

2027 Market Project Candidates

Product and Project Management

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This document represents potential 2027 Market project candidates. Market projects are associated with market rule(s), including market design and study projects as well as any projects implementing market rule changes. They are identified through (1) the State of the Market (SOM) Report; (2) internal NYISO discussions; and (3) discussions with Market Participants in the stakeholder process. These project candidates and their corresponding descriptions reflect information known about each of the project candidates as of the date of this document.

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Introduction

This document represents potential 2027 Market project candidates. Market projects are associated with market rule(s), including market design and study projects as well as any projects implementing market rule changes. They are identified through (1) the State of the Market (SOM) Report; (2) internal NYISO discussions; and (3) discussions with Market Participants in the stakeholder process. These project candidates and their corresponding descriptions reflect information known about each of the project candidates as of the date of this document. Projects are classified as four project types.

Project Type	Description
Mandatory	Projects that are key to support Strategic Initiatives, comply with FERC Orders, maintain reliable operations, or sustain the operation of the NYISO business. These projects will be included in the budget.
Continuing	Approved in a prior year and have progressed to either Functional Requirements, Software Design, Development Complete, or Deployment. Additional projects may be classified as Continuing based on stakeholder feedback. These projects will be included in the budget. No Enterprise Projects will be Continuing.
Future	Consensus from stakeholder discussions of this project's priority relative to other projects has resulted in these projects NOT being prioritized and initiated in the coming budget year. Resources, time constraints, stakeholder feedback, and other project dependencies have been taken into consideration.
Prioritize	Projects to be prioritized and included in the budget based on a feasibility assessment taking into consideration resources, time constraints, stakeholder feedback, priority score, and other project dependencies. Market projects are included in the stakeholder survey.

Prioritize

1 5 Minute Transaction Scheduling

1.1 Problem / Opportunity

Currently, interchange with external control areas is achieved on either a 15-minute or an hourly basis using the NYISO's Real-Time Commitment (RTC) software. A significant portion of Internal Generation is scheduled every five minutes. More frequent interchange scheduling with external control areas could notably improve convergence between prices in RTC and Real-Time Dispatch (RTD) and provide additional balancing and/or ramping capabilities. With increased penetration of intermittent renewables, five-minute transactions would provide greater flexibility to RTD and would create more consistency between internal and external resource scheduling.

1.2 Project Objective(s) & Anticipated Deliverable(s)

The project builds upon the study completed in 2020 that evaluated the feasibility for scheduling every five minutes with external control areas. This project will expand upon the recommendation from the study by developing market rules and a mechanism to schedule interchange every five minutes using the RTD with Hydro-Québec (HQ). This will include evaluating the benefits of a transaction vs. generator model in greater detail.

The 2027 project deliverable will be Market Design Complete.

1.3 Project Justification

This market improvement is expected to improve price convergence between RTC and RTD, and improve market efficiency by increasing the amount of resources available to address real-time system changes and/or events. More frequent scheduling that aligns with internal generation scheduling frequencies will also help to alleviate top-of-hour and quarter-hour interchange discrepancies between RTC and RTD.

The added flexibility that more frequent interchange scheduling provides is particularly important with the State-mandated requirements for renewable generation and other clean energy resources to replace the use of fossil fuel generation. This effort will focus on incorporating five-minute scheduling with HQ, as this is the only neighboring Balancing Authority that has expressed interest in developing that capability.

2 Advancing NYISO Transparency - Requested by JERA Americas, East Coast Power

2.1 Problem / Opportunity

Posting more information would aid in the transparency of wholesale market operations and market participation. The additional data requested below can be posted publicly or protected through CEII protocols, depending on the information classification.

2.2 Project Objective(s) & Anticipated Deliverable(s)

The following additional data should be posted by the NYISO:

1. State estimator modal and data including:
 - a. Topology
 - b. Branch characteristics
 - c. Branch flows
2. Transmission line rating for all transmission lines/facilities monitored, including when they change and why.
3. Day-Ahead Market (DAM) and Real-Time Market (RTM) contingencies. The NYISO has a separate list of contingencies for DAM/RTM relative to what the NYISO models in the Transmission Congestion Contracts (TCC) auctions, and the NYISO only publishes the TCC contingencies.
4. Publish reason for each scheduled transmissions outage.
 - a. Maintenance, Upgrades, or Other Information

The project will review the information requested to determine its classification (public, CEII, confidential, etc.), develop software to automate extracting the data that can be shared based on its classification from the appropriate system, including working with vendors that support NYISO systems for modifications, and develop software to periodically post data in a manner that is designed to protect CEII and other Confidential Information.

The 2027 project deliverable will be Deployment.

2.3 Project Justification

Open, transparent, and competitive NYISO markets are essential to facilitate efficient solutions and provide benefits to consumers. The Federal Energy Regulatory Commission (FERC) has opined many times on the benefits that transparent and competitive markets deliver, for example:

- Commission's conclusions in AD14-14 that transparency plays a critical role in improving price formation.
- Without sufficient transparency, Market Participants (MPs) may not have the tools necessary to critically analyze and discuss problems and identify potential solutions to market inefficiencies.

- Order No. 704 conclusion: “[Such] policies [i.e., the Commission’s market-oriented policies for the wholesale natural gas industries] require that interested persons have broad confidence that reported market prices accurately reflect the interplay of legitimate market forces. Without confidence in the basic processes of price formation, MPs cannot have faith in the value of their transactions, the public cannot believe that the prices they see are fair, and it is more difficult for the Commission to ensure that jurisdictional prices are ‘just and reasonable.’”

3 Aggregation System Integration Requested by National Grid

3.1 Problem / Opportunity

Member Systems in the New York Control Area (NYCA) are also referred to as Distribution Utilities (DUs) in the NYISO markets and therefore conduct a Distribution Utility safety and reliability review of Distributed Energy Resource (DER) facilities and Aggregations under the DER & Aggregation participation model. This effort today is a manual process, whereby Member System DUs must login to the NYISO Aggregation System, download data for analysis, and then pass or fail the safety and reliability review in the Aggregation System. The ability to automatically ingest data into Member System applications related to the enrollment and operational processes of DER Aggregations would allow for fewer individuals to maintain NYISO certificates and better utilization of the data across each organization.

Additionally, the NYISO coordinates with the Member Systems today to confirm Load Zone and account validity among other information. Opportunities for automated data validation for SCR/EDRP Resources and DERs between the NYISO and the Member Systems should be explored as part of this effort.

3.2 Project Objective(s) & Anticipated Deliverable(s)

This project should provide a means to establish an integration with the NYISO Aggregation System through an API or alternative means to facilitate data exchange and automate NYISO and company processes related to coordination and compliance for Aggregation enrollment.

3.3 Project Justification

The benefits of this project allow Member System DUs to maintain fewer NYISO certificates to access the Aggregation System. This will help to mitigate gaps in company support by enabling secure and controlled access by authorized individuals to approve or deny enrollment applications, reducing the reliance on managing and maintaining many certificates approved by the certificate administrator. This project would be in support of FERC 2222 and better streamline enrollment processes. Automating this process will increase data integrity and facilitate timely exchange of information, decreasing review cycle time, error proofing much of the communication process, and reducing process gaps in the event of personnel turnover.

4 Aligning Demand Response Baseline with LSE ICAP Obligations [SOM]

4.1 Problem / Opportunity

Demand Response programs let load customers earn revenue by being partially or fully curtailable under peak load conditions when economic, helping reduce total systemwide costs. The NYISO’s DER participation model uses Economic Customer Baseline Load (ECBL), while Special Case Resource (SCR) program rules use Average Coincident Load (ACL) and Customer Baseline Load (CBL) baselining methodologies in calculating the total Demand Response MW that a Demand Side Resource (DSR) can offer in the NYISO’s Energy, Ancillary Service, and Installed Capacity (ICAP) markets. The criteria used in setting these baselines differ from the criteria used in setting the load serving entity (LSE) capacity obligations, which are determined by measured consumption during the prior year’s peak load hour in July and August. In principle, the load associated with each DSR is assigned an ICAP obligation that it can sell back to the wholesale market by offering ICAP via the DER or SCR program, effectively self-supplying a portion of their ICAP obligation. However, current rules allow DSRs to acquire a baseline that exceeds their ICAP obligation. This creates a scenario in which a DSR could become a net supplier of ICAP, which conflicts with the principle of the ICAP offered by DSRs.

