New York ISO
Independent System Operator

2026-2027 Winter Capability Period: Potential ICAP Market Parameter Misalignment

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Agenda

- **Background and Purpose of Today's Presentation**
  - Review of ongoing market design efforts the NYISO seeks to implement within the next two years
  - Discuss the potential for Installed Capacity (ICAP) market parameter misalignment in the 2026-2027 Winter Capability Period
- **Discuss Possible Options to Address the Potential for ICAP Market Parameter Misalignment in the 2026-2027 Winter Capability Period**
- **Next Steps**

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Executive Summary

- **Problem Statement:**
  - If (a) the Champlain Hudson Power Express (CHPE) project enters the ICAP market prior to November 2026, **AND** (b) CHPE does not provide capacity to the New York Control Area (NYCA) during the 2026-2027 peak winter months (i.e., December 2026 to February 2027), then the ICAP market may not provide appropriate market signals as to the value of capacity during the 2026-2027 peak winter months.
- **Context:**
  - The NYISO addressed this issue with the changes in the Winter Reliability Capacity Enhancements proposal for seasonal Unforced Capacity Deliverability Rights (UDRs) and External-to-Rest of State Deliverability Rights (EDRs) elections with a must offer requirement that was approved at the 11/20/2025 MC meeting. If approved by the NYISO Board and accepted by FERC, this proposal will not be implemented until the 2027-2028 Capability Year. The NYISO believes a solution is necessary to "bridge" this one-year gap before the proposed Winter Reliability Capacity Enhancements are implemented.
- **Three Options Identified by the NYISO (so far):**
  - Revising the ICAP Demand Curves
  - Adjusting Locational Minimum Installed Capacity Requirements (LCRs) within a Capability Year
  - Further Modifying the Use of the Two Sets of ICAP Market Parameters for the 2026-2027 Capability Year
- **Solicitation of Stakeholder Feedback:**
  - The NYISO is open to additional ideas. Please provide feedback to the NYISO as we work towards preparing a final proposal.

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Background

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Background

- The Alternative ICAP Market Parameters for Certain New Resource Entry proposal (the “triggering resource rules”), that was approved at Management Committee (MC) on 9/24/2025 and became effective on 12/24/2025 following FERC approval, modifies the current notice of intent to commence ICAP market participation requirements for certain new capacity supply resources and provides for the development and potential use of two sets of ICAP market parameters for new market entry by such resources (referred to herein as a “triggering resource”) to help improve potential alignment of ICAP market parameter assumptions and actual market supply conditions. These new rules apply for the 2026-2027 Capability Year.
- The Winter Reliability Capacity Enhancements proposal, approved at MC on 11/20/2025, addresses potential misalignment between the proposed seasonal election requirement for UDRs and EDRs and supply in an Obligation Procurement Period (i.e., delivery month), starting with the 2027-2028 Capability Year.
- With the expected entry of CHPE during the 2026-2027 Capability Year, it may be necessary to implement a short-term solution to “bridge” the gap before the proposed Winter Reliability Capacity Enhancements are implemented.

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Background (cont.)

- Under the "triggering resource" rules, two sets of ICAP market parameters will be developed for 2026-2027 Capability Year. Until CHPE provides the required notice of intent to commence ICAP market participation, the set of ICAP market parameters reflecting CHPE not in-service will be used.
- If CHPE provides the required notice to commence participation prior to November 2026 delivery month, the ICAP market parameters reflecting CHPE in-service will be used starting with delivery month indicated in CHPE's valid notice and will remain in place for the 2026-2027 Winter Capability Period.
- The NYISO recognizes the concern that CHPE may not provide capacity to the NYCA during the peak winter months (December-February).
  - Historical data on Imports from Hydro Quebec to the NYCA underscores this concern. This information is available in the monthly ICAP Market Reports posted at https://www.nyiso.com/installed-capacity-market in the folder Monthly Reports > Monthly UCAP Reports
  - This concern is specific to CHPE and its supply of capacity from Hydro Quebec to Load Zone J

