of Installed Capacity per Capability Period)
All Other LBMP Load Period Zones in the NYCA	\$69.20/kW of Unforced Capacity per Capability (Equivalent to \$62.50/kW of Installed Capacity per Capability Period)

Beginning May 1, 2003, these deficiency bids and charges will be based on three times the localized levelized embedded cost of gas turbines in the New York City Locality, the Long Island Locality, or elsewhere in the NYCA, respectively.

During the first phase of a Deficiency Procurement When the ISO conducts each Spot Market Auction, the ISO shall submit deficiency bids on behalf of deficient LSEs located in the New York City

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~~Locality that are required to make locational~~ it will account for all
Unforced Capacity purchases in order to satisfy their In-City Locational
~~Installed Capacity Requirement as translated to Unforced Capacity that~~
each NYCA LSE has certified. The ISO shall ~~solicit~~ accept bids from
qualified ~~In-City~~ Installed Capacity Suppliers, ~~and~~ for each Spot Market
Auction. The ISO shall also accept bids to offer Unforced Capacity from
any ~~other entity~~ LSE for any amount of Unforced Capacity that LSE owns
in excess In-City of its NYCA Unforced Capacity Requirement or
Locational Unforced Capacity Requirement, as applicable.

Each Spot Market Auction will be conducted and solved
simultaneously on the same day for locational and Statewide Unforced
Capacity using the applicable locational Unforced Capacity or Statewide
Demand Curve, as established in accordance with ISO Procedures. LSEs
that are awarded Unforced Capacity in the ~~first phase of a Deficiency~~
~~Procurement~~ Spot Market Auction shall pay to the ISO the ~~lesser of the~~
Market-Clearing Price of Unforced Capacity determined in ~~that phase or~~
the ~~deficiency bid~~ Spot Market Auction using the applicable Demand
Curve. 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~~ the Spot Market
Auction using the applicable Demand Curve, except in the case of
Unforced Capacity associated with In-City Generators that are subject to
mitigation measures, which shall receive no greater than the mitigated

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price cap, as applied in accordance with the ISO Procedures. 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, as applied in accordance with the ISO Procedures 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 In-City Generators otherwise that are subject to mitigation measures that has not been sold, may sell UCAP on a Statewide basis in the Spot Market Auction provided that all LSEs located in the New York City Locality have satisfied their In-City Locational Installed sufficient In-City locational Unforced 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 will be supplied to satisfy the deficiency bid. The ISO will use these deficiency payments to pay the applicable Market Clearing Price determined in that phase of the Deficiency Procurement Auction, 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~~

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~~that resells New York City Locational 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. Capacity Requirement.~~

5.14.1(b) ~~Deficiency Charges Imposed~~Demand Curve and Adjustments

Three Demand Curves will be established: one for each of the two Localities, and one for Statewide. The Demand Curve will be phased in over three years, beginning in 2003. In the first two years, the costs used to set the Demand Curve will be as follows:

	<u>Year 1</u>	<u>Year 2</u>
<u>Statewide</u>	<u>\$56.24</u>	<u>\$67.49</u>
<u>LI</u>	<u>\$104.37</u>	<u>\$123.94</u>
<u>NYC</u>	<u>\$127.89</u>	<u>\$151.14</u>

These costs will be translated to UCAP in accordance with the ISO Procedures. In the third year, the costs used to set the Demand Curve will be defined by the results of the independent review conducted pursuant this Section 5.14.1(b).

A periodic independent review of the Demand Curves will be performed every three (3) years in accordance with the ISO Procedures to determine whether the Demand Curves should be adjusted. Among other criteria, the review will determine the current localized levelized

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embedded cost of gas turbines in each NYCA Locality and the Rest of State. Each periodic independent review 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 to be received not later than December 31, 2004 will be implemented for the Summer 2005 Capability Period.

The Demand Curve will only be adjusted through the stakeholder process based on the results of the independent review in accordance with the ISO Procedures; provided that nothing in this Tariff shall be construed to limit the ability of the NYISO 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 LSEs that are still deficientAny LSE that has not met its LSE Unforced Capacity Obligation after the completion of a DeficiencySpot ProcurementMarket Auction must payshall be assessed a monthly deficiency charge to the ISOsupplemental supply fee based on the deficiency chargeslocalized levelized embedded cost of a gas turbine, as set forth in the Table abovebelow, multiplied by one and one half (1.5), divided by sixtwelve (12), and multiplied by the number of MWs by which they are deficientthe LSE needs to meet its LSE Unforced Capacity Obligation.

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The ISO will attempt to use these ~~deficiency charges~~ supplemental supply fees to procure Unforced Capacity from Installed Capacity Suppliers that are capable of supplying Unforced Capacity but that ~~failed to qualify~~ were not previously qualified to supply ~~supply~~ it prior to the Spot Market Auction. If shortages still exist after the efforts outlined above, the ISO will attempt to procure Unforced Capacity from previously qualified Installed Capacity Suppliers that failed to offer such Unforced Capacity in the Deficiency Spot Procurement Market Auction or offered such Unforced Capacity at levels above the Spot Market Auction Market-Clearing Price. The ISO ~~shall not procure Unforced Capacity from previously qualified~~ will offer such Installed Capacity Suppliers that ~~withheld their Unforced Capacity~~ no more than the applicable Spot Market Auction Market-Clearing Price.