4.2 Project Objective(s) & Anticipated Deliverable(s)

This project will investigate improvements to NYISO’s ICAP market rules and DSR participation models, particularly between DSRs’ ICAP obligations and their ICAP offer to prevent these DSRs from becoming net suppliers of ICAP. The NYISO will coordinate with the New York Department of Public Service, if applicable, to consider potential modifications to LSE ICAP obligations. The 2027 project deliverable will be Market Design Concept Proposed.

4.3 Project Justification

The Market Monitoring Unit (MMU) has recommended NYISO prevent DSRs from being net sellers of ICAP. The NYISO should explore aligning the criteria for setting LSE capacity obligations with the criteria for setting SCR and DER baseline values or otherwise verifying Resource ICAP obligations so that DSRs cannot be net sellers of capacity. This project directly supports the SOM recommendation 2025-3.

5 Automatic ICAP Surplus Offers Requested by NYS UIU

5.1 Problem / Opportunity

The Market Administration and Control Area Services Tariff (“Services Tariff”) allows the NYISO to automatically purchase Unforced Capacity (UCAP) to cover a shortfall in an ICAP Spot Market Auction.

The Services Tariff does not have similar provisions for the NYISO to automatically resell UCAP surplus. Currently, the resale of UCAP surplus in the ICAP Spot Market Auctions requires an affirmative action on the part of an MP, and often some surplus goes unoffered. The failure to offer an MP's UCAP surplus in an ICAP Spot Market Auction may result in higher market clearing prices, which in turn may result in excess charges to Load.

5.2 Project Objective(s) & Anticipated Deliverable(s)

As part of the 2026 Automatic ICAP Surplus Offers Requested by NYS UIU project, the NYISO has proposed to revise the Services Tariff to allow the NYISO to automatically resell UCAP surplus in the ICAP Spot Market Auctions. The 2027 project objective is to implement software revisions to reflect any FERC-accepted Services Tariff revision that would allow the NYISO to automatically resell surplus UCAP in the ICAP Spot Market Auctions. The project deliverable for 2027 would be Deployment.

5.3 Project Justification

The failure to offer an MP's UCAP surplus in an ICAP Spot Market Auction may result in higher market clearing prices, which in turn may result in excess charges to Load. This project will help to alleviate the potential negative ICAP market impact of unsold resale UCAP. While in any single month the total amount of surplus UCAP that is not resold is relatively small, the cost to Load over time may be significant.

6 Balancing Intermittency Phase 2: Evaluating Needs for Duration in Reserves (ENDURE)

6.1 Problem / Opportunity

In a time of rapid change in the electricity sector, New York's competitive electricity markets must be positioned to unleash the innovation and flexible energy solutions necessary for a transformation towards a zero-emissions power grid. A rapid transition is underway in New York State from a power grid where energy is largely produced by central-station fossil fuel generation, towards a grid with increased intermittent renewable resources and distributed generation.

This shift introduces operational challenges around system balancing, flexibility, and reliability. As part of its continued evolution, NYISO must assess how reserves are structured to meet the growing need for flexible resources that can ensure sufficient supply is available to serve load. The 2023 Balancing Intermittency project proposed (1) Uncertainty Reserve Requirements and (2) long lead time and longer duration reserves. The 2024 Market Design finalized the Uncertainty Reserve Requirement design.

The proposed Balancing Intermittency Phase 2 will build upon the 2023 Market Design Concept Proposed for long lead time and longer duration reserves. It will provide further evaluation of the scope and timing of long lead time and longer duration reserve needs, considering both system needs and the consumer value of the enhancements. It will also evaluate whether additional and related

enhancements to operating reserves could facilitate reliability for a grid in transition. Through this approach, NYISO seeks to ensure the market remains responsive to operational realities while supporting the state’s climate goals.

6.2 Project Objective(s) & Anticipated Deliverable(s)

NYISO will develop a Market Design Concept Proposed that:

- Further evaluates reserve duration needs with respect to both duration availability and notification time.
- Benchmarks reserve product structures from other ISO/RTOs for comparative insights.
- Explores improvements in reserve scheduling practices for greater flexibility and efficiency.

6.3 Project Justification

This project supports the development of market mechanisms that enable reliable system operations while advancing New York’s decarbonization goals in a cost-effective manner. It also responds to key recommendations from the SOM Report (Recommendations 2021-1 and 2017-2), helping to ensure that NYISO’s market design evolves in step with emerging system needs and stakeholder expectations.

7 Capacity Zone Redesign [SOM]

7.1 Problem/Opportunity

The current ICAP market zonal structure may pose unnecessary barriers to entry for new, more efficient resources due to high interconnection costs, while also potentially overcompensating existing resources in areas with intra-zonal constraints. While effective in reflecting broad reliability needs, the current zonal framework may not fully capture emerging transmission constraints, shifting load patterns, and the reliability contributions of distributed and flexible resources.

Building upon the 2024 Granular Capacity Zone Pricing Report and 2025 Capacity Market Structure Review Issue Discovery Report, this project seeks to better reflect the evolving transmission constraints and locational reliability needs across New York State. In recent years, these local constraints and reliability needs have been apparent in studies of deliverability, resource adequacy, and transmission security. As the grid transitions to accommodate more intermittent resources, electrification, and the increased proliferation of prosumers on the grid, the existing capacity zones may no longer accurately represent the geographic, seasonal, and operational characteristics of the system. Enhancing the zonal framework may improve price formation, provide more efficient capacity procurement, and better signal where new investments are needed to maintain reliability and meet New York policy goals.

Aligning capacity obligations and pricing with actual system constraints and resource deliverability may reduce uplift costs and improve transparency for market participants as transmission upgrades, offshore wind integration, and load growth patterns shift the reliability landscape. This project enables

the NYISO to proactively adapt its market structure to future grid conditions, allowing the ICAP market to remain robust, fair, and aligned with both reliability and New York State’s objectives.

7.2 Project Objective(s) & Anticipated Deliverable(s)

This project will evaluate alternative frameworks and propose enhancements to the current zonal structure and processes for locationally valuing and procuring ICAP in the NYCA. Enhancing capacity zones could involve redefining zone boundaries with sub-zonal considerations in both resource adequacy analyses and in the ICAP market structure or incorporating probabilistic methodology to efficiently identify transmission constraints for capacity zones creation. Additionally, areas of enhancement may include evaluating the limitations of the current deliverability test in defining capacity zone boundaries and classification of import- or export-constrained capacity zones. These changes aim to better reflect the true value of capacity in constrained areas, support more targeted investment signals, and align with evolving grid conditions. The 2027 deliverable for this project will be a Market Design Complete.

7.3 Project Justification

Capacity zones play a critical role in establishing effective locational price signals. A well-designed zonal structure can help optimize resource entry and exit decisions to procure capacity efficiently and reliably across the NYCA. Enhancing the capacity zonal structure and zone-setting processes may improve locational price signals and provide more efficient compensation for both new and existing resources. However, implementation would require careful coordination with transmission planning, stakeholder engagement, and regulatory approval for transparency and to avoid unintended market distortions.

58 Commitments for Reliability

58.1 Problem / Opportunity

The NYISO’s DAM plays a central role in establishing the commitment and scheduling decisions that support reliable grid operations for the following day. Under stressed system conditions, particularly during winter operations and other periods of elevated operational risk, there may be circumstances in which the market’s commitment outcomes do not fully align with an operating posture that supports reliable operations.

This challenge can arise for several reasons. First, some operational risks may not be fully represented in current market models. Examples may include resource limitations or operating conditions that are difficult to reflect in existing commitment logic, such as fuel-related limitations, including liquid fuel inventory considerations, and other conditions that can affect the availability or reliability of supply during stressed periods. Second, the market’s modeled economic value of certain schedules or commitments may not always align with the reliability value provided in real-time. For example, certain

transactions may financially schedule in the DAM while taking limited steps to physically position flows in a manner that supports reliable operations under stressed conditions.