Month	Dec 22	Jan 23	Feb 23	Dec 23	Jan 24	Feb 24	Dec 24	Jan 25	Feb 25
Imports from HQ	876	428	447	120	50	0	0	0	0

- During the peak winter months of the 2026-2027 Winter Capability Period (December-February), misalignment between assumptions imbedded in the ICAP market parameters and the actual availability of CHPE's capacity supply may arise.
  - Starting with the 2027-2028 Capability Year, the proposed seasonal election requirements for UDRs and EDRs with a must offer requirement, which are included in the Winter Reliability Capacity Enhancement proposal, help address any such potential misalignment.
- The purpose of today's presentation is to begin discussing potential options for responding to the possibility for such misalignment concerns arising during the 2026-2027 Winter Capability Period.

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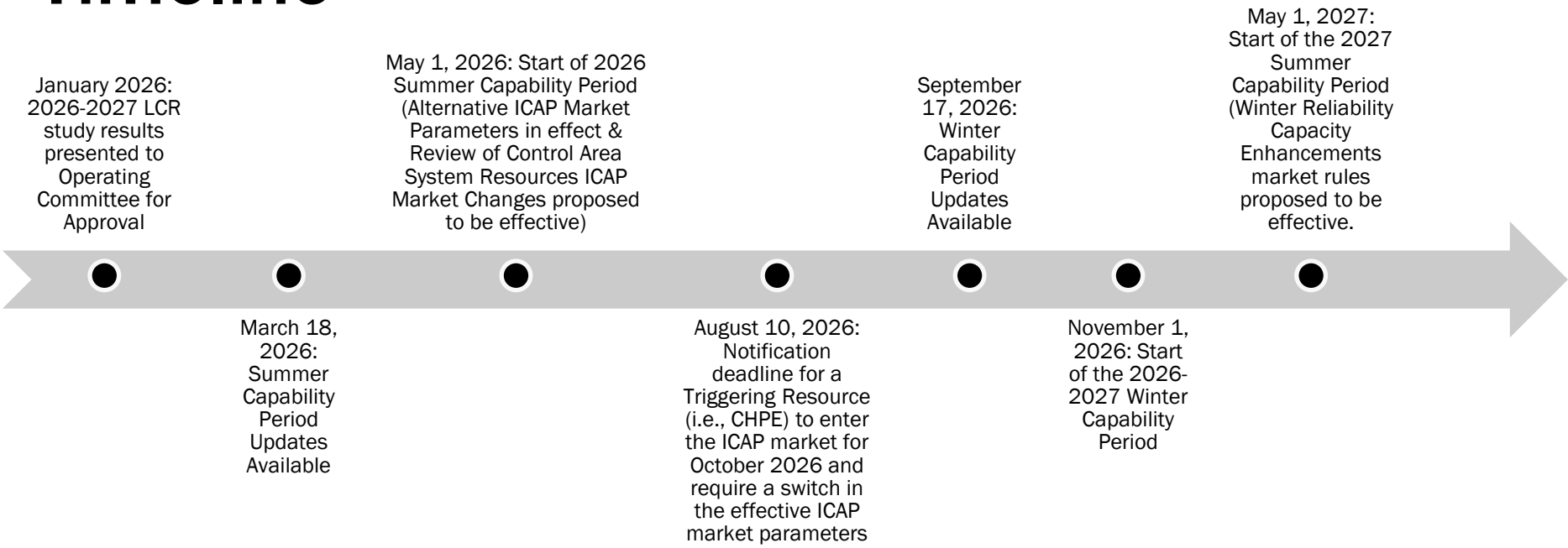
Timeline



- **The 2026-2027 Winter Capability Period ICAP market parameter updates are finalized by September 17, 2026.**
  - Any adjustments needed to the annual ICAP market parameters for the Winter Capability Period can be accomplished on the same timeline as the updates made to the seasonal winter ICAP market parameters.