The ISO will not pay an Installed Capacity Supplier, more than the applicable ~~deficiency charges~~ supplemental supply fee per MW of Unforced Capacity, or the applicable locational price cap per ~~MW~~ 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~~ section will be applied to reduce the Schedule 1 charge.

The ISO shall not reveal the number of MWs ~~that LSEs are deficient prior to a Deficiency Procurement~~ of an LSE's Unforced

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Capacity Obligation that the LSE is short prior to the Spot Market

Auction.

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Beginning May 1, 2003, the following localized leveled embedded cost of gas turbines in the New York City Locality, the Long Island Locality, and Rest of State, respectively, times one and one-half (1.5) will be used to set the supplemental supply fees and deficiency charge in the New York City Locality, the Long Island Locality, or elsewhere in the NYCA, respectively:

<u>In-City New York City (LBMP Load Zone J)</u>	<u>\$159/kW of Installed Capacity per Capability Year</u>
<u>Long Island (LBMP Load Zone K)</u>	<u>\$139/kW of Installed Capacity per Capability Year</u>
<u>All Other LBMP Load (All other LBMP Load Zones in the NYCA)</u>	<u>\$85/kW of Installed Capacity per Capability Year</u>

5.14.2 5.14.2 **Installed Capacity Supplier Deficiencies**

In the event that the amount of Unforced Capacity that an Installed Capacity Supplier certifies in a given month is determined to have been more than the amount that the Installed Capacity Supplier is authorized to supply for that month, the ISO shall prospectively purchase Unforced Capacity on behalf of that deficient Installed Capacity Supplier in the amount of the deficiency in the appropriate ~~DeficiencySpot~~ ProcurementMarket Auction or through post-~~DeficiencySpot~~ ProcurementMarket Auction Unforced Capacity purchases.

In the event that an Installed Capacity Supplier sells in the Capability Period ~~Auction~~ or Monthly Auctions more Unforced Capacity than it is qualified to sell in any specific month due to a ~~derating~~ de-rating or other cause, the Installed Capacity Supplier shall be deemed deficient for that month. To cover this deficiency, the Installed Capacity Supplier shall purchase sufficient Unforced Capacity in the relevant Monthly Auction or

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through Bilateral Transactions, and certify to the ISO consistent with the ISO Procedures that it has covered such deficiency. If the Installed Capacity Supplier does not cover such deficiency or if it does not certify to the ISO in a timely manner, the ISO shall prospectively purchase Unforced Capacity on behalf of that deficient Installed Capacity Supplier in the appropriate ~~DeficiencySpot ProcurementMarket~~ Auction or through post-~~DeficiencySpot ProcurementMarket~~ Auction Unforced Capacity purchases to cover the deficiency.

In the event that an External Installed Capacity Supplier fails to deliver to the NYCA the Energy associated with the Unforced Capacity it committed to the NYCA due to a failure to obtain appropriate transmission service or rights, the External Installed Capacity Supplier shall be deemed to have been deficient from the last time the External Installed Capacity Supplier “demonstrated” delivery of its Installed Capacity Equivalent (“ICE”), or any part thereof, until it next delivers its ICE or the end of the term for which it certified the applicable block of Unforced Capacity, whichever occurs first, subject to the limitation that any prior lack of demonstrated delivery will not precede the beginning of the period for which the Unforced Capacity was certified. A deficient External Installed Capacity Supplier shall be required to pay to the ISO a deficiency charge as set forth in Section 5.14.1(a) of this Services Tariff, prorated for the number of hours in the month that External Installed Capacity Supplier is deficient (*i.e.*, $((\text{deficiency charge} \div \text{€12 months}) \div \text{total number of hours in month when deficiency occurred}) * \text{number of hours deficient}) * \text{number of MWs deficient}$).

The ISO shall submit a ~~deficiency~~-bid, calculated pursuant to Section 5.14.1 of this Tariff, in the appropriate ~~DeficiencySpot ProcurementMarket~~ Auction on behalf of a

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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~~ Spot Procurement Market 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 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 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 ~~5.14.3~~ **Application of Supplemental Supply Fees and Installed Capacity Supplier Deficiency Charges**

Any remaining monies collected by the ISO through supplemental supply 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 deficient LSEs Installed Capacity Suppliers 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

- (i) New York City

If an Unforced Capacity deficiency exists during the first month of a Capability Period, the ISO shall rebate, calculated on a

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monthly basis and to be paid at the beginning of the month, any remaining unspent deficiency charges collected for that month for 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 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 six months of a Capability Period, an Unforced Capacity deficiency 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 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 average aggregate purchase price paid for those months in the Capability Period auction, the first Monthly Auction, the first ~~Deficiency Procurement~~ 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 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

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beginning of each of two consecutive Summer Capability Periods in the New York City Locality. To the extent there is money left over after such rebates, it shall be distributed in accordance with Section 5.15.

(ii) Long Island

If an Unforced Capacity deficiency exists during any month of a Capability Period 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 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 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 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 5.15 Payment and Allocation of Installed Capacity Auction Rebates

The ISO shall rebate to all LSEs, except NYPA, 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 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 relevant auction. The ISO shall allocate such rebates among In-City LSEs except NYPA on a monthly

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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.

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