As the resource mix evolves and the grid becomes increasingly dependent on a diverse set of resources, changing operating patterns, and tighter system conditions, there is an opportunity to evaluate whether enhancements to the NYISO's Day-Ahead commitment framework are warranted to better support reliable operations. This project would provide a forum for the NYISO and stakeholders to evaluate the nature of these challenges and consider potential market design concepts to improve alignment between Day-Ahead commitment outcomes and reliable system operations during stressed conditions.

Potential improvements for consideration may include, but would not be limited to: enhancements to model additional operational constraints or limitations in DAM commitment; approaches to improve alignment between modeled market values and operational reliability value; improved recognition and treatment of conditions, schedules, and actions that result in heightened operational risk; enhanced risk assessment or stress-condition commitment logic; and consideration of whether an additional reliability-focused commitment framework or process may be appropriate under certain conditions. These categories are illustrative only and do not represent an exhaustive list of concepts that may be considered.

58.2 Project Objective(s) & Anticipated Deliverable(s)

The objective of this project is to evaluate challenges associated with Day-Ahead commitment outcomes during winter and other stressed system conditions and to develop potential market design concepts that could improve alignment between market commitment outcomes and reliable grid operations.

The 2027 project deliverable for this project will be a Market Design Concept Proposed.

58.3 Project Justification

Reliable system operations depend on commitment decisions that appropriately reflect the operational risks the grid may face under stressed conditions. Where the current market commitment framework does not fully capture those risks, the NYISO and stakeholders would benefit from a structured review of the issue and a discussion of potential options to address it.

This project would provide that structured forum. It would allow the NYISO and stakeholders to examine whether the current Day-Ahead commitment framework appropriately reflects the operational needs associated with winter reliability and other stressed system conditions, identify where gaps may exist between modeled market outcomes and operator reliability needs, and evaluate whether additional market design concepts should be developed to address those gaps.

By framing the issue at a high level and evaluating a range of possible concept categories without predetermining a solution, this project would support a focused and collaborative stakeholder discussion on how best to preserve reliability as grid conditions, operating risks, and market dynamics continue to evolve.

8 DER Market Enhancements [SOM]

8.1 Problem / Opportunity

The NYISO launched the DER and Aggregation participation model in 2024 as the first in the nation program to integrate DER into the wholesale market. The program provides an opportunity for resources with at least 10 kilowatts of capability to aggregate and participate in NYISO markets and was designed to replace the Demand Side Ancillary Services (DSASP) and Day Ahead Demand Response Programs (DADRP) as a fully integrated participation model for DSR. However, while DSRs contribute to grid reliability and can serve as a competitive alternative to generation in the wholesale markets, each DSR engages in a primary business that is not wholesale market participation. DSR participation in the wholesale electric markets is different than other suppliers whose only business is supplying Energy, Ancillary Services and/or Installed Capacity.

The NYISO is currently working with stakeholders to identify and address areas of the DER participation model that may unlock additional DSR enrollment opportunities. Areas of concern include bidding obligations (especially requiring ICAP Suppliers not scheduled in the DAM to bid as dispatchable in the RTM) and metering and telemetry requirements. Additionally, lack of commitment parameters, such as start-up and minimum run times, have been cited as a challenge to participation in large industrial loads.

8.2 Project Objective(s) & Anticipated Deliverable(s)

The deliverable for this effort in 2027 will be to deploy software based on the Market Design proposal from 2026.

8.3 Project Justification

Active participation by customers in demand response in organized wholesale energy markets helps to increase competition in those markets. Furthermore, demand response has the potential to support system reliability and address resource adequacy by adjusting their consumption based on direction from the ISO. Addressing potential rule revisions for DSR has the potential to enhance participation in the DER and Aggregation participation model.

9 Disincentives for Overgeneration by IPRs (SOM)

9.1 Problem / Opportunity

In the NYISO's current grid operations and settlements structures, Intermittent Power Resources (IPRs) are subject to compensable overgeneration, which allows these resources to receive payment for all energy injections in excess of real-time schedules. However, when a Wind and Solar Output Limit is imposed, Generators must adhere to new dispatch instructions and are compensated for the basepoint + 3% of their Normal or Emergency Upper Operating Limit. Generation beyond this threshold is penalized to incentivize adherence to dispatch instructions. For Generators with positive incremental costs, this penalty is sufficient in providing incentive to follow basepoints. For Generators with negative incremental costs, the financial benefit of generating above the 3% threshold due to Production Tax Credits and subsidies may outweigh the current penalty.

In its assessment on the performance of IPRs in 2024, the MMU found that the majority of IPRs respond to economic curtailments at 80% or better performance. However, 40% of IPRs performed below 80%, with roughly 10% performing below 30%. When these poor-performing IPRs do not follow Output Limits, system operators may need to manually curtail top-performing resources more frequently, or more deeply, to maintain transmission security. This was seen in the MMU assessment with 96% of all curtailment instructions placed on the 19-best performing resources. In these cases, non-responsive resources may receive higher net revenue through continued generation while compliant resources do not. In anticipation of future curtailment, transmission owners of compliant resources could also operate more conservatively, potentially creating transmission security and operational challenges. The SOM recommends that the NYISO revise the Services Tariff to provide stronger disincentives for overgeneration to ensure resources with negative incremental costs adhere to dispatch signals and do not benefit from over-generating.

9.2 Project Objective(s) & Anticipated Deliverable(s)

The scope of this project would be to assess the current overgeneration penalty structure and propose enhancements that would ensure Generators with negative incremental costs do not benefit from overgeneration. The 2027 Project Deliverable will be a Market Design Concept Proposed.

9.3 Project Justification

As New York State's electric system transitions to have increased renewable penetration, aligning incentives for resources to adhere to basepoint signals is necessary to maintain reliable grid operations, reduce the need for manual operator intervention, prevent inefficient curtailment of compliant resources, and create fairer market outcomes. This project supports SOM Recommendation 2023-3.

10 Dynamic Reserves – Review Operating Reserve Supplier Cost Recovery [SOM]

10.1 Problem / Opportunity

Currently, the NYISO charges Load Serving Entities (LSEs) for the cost of providing all Operating Reserves based on load-ratio share, distributing costs throughout the NYCA. However, with the impending implementation of Dynamic Reserves, which tailor reserve requirements to specific grid conditions, including localized constraints, this project will explore alternatives to the current process for recovering the cost of reserves that the NYISO procures in order to manage these locational constraints. In particular, since scheduling energy and reserves on the largest two supply resources leads to increases in the statewide reserve requirements, this project will explore unique settlements for generators that are the first and second largest contingencies that assign reserve charges consistent with cost causation principles.

Under Dynamic Reserves, the schedules of the first and second largest supply contingencies in the NYCA directly impact the magnitude of the NYCA-wide reserve requirements. Increases to large contingency schedules or dispatching another Supplier above the current first and second largest contingencies causes Reserve requirements to rise in tandem, increasing systemwide reserve costs. Said differently, each incremental Energy MW procured from the largest contingencies results in an incremental increase to statewide Reserve costs. This relationship can be framed as a negative externality, in the form of increased reserve costs borne by consumers that are the product of large contingency energy schedules. The MMU's proposed settlement charge would reassign the costs of these incremental reserves to the large contingencies that cause them according to a cost-causation argument, lowering reserve costs to consumers.

This new settlement charge would be applicable to both Generator and Import schedules, as both Imports and Generators can qualify as the largest contingency and can therefore affect the NYCA-wide Reserve Requirements.

10.2 Project Objective(s) & Anticipated Deliverable(s)

The primary objective of this project is to develop a settlement mechanism by which NYISO can reassign some of the costs of incremental reserve procurements to the large supply contingencies that cause them. The MMU has suggested it may be appropriate to credit exports for offsetting NYCA-wide reserve requirements if it reduces the size of one of the largest two contingencies. The NYISO will evaluate the merits of this credit and determine how such a credit could be applied, if it deems it appropriate to do so. The anticipated deliverable for 2027 is Market Design Complete.

10.3 Project Justification

Stakeholders have expressed interest in exploring alternative operating reserve cost recovery structures. The settlement charge being evaluated under this project would serve to correct a negative externality produced by large contingency schedules, resulting in an economically efficient settlement outcome based on cost-causation principles. The ultimate result is decreased reserve costs to consumers, with those costs being reassigned, in part, to the first and second largest supply contingencies.