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Possible Options

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Possible Options

- **Today the NYISO is presenting three options for responding to the possibility of ICAP market parameter misalignment that could arise during the 2026-2027 Winter Capability Period:**
  - Revising the ICAP Demand Curves
  - Adjusting LCRs within a Capability Year
  - Further modifying the Use of the Two Sets of ICAP Market Parameters for the 2026-2027 Capability Year
- **The potential misalignment concerns only arise if CHPE does not provide capacity to the NYCA during the 2026-2027 peak winter months (December-February).**

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Option 1 – Revising the ICAP Demand Curves

Background

- The current seasonal ICAP Demand Curves account for the difference in seasonal availability of ICAP in the Spot Market Auctions.
- The NYISO uses seasonal capacity availability adjustments (i.e., the winter-to-summer ratio (WSR) and summer-to-winter ratio (SWR)) in determining the maximum clearing and reference point prices of the seasonal ICAP Demand Curves.
  - The 2026-2027 Capability Year WSR values are posted at https://www.nyiso.com/installed-capacity-market in the folder Reference Documents > Demand Curve Reset Annual Updates > 2026
- As part of the Winter Reliability Capacity Enhancements proposal, the NYISO proposes to no longer use the WSR and SWR in determining the maximum clearing and reference point prices of the ICAP Demand Curves. Additionally, the proposal requires seasonal elections for UDRs and EDRs with a must offer requirement, which will help address future seasonal UDR/EDR availability differences.
  - The current seasonal availability adjustments are a three-year historical look back whereas accounting for the difference in the seasonal availability of ICAP based on the IRM model, as proposed under the Winter Reliability Capacity Enhancements proposal, is intended to provide a more representative forward-looking projection of expected seasonal capacity availability for the upcoming Capability Year.
- With the proposed implementation of the Winter Reliability Capacity Enhancements for the 2027-2028 Capability Year, the WSR and SWR will no longer be used in determining the ICAP Demand Curve parameters.

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Option 1 – Revising the ICAP Demand Curves (cont.)

Proposal

- The seasonal capacity availability ratios for the 2026-2027 Capability Year do not include a resource mix accounting for CHPE participation due to their reliance on historical data (September 2022 through August 2025).
- A potential solution to the possibility for market parameter misalignment arising during the 2026-2027 Winter Capability Period could be to use modified seasonal availability adjustments in determining the 2026-2027 ICAP Demand Curves.
- For example, the seasonal capacity availability ratios for the 2026-2027 Capability Year could reflect a forecast of monthly supply for UDRs and EDRs instead of historical data and continue the current practice of using historical data for all other ICAP Suppliers.
- The proposed adjustment would also modify the ICAP Demand Curve parameter formulas to prohibit an upward adjustment to the summer reference point price or summer maximum clearing price for a Locality ICAP Demand Curve if the WSR for such Locality is less than 1.00.

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Option 2 – Adjusting LCRs within a Capability Year

Background

- **Under the NYISO's current ICAP market construct, when a capacity export from an Import Constrained Locality over an AC interface occurs, the Locality Exchange Factor (LEF) is applied to reflect the portion of locational export capacity that must be replaced in the Locality to maintain the same level of reliability.**
  - The determination and application of LEFs is outlined in Market Administration and Control Area Services Tariff Section 5.11.6.
  - The 2026-2027 Capability Year Locality Exchange Factors are available here.
- **When a capacity export from an Import Constrained Locality occurs, the Locational Minimum UCAP Requirements for Load Serving Entities are based on the removal of Locality Exchange MW, which accounts for the Locality Exchange Factors.**
  - This methodology effectively adjusts the LCRs within a delivery month to reconcile for the loss in available supply within the Locality resulting from such export.

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Option 2 –Adjusting LCRs within a Capability Year (cont.)

Proposal

- A potential solution to address the possibility for ICAP market parameter misalignment that may arise during the 2026-2027 Winter Capability Period would be to create a new factor (similar to the LEFs) and apply it within the 2026-2027 Winter Capability Period to adjust the applicable LCRs to account for expected capacity supply from CHPE during the peak winter months (December-February).
- This methodology would require the development and implementation of a new defined factor to adjust the LCRs for the applicable Localities to reflect the exclusion of capacity supply by CHPE if such supply is expected to be unavailable during the peak winter months of the 2026-2027 Winter Capability Period (December 2026-February 2027).