11 Eliminate Offline GT Pricing [SOM]

11.1 Problem / Opportunity

The NYISO's RTM is based on a dispatch model that updates prices and generator schedules every five minutes. Currently, the dispatch model treats 10-minute gas turbines (i.e., units capable of starting up in ten minutes) as if they can follow a 5-minute signal. Offline gas turbine (GT) pricing was developed to produce real-time prices that reflect the costs of actual resources that could be committed to address a constraint. Potomac Economics has observed that this structure leads to inefficiencies, because 10-minute gas turbines are unable to respond in five minutes. This may lead to periods of under-generation, inconsistencies between scheduled transmission flows and actual flows, and inefficient prices that do not properly reflect the balance of supply and demand. The logic, however, provides useful information to grid operators regarding system needs and allows them to commit additional units based on evaluation by the real-time dispatch model.

11.2 Project Objective(s) & Anticipated Deliverable(s)

The scope of this project would involve eliminating the offline GT pricing logic, creating an information stream that replaces the information provided by Offline GT pricing to help operators identify system needs and effectively commit additional units, and developing tariff revisions to support the changes. The 2027 deliverable for this project would be Functional Requirement Specification and supporting Tariff revisions.

11.3 Project Justification

This project would enhance market efficiency by better aligning price signals and schedules with operational needs and resource capabilities. This project is also supported by the Market Monitoring Unit based on its SOM Recommendation 2020-2.

12 Energy Market Mitigation and Screening Enhancements

12.1 Problem / Opportunity

Currently, the NYISO performs automated and after-the-fact mitigation processes in response to uncompetitive behavior in the energy market. NYISO Market Mitigation & Analysis (MMA) has identified current practices that may benefit from efficiency improvements of both screening and mitigation for certain types of conduct. This project aims to collaborate with stakeholders to identify and discuss potential enhancements to the following current practices:

1. Applying mitigation to all failing Supplemental Resource Evaluation (SRE)/ Day-Ahead Reliability Unit (DARU) Incremental Energy \$ bids (at the Rest-of-State Reliability thresholds) regardless of where a unit is scheduled in its Incremental Energy (IE) curve or if it received any undue guarantee payment.
2. Evaluating Out-of-Merit Incremental Energy \$ conduct at the Rest-of-State Reliability thresholds only when coincident with DARU or SRE.
3. Applying Default Bid Mitigation within six months of the market date when Economic Withholding conduct and impact has occurred.
4. Sending email notification to MPs for each instance a unit is automatically mitigated (or if the mitigation charge changes), resulting in a change to Real-Time Bid Production Cost Guarantee (RT BPCG), regardless of the magnitude of change.
5. Reviewing current conduct and impact thresholds as defined in Services Tariff Section 23 to identify and discuss potential modifications.

12.2 Project Objective(s) & Anticipated Deliverable(s)

The 2027 deliverable for this project would be to achieve Market Design Complete, with recommended tariff changes on any agreed upon enhancements approved by stakeholders.

12.3 Project Justification

This project will allow MMA to further refine its ability to enforce tariff requirements by improving the efficiency of MP communications and bolstering the efficacy of existing mitigation measures. The ability to improve conduct screening and subsequent mitigation practices lends more accuracy and integrity to the markets administered by the NYISO, while simultaneously reducing the potential for administrative errors and streamlining communication between the MMA and impacted MPs.

13 Enhancements to Energy and Ancillary Services Credit Requirement

13.1 Problem / Opportunity

The Energy and Ancillary Services component of the credit Operating Requirement is currently determined by using the higher of the highest month's energy purchases in the Prior Equivalent Capability Period, adjusted by a gas price ratio, multiplied by 16 days or the average energy purchases over the previous 10 days (10 day run rate) multiplied by 16 days. Consequently, unless the average 10 day run rate exceeds the calculation utilizing the Prior Equivalent Capability Period, the credit requirement will not change significantly for the entire six months in the current Capability Period (i.e. if the highest month calculated was January 2025, the NYISO will hold that calculated amount from November 2025 through April 2026).

This project seeks to evaluate the appropriateness of this requirement and implement necessary changes to ensure it more accurately reflects the market risk and exposure posed by Market Participants.

13.2 Project Objective(s) & Anticipated Deliverable(s)

At a minimum, the evaluation of the Energy and Ancillary Services credit requirement will include the following:

- Assess the use of the highest month in the Prior Equivalent Capability Period for the entirety of the current Capability Period versus using the prior equivalent month as the Basis of the credit requirement
- Evaluate current energy usage by adjusting the number of days in the run rate calculation
- Assess how market entry of larger loads will impact Energy and Ancillary Services credit requirements

In preparation for this project, the NYISO Counterparty & Credit Risk Management team will inform stakeholders this year (2026) of its intention to evaluate the current policy to better align with market risk. The 2027 deliverable will be Functional Requirements Specification.

13.3 Project Justification

This project will provide enhancements to the Energy and Ancillary Services credit requirement to more accurately reflect the market risk and exposure posed by Market Participants.

14 Enhancing Locational Pricing of Capacity [SOM]

14.1 Problem / Opportunity

The NYISO’s ICAP market has four capacity pricing regions (i.e., capacity zones) with distinct ICAP Demand Curves: Load Zone J (New York City), Load Zone K (Long Island), G-J Locality, and Rest of State. Due to internal transmission constraints within each capacity zone, the marginal value of capacity may differ within each capacity zone. The NYISO is considering enhancements to the zonal structure in the capacity market in the proposed “Capacity Zone Redesign” project. Even if that project results in the creation of additional zones, there may be circumstances when the marginal value of capacity varies within a capacity zone due to more granular transmission bottlenecks not adequately reflected in the zone configuration.

14.2 Project Objective(s) & Anticipated Deliverable(s)

This project will explore enhancements to ICAP Suppliers’ Unforced Capacity ratings, particularly through the capacity accreditation calculation that reflects additional locational differences in marginal reliability value to better align ICAP Suppliers’ compensation with locational system needs. This approach could be used to augment the capacity zone configuration both before and after the implementation of any market design enhancements resulting from the proposed “Capacity Zone Redesign” project. This project will explore the creation of capacity pricing regions to provide regional capacity pricing signals to MPs. The 2027 deliverable for this project will be a Market Design Complete.

14.3 Project Justification

This project has been proposed to introduce a mechanism for sending ICAP market price signals that identify intra-zonal transmission constraints when they are not adequately reflected within the capacity zone configuration. This project supports SOM Recommendation #2025-2.

15 Enhancing Market Capability to Secure Lower-Voltage Transmission Facilities

15.1 Problem / Opportunity

The NYISO markets are structured to support reliable system operations by securing transmission facilities through market-based constraint formulations. While this approach has been effective for higher-voltage transmission elements, securing lower-voltage transmission facilities presents distinct challenges due to differences in system topology, operational characteristics, and available corrective actions.

Historically, limitations in market formulations for lower-voltage facilities have required greater reliance on out-of-market actions to manage reliability needs. These actions can include reliability

commitments, out-of-merit dispatch, and other operator interventions that are not fully reflected in market prices. As a result, market outcomes may not consistently align with the actions required to maintain reliability, leading to inefficiencies in commitment, dispatch, and price formation.

This project presents an opportunity to enhance market design by developing improved mechanisms to secure lower-voltage transmission facilities directly within the market framework, reducing reliance on out-of-market actions and improving overall market efficiency

15.2 Project Objective(s) & Anticipated Deliverable(s)

Specifically, this project will:

1. Evaluate the limitations of existing market formulations used to secure lower-voltage transmission facilities.
2. Identify enhancements to constraint formulation, modeling approaches, or market mechanisms that better reflect the operational characteristics of lower-voltage facilities.
3. Assess impacts to market efficiency, pricing outcomes, uplift, and computational performance.

The anticipated deliverable is an Issue Discovery in 2027 that defines improvements to market rules or formulations enabling more effective and consistent securing of lower-voltage transmission facilities.

15.3 Project Justification

Lower-voltage transmission facilities play a critical role in maintaining system reliability, yet existing market securing approaches do not always reflect their operational characteristics, which can result in inefficient commitment, dispatch, and pricing outcomes. Enhancing market capabilities to secure lower-voltage facilities will improve market efficiency, price formation, and consistency between operational needs and market outcomes while continuing to support reliable system operations.

61 Expanding Peak Hour Definition – Requested by DPS

61.1 Problem / Opportunity

The NYCA peak load hour is currently defined as the non-holiday weekday hour occurring in July or August of the current Capability Year with the highest measured system load.

Current practice dictates that the TOs share out their capacity obligation to their LSEs based on the measured share of load consumed by each LSE during the NYCA peak load hour of the prior Capability Year. Using multiple peak and near-peak load hours (e.g. the top five or top ten load hours) to share out obligations within a Transmission District may improve this process and create more robustly defined and consistent LSE shares of capacity requirements. Likewise, in the distribution network, as LSEs use measures of peak period(s) usage to assign capacity cost to their customers, it becomes imperative that those measurements are representative of the customers' capacity needs. Basing a

customer’s capacity needs on demand during a single hour or day can leave too much to chance and not accurately measure the capacity need. Using the peaks from multiple high load days would be more stable and more reflective of long-run cost causation.

In addition, the NYCA peak hour is determined using net hourly load as measured on the system. However, it is worth considering whether peak load should be based entirely or in part on gross load, which may become more important as demand response and distributed energy resource penetration increases.

In 2025, the NYISO Staff proposed seasonal NYCA minimum capacity requirements as part of the Winter Reliability Capacity Enhancements project. This proposal was approved by Market Participants and filed at FERC on February 18, 2026, in Docket No. ER26-1431, and is requested to go into effect on June 28, 2026. If approved, starting with the 2027-2028 Capability Year, LSEs will have both a Summer and a Winter capacity obligation set by their respective load share during the NYCA Summer and Winter peak hours. The original Expanding Peak Hour Definition project did not anticipate Summer and Winter peak hours, which will be addressed in this revised project.

61.2 Project Objective(s) & Anticipated Deliverable(s)

In 2020, this project was adopted by Market Participants. Over the course of 2021, NYISO Staff presented at the ICAPWG/MIWG (February 25, 2021, March 25, 2021, May 4, 2021, June 3, 2021, June 30, 2021, and July 27, 2021). This resulted in a Market Design Concept Proposed by the NYISO, but the project was not prioritized for 2022. In 2023, continuation of the project was proposed by DPS Staff and adopted by Market Participants. Over the course of 2024 and 2025, DPS Staff presented at the ICAPWG/MIWG (May 2, 2024, October 29, 2024, and February 25, 2025). This resulted in a DPS Staff Market Design Concept Proposed, but the issue was not adopted for 2025. This project will continue from the Market Design Concept Proposed and additionally determine what changes are needed to account for seasonal LSE obligations. Findings and resulting suggestions will be reported and discussed with stakeholders. The project deliverable will be Market Design Complete and proposal for deployment.

61.3 Project Justification

Many other jurisdictions consider more than a single hour when determining peak obligations for demand and resources. Given the upcoming changes planned for New York’s grid, ensuring the determination of peak load hours used for capacity allocations is robust will be important for maintaining reliability and fair and equitable allocation of costs.

As retail electric metering evolves across New York state, LSEs will be better able to track customer usage on an hourly basis. The Public Service Commission first required hourly pricing for large C&I customers in April 2006 in Case 03-E-0641 Order Adopting Mandatory Hourly Pricing (MHP), those MHP customers are billed for capacity on the basis of their usage during the peak hour. Over the years, the threshold for MHP has decreased. In the last seven years, utilities have proposed, approved, and installed AMI meters that provide hourly load data for all customers. This allows LSEs to allocate capacity cost more specifically to customers causing the need for capacity. As customers become

responsible for the capacity cost they cause, they will seek to manage that cost. This helps to engage the demand side to manage peak hour demand.

59 External SRE Opportunity Costs

59.1 Problem / Opportunity

External ICAP resources are obligated to obtain sufficient supply and transmission service to deliver when called upon in the regular SRE process after the DAM clears. Failure to transmit the energy to the NYISO under SRE conditions can result in penalties. However, the NYISO's existing deficiency charge could be insufficient to deter poor performance in some cases.

The NYISO will work with its stakeholders to develop enhancements to its cost recovery, opportunity cost, and/or penalty frameworks for SREs of External ICAP.

59.2 Project Objective(s) & Anticipated Deliverable(s)

The 2027 deliverable for this project would be Deploy.

59.3 Project Justification

The marginal incentives from PJM and ISO New England during reserve shortages can exceed \$5,000 and \$10,000 per MWh because of the Capacity Performance and Pay-for-Performance rules. If an external SRE call coincides with a reserve shortage in a neighboring region, the resource may have a strong financial disincentive to deliver the obligated capacity to the NYISO. While the NYISO can (and will continue to) coordinate with other ISO/RTOs, neighboring market rules may continue to provide such disincentives. Additionally, the MMU has identified that it would be beneficial for the NYISO to consider whether the current deficiency charge is adequate.

16 Flexible Load Models – Large Loads

16.1 Problem / Opportunity

~~The recent increase of interconnection requests for large load projects, such as data centers and semiconductor manufacturing facilities, poses a risk to reliability as the magnitude and speed of submission and processing of these requests is far exceeding the pace of development of additional supply Resources that would be needed to serve them. For this reason, large load flexibility has the potential to play an increasing role in maintaining system reliability. The 2024 Clean Hydrogen project considered an expansion to the NYISO's Behind the Meter Net Generation (BTM:NG) Resource~~

~~participation model to allow storage and intermittent power technologies to pair with a Host Load, which would allow the program to satisfy a wider swath of co-location business cases. The BTM:NG model may also benefit from the development of new market rules that are tailored to flexible Host Load that will allow a BTM:NG Resource to offer additional excess supply to NYISO markets. Similarly, stand-alone large loads may additionally benefit from expanded market participation pathways.~~

~~16.2 Project Objective(s) & Anticipated Deliverable(s)~~

~~In 2027, the NYISO will coordinate with stakeholders to develop a market design to enhance the market participation opportunities for flexible Loads and Loads seeking to co-locate with Generation in the NYISO markets.—~~

~~The project deliverable for 2027 will be to deliver a Market Design Complete that includes revisions to the NYISO tariffs.~~

~~16.3 Project Justification~~

~~New York State has made large investments into data center and microchip fabrication incentives, and there are already several such large Loads in the interconnection queue. The NYISO seeks to develop a market design that incentivizes these Loads to operate flexibly and expands market participation opportunities for them.~~

~~The BTM:NG Resource participation model was developed to provide the NYISO with: (i) improved grid reliability and operational flexibility; (ii) more clarity and certainty for future resource investment within New York State; and (iii) improved awareness of resources not currently participating in the NYISO's wholesale markets. Expanding the offer capabilities of BTM:NG Resources and stand-alone large Loads furthers the original objectives of the BTM:NG Resource participation model and is in line with the NYISO's strategic goal of increasing market efficiency and creating value for consumers.~~

17 GADS Performance Enhancements [SOM]

17.1 Problem / Opportunity

Recent periods of extreme NYCA system conditions have highlighted material gaps between expected Generator availability metrics and actual performance during critical peak Load hours. Analysis of fossil fuel Generator performance during high Load events shows that Equivalent Demand Forced Outage Rate (EFORD) values derived from North American Electric Reliability Corporation's Generator Availability Data System (GADS) often overstate availability when Generators are most critical for reliability. These discrepancies stem from a combination of limited data during peak Load hours, outage misclassification, and methodological limitations in how higher operating ranges are treated. As capacity margins continue to tighten and reliance on aging generation increases, improving Generator qualification and capacity accreditation practices could better align market incentives, planning assumptions, and observed performance.

17.2 Project Objective(s) & Anticipated Deliverable(s)

The objective of this project is to explore enhancements to the NYISO's assessment of Generator availability by improving GADS compliance monitoring and refining outage reporting and classification practices. This effort will identify and address any underreporting or misclassification of forced outages and derates in GADS submissions. The 2027 deliverable for this project will be Study Complete.