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Option 3 – Further Modifying the Use of the Two Sets of ICAP Market Parameters

- **Background: "triggering resource" rules: If the triggering resource provides the required notice to commence ICAP market participation during the Summer Capability Period (i.e., prior to the November delivery month), the ICAP market parameters assuming the triggering resource is participating will be implemented starting with the delivery month indicated in the triggering resource's notice and retained for the remainder of the Capability Year.**
  - Based on the proposed notice requirements, if the triggering resource has not successfully completed Trial Operation and submitted the required notice by August 10 to commence participation for the October delivery month, ICAP market parameters assuming the triggering resource is not participating in the ICAP market would be retained for the Winter Capability Period.
- **Proposal: Potential Modification for the 2026-2027 Capability Year**
  - If CHPE participates in the ICAP market prior to the November 2026 delivery month and triggers the use of ICAP market parameters with the assumption of CHPE being in service, the assumption would be changed for the peak winter months (December 2026-February 2027) if it is expected that CHPE will not provide capacity to the NYCA during such peak winter months
  - Prior to the Winter Capability Period strip auction, the NYISO would inform the market about the use of ICAP market parameters assuming CHPE out-of-service for the peak winter months and the use of ICAP market parameters assuming CHPE in-service for the other months of the 2026-2027 Winter Capability Period (November 2026, March 2027 & April 2027)
- **The following slides provide further details regarding this option.**

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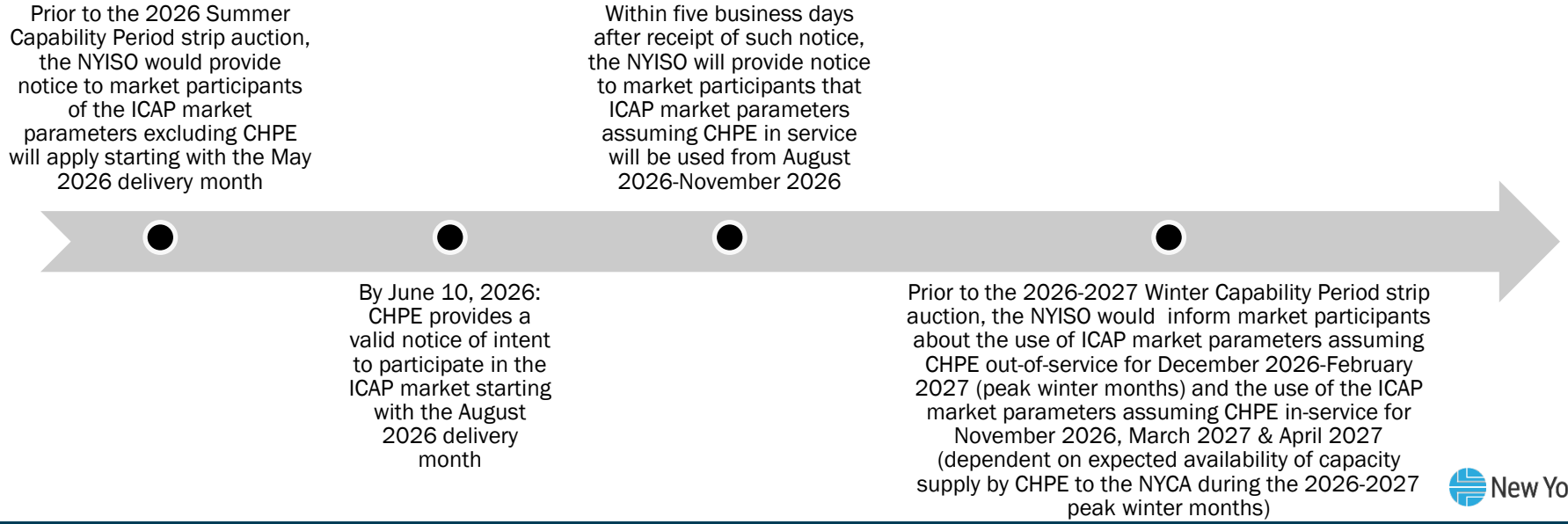
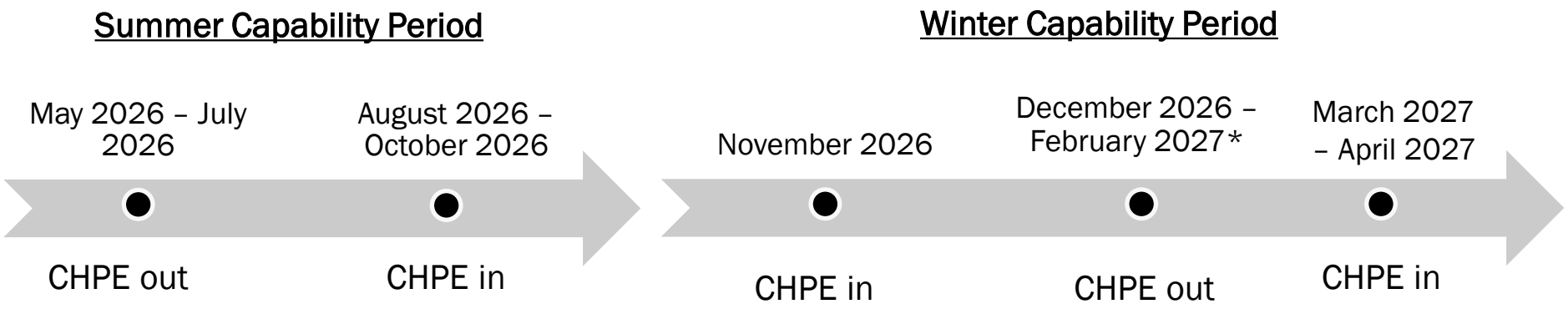
Option 3 – Further Modifying the Use of the Two Sets of ICAP Market Parameters - Example