17.3 Project Justification

Improving the assessment of Generator performance is critical to maintaining NYCA system reliability and confidence in the NYISO's ICAP market. More accurate treatment of outages, operating limitations, and reliability risk during peak Load conditions will support better capacity procurement decisions, reduce the risk of underestimating needed reserves, and strengthen incentives for accurate reporting by MPs. By addressing known gaps in reporting data quality, this project seeks to enhance the integrity of planning assumptions and provide market signals that reflect Generators' reliability contribution.

18 ICAP Demand Curve Reset (DCR) Process and Methodology Improvements [SOM]

18.1 Problem / Opportunity

The current ICAP Demand Curve reset (DCR) process for determining the parameters used in establishing the ICAP Demand Curves involves extensive collaboration and analysis, which some stakeholders consider overly complex and time intensive. Additionally, the current process may not be conducive to delivering transparent and predictable market outcomes and providing an economically efficient, durable, and stable market structure to facilitate investment to satisfy the planning reliability requirements of the system. Alternative processes and/or methodologies for determining the parameters used in establishing the ICAP Demand Curves may reduce the complexity and resource-intensity of the DCR and continue to allow for the development of effective and appropriate ICAP Demand Curves.

18.2 Project Objective(s) & Anticipated Deliverable(s)

In 2026, the DCR Process and Methodology Improvements project seeks to develop enhancements to the DCR process and potential modifications to the ICAP Demand Curves to better align market signals with system conditions. In 2027, the project milestone would be to deploy software and procedural changes that will enable implementation of any stakeholder-approved market enhancements resulting from the 2026 project.

18.3 Project Justification

Having forecastable and robust ICAP Demand Curves allows the ICAP market to meet the NYISO's objectives of providing appropriate price signals for resource entry and exit, delivering transparent and predictable market outcomes, providing an economically efficient, durable, and stable market structure to facilitate investment, and functioning without unnecessary administrative complexity.

19 Improve Capacity Accreditation and Resource Adequacy Modeling

19.1 Problem / Opportunity

The resource adequacy models used for determining Locational Minimum Installed Capacity Requirements (LCRs) and Capacity Accreditation Factors (CAFs) involve complex simulations that may produce unintuitive LCR and CAF outcomes. The resource adequacy models use confidential MP information, such as historical performance and upcoming ICAP market elections, which limit transparency of the models. In addition, the potential volatility and unpredictability of CAFs can be difficult for MPs to navigate, potentially deterring new entrants and reducing overall market efficiency. The complexity and limited visibility into the resource adequacy models may reduce market transparency and predictability and limit the ability of the ICAP market to provide an economically efficient, durable, and stable market structure to facilitate investment.

19.2 Project Objective(s) & Anticipated Deliverable(s)

This project will develop a market design based on the proposed adjustments to marginal capacity accreditation and resource adequacy modeling processes from the 2026 Improving Capacity Accreditation and Resource Adequacy Modeling study. The 2027 deliverable for this project would be Market Design Complete.

19.3 Project Justification

Improvements to marginal capacity accreditation and resource adequacy modeling processes may reduce complexity and improve visibility into the resource adequacy models. The reduced complexity and improved visibility into the resource adequacy models may increase the transparency and predictability of market outcomes and improve the ability of the ICAP market to provide an economically efficient, durable, and stable market structure that facilitates investment.

20 Improve Duct-Firing and Unit-Segment Modeling: Multiple Ramp Rates (Requested by CPV)

20.1 Problem / Opportunity

The break point for duct fired combined cycle units is temperature-dependent, not unlike their winter and summer ratings. For example, a 600MW summer-rated combined-cycle gas turbine (CCGT) might

have the duct firing available at 570MW when the temperature is 70 degrees, but at 85 degrees, the maximum capability of the unit might decrease 580MW and the duct firing break point might decrease to 550MW. Likewise, at 30 degrees, the rating of the unit might increase to 640MW, and the duct firing break point could increase to 610MW. The current rules for setting the break point are submitted manually to the MMA and require at least a *three-day lead time* for changes. Meanwhile, the break points on a CCGT can change *hourly* with changes in temperature.

This project would seek to develop a market design that better optimizes the capability of each plant by making changes to the market rules that would either: (1) allow for real or near-real time updates within the NYISO system to reflect the ambient impacts to the break point for ducting firing; or, (2) ensure that any performance evaluation would take into consideration the ambient rating issue and exempt non-performance around the bandwidth created by the ambient adjustments. This CPV-proposed project is structured as a standalone effort to develop biddable ramp rate breakpoints, as this capability is outside the scope of the *Improve Duct-Firing and Unit-Segment Modeling: Multiple Ramp Rates* project.

20.2 Project Objective(s) & Anticipated Deliverable(s)

The objective for this project will be a set of market rule modifications that address the inefficiency created by having a fixed break point that does not align with ambient temperature impacts and which can only be adjusted on manual basis with at least three days advance notice. The 2027 deliverable for this project will be Market Design Concept Proposed.

20.3 Project Justification

There are many resources in the NYCA that are restricted by the current modeling that could otherwise provide a large source of dispatchable energy, reserves, and regulation. Having access to the full dispatchable capability of these resources will become increasingly important as generation from intermittent resources grows over the coming years. Improving upon the recently-approved design (*see FERC Docket ER25-2382 for additional information*) would enable expanded participation by those resources, would provide consumer benefits and operational flexibility, and would increase competition resulting in more efficient market prices and greater availability of resource capability to provide various ancillary services. Thus, the project would evaluate enhancements to the scheduling of a generator's capacity that would provide more flexibility in the reserves and regulation markets.

21 Improve Operating Reserve Scheduling: Multiple Ramp Rates

21.1 Problem / Opportunity

Recent Real-Time Dispatch – Corrective Action Mode (RTD-CAM) enhancements being implemented through the 2026 Improve Duct-Firing Modeling project enables resources to be dispatched for energy during emergency conditions using the response rate applicable to the operating region that the

resource was in prior to RTD-CAM activation. As a result, energy dispatch can now appropriately reflect operating region-specific response behavior under emergency conditions, while normal conditions continue to rely on normal response rates. However, reserve scheduling was not modified as part of this effort and continues to assume that a single emergency response rate applies across the full operating range of a resource.

Under this construct, reserves may be scheduled in quantities that do not fully reflect the response capability available at a resource’s current operating condition, particularly for resources with operating region dependent or mode dependent response rates, such as duct-fired combined-cycle units, resources with multiple operating segments, and mixed-technology aggregations. An opportunity exists to extend the use of multiple response rates to reserve scheduling so that reserves are procured based on the response rate applicable to the resource’s operating state at the time of scheduling. This proposed project focuses on scheduling reserves based on the unit’s normal response capability and is a standalone effort that does not include the biddable ramp rate breakpoint capability proposed in the *Improve Duct-Firing and Unit-Segment Modeling: Multiple Ramp Rates (Requested by CPV)*.

Implementing this enhancement would require extensive studies across existing dispatch and reserve scheduling logic, including market system formulations, response rate inputs, and related operational checks, to determine what changes are needed and how they can be incorporated consistent with current market design and operational practices.

21.2 Project Objective(s) & Anticipated Deliverable(s)

The 2027 project deliverable will be a Study Complete.

21.3 Project Justification

There are currently many resources in the NYCA with these types of restrictions. These resources represent a large source of dispatchable energy, reserves, and regulation. Having access to the full dispatchable capability of these resources will become increasingly important as generation from intermittent resources grows over the coming years. Enabling their expanded participation will provide consumer benefits, as increased competition could result in lower market prices and greater availability of resource capability to provide various ancillary services. Thus, the project would seek to evaluate enhancements to the scheduling of a generator’s capacity that would provide more flexibility in the reserves and regulation markets. This project also supports SOM Recommendation 2020-1.

22 Improve NYC-LI PAR Controlled Lines’ Operation (SOM)

22.1 Problem / Opportunity

The phase angle regulator (PAR)–controlled transmission lines between New York City and Long Island (Lines 901 and 903) are operated under longstanding wheeling agreements that predate the NYISO’s market framework and are not optimized to minimize production costs. As a result, these lines have frequently been scheduled in the inefficient direction—from higher priced areas to lower priced

areas—contrary to market price signals. In 2023, this occurred in the DAM approximately 96 percent of the time, leading to increased production costs and higher emissions as per the analysis carried out by MMU. While outages in 2024 reduced inefficient flows, they also highlighted the structural inefficiency of the current operating arrangements. This creates an opportunity to improve the operational use of PAR-controlled lines while addressing the financial impacts on affected transmission owners.

22.2 Project Objective(s) & Anticipated Deliverable(s)

The objective of this project is to improve the operation of PAR-controlled lines between New York City and Long Island to better align power flows with market price signals and minimize overall production costs. In conjunction with improved operational efficiency, the project aims to develop a financial settlement mechanism that compensates transmission owners who may be adversely affected by changes to existing wheeling arrangements. The 2027 target project milestone for this project will be Market Design Concept Proposed.

22.3 Project Justification

The documented inefficient operation of the 901 and 903 lines has resulted in measurable increases in production costs and emissions, demonstrating that the current arrangements are not economically efficient. Improving the operation of these lines would lower system costs and emissions, but because such changes would redistribute financial benefits among parties, a compensatory mechanism is necessary. Establishing a market-based framework that enables efficient PAR operation while compensating impacted transmission owners is therefore justified to enhance economic efficiency and align controllable transmission operations with NYISO market objectives and address the SOM 2012-8 recommendation of MMU.

49. M2M Enhancements for New PARs: Moved to Mandatory

23. Methodology for Determining Winter Peak Load Window

23.1. Problem/Opportunity

The current ICAP market Peak Load Windows for the Summer and Winter Capability Periods are determined through an annual review process. The Winter Capability Period Peak Load Window remains a pre-established set of hours, HB 16 through HB 21, until updated winter modeling approaches and assumptions are incorporated into the study model that is used to calculate the LCRs.

In the 2026-2027 Installed Reserve Margin (IRM) study, the New York State Reliability Council adopted the modeling of fuel constraints and included the Champlain Hudson Power Express project, which resulted in winter resource adequacy risk present in the IRM study model for the first time. While the resource adequacy risk was still heavily concentrated in the Summer Capability Period, the presence

of winter risk indicates a shift in the loss of load expectation (LOLE) from summer to winter, which is expected to continue and increase in the years to come.

Building upon the 2025 Winter Reliability Capacity Enhancements project, this project seeks to continue to address the increasing winter resource adequacy risk and better represent the distribution of LOLE found in the IRM resource adequacy model during the Winter Capability Period for resource performance and availability.

23.2. Project Objective(s) & Anticipated Deliverable(s)

This project will evaluate alternative methodologies and propose enhancements to the determination of the Winter Capability Period Peak Load Window. The consideration of how to best accommodate the LOLE risk split between the Summer and Winter Capability Periods will be assessed based upon operational experience with winter resource adequacy risk. Because the distribution of LOLE within the Winter Capability Period may be distinct from the Summer Capability Period, the project will consider how to best represent the daily risk profile within the winter season. Areas for consideration include, but are not limited to, a methodology that captures the consecutive or nonconsecutive duration of hours within the Winter Capability Period Peak Load Window and the threshold of hourly risk within the Winter Capability Period Peak Load Window that is captured.

The 2027 deliverable for this project will be a Market Design Concept Proposed.

23.3. Project Justification

This project enables the NYISO to continue to address the emergence of winter reliability risk that is projected to increase over the long-term as the NYCA transitions to a winter peaking system. By enhancing the methodology for determining the Winter Capability Period Peak Load Window, this project aims to provide the NYCA with the Resources needed to address increasing winter reliability risk.

24. Model TSA Constraints in the DAM (SOM)

24.1. Problem / Opportunity

Thunderstorm Alert (TSA) events are requested by Con Edison and implemented by the NYISO in anticipation of severe weather conditions. The NYISO operates the transmission system more conservatively during TSAs, as if the first contingency has already occurred, which reduces transfer capability from upstate to downstate. Currently, TSA-related transmission constraints are modeled only in the RTM and are not reflected in the DAM. As a result, the DAM tends to under-commit generation in downstate areas and over-commit supply in upstate areas when thunderstorms are anticipated. This misalignment leads to inefficient commitment and dispatch decisions, increased reliance on higher-cost real-time redispatch, and divergence between day-ahead and real-time prices.

Although MPs can respond to these conditions through virtual trading, they cannot precisely predict how much to schedule in the DAM. This can result in balancing congestion shortfalls that result in uplift costs to load and are difficult for MPs to hedge financially. The SOM reported that in 2025, a small subset of high-risk hours accounted for 99% of TSA-related congestion costs. The MMU recommends using a weather-based forecast model to determine the hours in which a TSA event occurs and subsequently model these constraints in the DAM. The MMU demonstrates an example model that could have been used to identify 50 hours in 2025 that had a high probability of a TSA event and load conditions that accounted for 99 percent of TSA-related costs. This targeted modeling of TSAs could improve commitment efficiency, enhance price formation, and reduce uplift by shifting costs to market prices.

24.2. Project Objective(s) & Anticipated Deliverable(s)

The objective of this project is to improve market efficiency and price formation by incorporating TSA-related transmission constraints into the DAM during the subset of hours in which a TSA is likely to occur. This effort will evaluate the use of a weather-based forecast model to determine the high-risk hours in which TSA-related constraints should be simulated and assess the resulting impact on commitment schedules and production cost. The 2027 Project Deliverable will be a Study Complete.

24.3. Project Justification

As weather-driven operational constraints become increasingly important with tighter transmission conditions and an evolving grid, improving coordination between day-ahead and real-time markets will facilitate the efficient and reliable operation of the system. Analysis from the 2025 State of the Market indicates that 2025 TSA events could be forecasted with strong predictive accuracy and the targeted modeling of these constraints may improve commitment decisions, reduce uplift and reliance on high-cost real time dispatch, and improve alignment between the RTM and DAM. This project supports SOM Recommendation 2025-5.

25. Modeling Voltage Recovery Constraints for East End of LI (SOM)

25.1. Problem / Opportunity

Transient Voltage Recovery (TVR) criteria for the East End of Long Island are not represented in the NYISO DAM or RTM models. As a result, NYISO frequently relies on out-of-market generation commitments to satisfy these reliability requirements, particularly during summer operating conditions. These out-of-market actions can lead to inefficient unit commitment and dispatch outcomes. They also prevent market prices from fully reflecting reliability constraints and do not provide efficient incentives to resources capable of contributing to voltage recovery. Absent market-based representation of TVR criteria, reliance on out-of-market actions is expected to continue.

25.2. Project Objective(s) & Anticipated Deliverable(s)

With a project deliverable of Market Design Concept Proposed, the NYISO will evaluate options to represent TVR criteria for the East End of Long Island within the DAM and RTM. The NYISO may also evaluate and develop conceptual surrogate constraint formulations to model TVR requirements. The project will assess the impacts of such constraints on commitment, dispatch, and resource compensation.

25.3. Project Justification

Incorporating TVR criteria into the market models would allow reliability requirements to be satisfied through market-based scheduling rather than out-of-market actions. This would improve dispatch efficiency and price formation while providing appropriate compensation to resources that support voltage recovery. The project responds directly to the SOM recommendation to use surrogate constraints to represent TVR criteria within the markets.

26. Modify Fast-Start Pricing Logic (SOM)

26.1. Problem / Opportunity

During periods of tight system conditions, gas turbines are dispatched more frequently, heightening the importance of real-time prices that effectively incentivize resource flexibility. Under the current fast-start pricing framework, real-time prices reflect the as-offered deployment costs of fast-start units, including start-up, incremental energy, and minimum generation costs. The RTM software (RTC and RTD) schedules resources, including resources that can start, synchronize to the NYS Power System and inject Energy within thirty (30) minutes. The RTC and RTD processes establish a one-hour minimum run time for resources that can start, synchronize to the NYS Power System and inject Energy within thirty (30) minutes, regardless of their minimum run time offer parameter. However, fast-start units that offer minimum run times longer than one hour are excluded from setting price as a Fast-Start Resource. As a result, LBMPs may fail to fully reflect the true costs of maintaining reliability when these gas turbines are required.