- For this example, assume that CHPE submits a valid notice of intent to participate in the ICAP market by June 10, 2026, indicating its intent to commence ICAP market participation for the August 2026 delivery month. In response to such notice, the ICAP market parameters would be updated for the August 2026 delivery month to reflect CHPE in-service:



Option 3 – Further Modifying the Use of the Two Sets of ICAP Market Parameters - Example (cont.)

ICAP Market Parameter Assumptions



*Assumes CHPE is not expected to provide capacity to the NYCA for the 2026-2027 peak winter months (December 2026-February 2027)

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Next Steps

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Next Steps

- Return to a ICAPWG meeting to further discuss potential options for the 2026-2027 Winter Capability Period.
- Target mid to end of Quarter 1 2026 to finalize a proposal for the 2026-2027 Winter Capability Period.
- For any questions or feedback, please email adrake@nyiso.com

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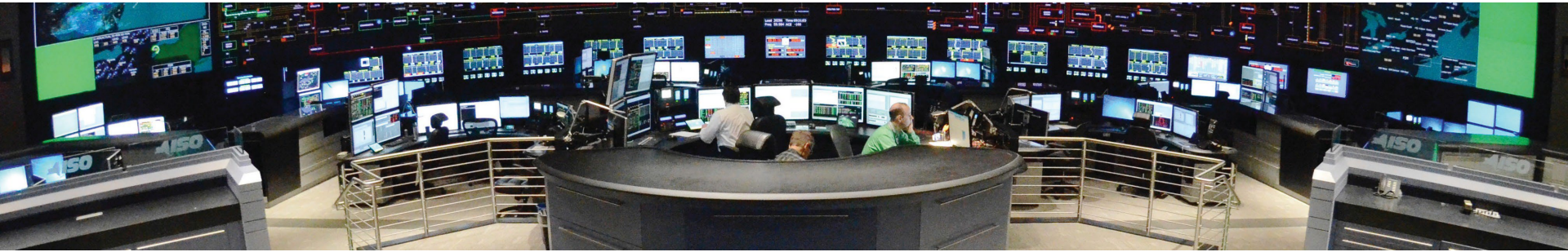
Our Mission and Vision

Mission

Ensure power system reliability and competitive markets for New York in a clean energy future

Vision

Working together with stakeholders to build the cleanest, most reliable electric system in the nation



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