26.2. Project Objective(s) & Anticipated Deliverable(s)

For this project, the NYISO would review its fast-start pricing logic, including a specific review of whether to base eligibility on the minimum run time used for scheduling rather than the value of the offer parameter. The 2027 project deliverable will be Market Design Concept Proposed.

26.3. Project Justification

Potomac Economics recommends “NYISO revise the fast-start pricing logic to base eligibility on the minimum run time used for scheduling rather than the value of the offer parameter that is currently ignored for scheduling purposes by the real-time scheduling system” in SOM 2023-2. Their assessment finds that by basing eligibility for fast-start pricing on the minimum run time used for scheduling, rather

than on the value of the offer parameter, the NYISO can enhance price efficiency and provide more appropriate investment signals for market participants. This project supports SOM recommendation 2023-2.

27. Net Congestion Rent Assignment Evaluation [SOM]

27.1. Problem / Opportunity

Potomac Economics has recommended enhancements to the Net Congestion Rent assignment process as part of the Dynamic Reserves project, as well as in the State of the Market (SOM) Report (see Recommendation 2023-1). The recommended enhancements provide a mechanism for assigning the cost of locational Operating Reserves procured to manage post-contingency power flow limit violations. The recommended enhancements would be applied to the current DAM Constraint Residual (DCR) calculation process.

Specifically, Potomac recommends a flow-based assignment of DCR on a transmission facility basis that would replace the existing allocation with one based on the value/cost of scheduled flows, reflecting the impact of uprates, derates, outages, and grid-enhancing technologies (*e.g.*, phase-angle regulators) that are used to optimize transmission flows. Potomac’s recommendation would replace or modify many of the existing OATT Attachment N formulas N-1 through N-15, *i.e.*, the current basis for assigning DAM Congestion Residuals.

The NYISO reviewed the recommended enhancements in 2024, proposed a 2025 project (which also included additional recommended enhancements related to dynamic reserves) to achieve a market design concept proposed. NYISO will continue to execute upon the 2025 project with stakeholders, as prioritized.

Potomac’s Net Congestion Rent enhancements could potentially:

1. Improve incentives for transmission investment and operation,
2. Facilitate the equitable integration of Incremental TCCs,
3. Facilitate the incorporation of locational Dynamic Reserve constraints into the marketplace (*i.e.*, revise the current Rate Schedule 4/5 assignment of locational reserve costs to Load) consistent with cost-causation principles,
4. Enable innovative market design efforts such as dynamic topology optimization (*i.e.*, selectively opening circuits to improve the distribution of flows across the transmission network) and other grid-enhancing technologies.

However, the recommended revisions to the current DCR assignment rules (*i.e.*, OATT Attachment N) would be a significant design, software, testing, and implementation effort.

Therefore, it is appropriate to evaluate the potential benefits of the recommended enhancements, both in terms of their magnitude and distribution. The analysis itself will require significant resources to create new datapoints and to collect existing data, construct the relevant models, process and analyze the data, and interpret the results.

The 2025 project objective did not include this detailed evaluation and therefore did not assign resources to perform this assessment in 2025.

Assessing the impacts of this recommendation requires a comparison of outcomes between the existing DCR allocation process and Potomac's recommendation. Certain data is necessary for this comparison:

For each month:

1. Simulate monthly TCC power flows using the valid TCC injections and withdrawals (*i.e.*, TCCs that are entitled for DAM congestion settlements) for each unique TCC auction topology modified using the contingencies from DAM transmission constraints that were binding during the month.
 - a. TCC power flows will be calculated for the base case topology used in each TCC auction (if there was at least one binding base case constraint in the corresponding DAM month). For each TCC auction, extract the flow across each facility.
 - b. TCC post-contingency power flows will be calculated for the base case topology modified by each unique contingency that was binding for a DAM n-1 contingency constraint. For each TCC auction for each power flow, extract the post-contingent flow across each facility.
2. Actual historical hourly DAM congestion residual settlements for each applicable Transmission Owner (TO). This will include separate tabulations of both assigned residual responsibility (for outages/derates/uprates assigned to each relevant TO) and unassigned residual responsibility.
3. TCC Auction Revenue Allocation, hourly by transmission facility (Optional).

For each hour within each DAM run (*i.e.*, each day):

1. Hourly flow across all facilities for the base case topology (if there was at least one binding base case constraint);
2. Hourly post-contingent flow across all facilities for each n-1 topology that produced a binding n-1 constraint. For example, assume two n-1 constraints were binding in one hour, then each facility would have an n-1 flow value extracted for a total of two post-contingent flow values for that hour.
3. Hourly congestion value across all facilities for the base case topology (if there was at least one binding base case constraint) and for each n-1 topology that produced a binding n-1 constraint. The underlying shift-factors at each node and shadow price of each binding constraint are required to perform this analysis.

Some of this data is not produced today and NYISO would need to create the tools and processes to produce the data. For example, facility specific flow is only calculated in the DAM for binding and “near binding” constraints, with non-binding constraints dropped from the optimization problem.

New tools and processes to produce the necessary data is a pre-requisite to performing the above calculations and will require significant internal and external resources.

The proposed project will evaluate the process to collect the data needed to evaluate Potomac’s recommendation and a study timeline required to estimate the potential benefits of Potomac’s recommended enhancements to the DAM congestion residual allocation process.

27.2. Project Objective(s) & Anticipated Deliverable(s)

The 2027 project deliverable will be a Study Complete.

27.3. Project Justification

This project would enable an assessment of the benefit of Potomac’s recommended enhancements to the DCR allocation process, a pre-requisite to a decision to adopt the enhancements.

*This approach significantly reduces the computation time and expense of finding the optimal solution and enables timely running, and posting, of the DAM, and real-time market evaluations. Importantly, this approach retains all data necessary to calculate LBMP.

28. Operating Reserves Performance

28.1. Problem / Opportunity

Assessing an operating reserve provider’s stated capabilities or performance is becoming a growing concern as the grid becomes more dependent on intermittent renewable generators and limited duration or limited energy resources. It is important that the NYISO can count on resources stated capabilities when they are instructed to convert reserves to energy in response to grid reliability needs, such as load balancing or contingency response. Additionally, under current market rules, operating reserve providers receive the same compensation regardless of their actual performance. This compensation structure may not provide adequate incentive to perform resulting in the potential for adverse impacts to system reliability.

Based on NERC and Northeast Power Coordinating Council rules, if the NYISO fails to procure sufficient reserves to recover from a Disturbance Control Standard event, the NYISO may be required to procure additional reserves and may be subject to financial penalties. Additionally, if a supplier cannot fully convert operating reserves to energy at the NYISO’s direction, the NYISO must dispatch other, often more costly, resources to provide the needed energy, or be forced to take out-of-market actions that cause uplift and can reduce market efficiency. The Operating Reserves Performance project seeks to improve market efficiency and help maintain system reliability.

28.2. Project Objective(s) & Anticipated Deliverable(s)

The 2027 deliverable for this project is Market Design Complete.

28.3. Project Justification

As the markets and grid are expected to rapidly evolve in the coming years and reliance on grid reliability services such as operating reserves increases, enhancements to the methods for both assessing the performance of operating reserves providers and compensating them in a manner that reflects performance will be of growing importance. The Market Monitoring Unit has previously recommended that the NYISO “[c]onsider means to allow reserve market compensation to reflect actual and/or expected performance [SOM Recommendation 2016-2].”

The Operating Reserves Performance project seeks to improve incentives for operating reserves performance and alignment of actual performance expectations with the reserve capability offered to the market. Ensuring that operating reserves capabilities are accurately stated will aid the NYISO in procuring the necessary levels of operating reserves for reliable operation and reduce the need for potentially less efficient and/or costly actions to ensure access to adequate production capability.

29. Outage Scheduling Enhancements [SOM]

29.1. Problem / Opportunity

The NYISO has the responsibility to ensure sufficient capacity is expected to be available to serve all New York Control Area (NYCA) load on an annual basis. All generators located in the NYCA or supplying ICAP to the NYCA must submit notification of any proposed outage schedule through NYISO maintenance outage coordination. If a proposed outage schedule will result in insufficient reserves, then the generation owners will be directed to move its outage to a period where its outage is not expected to compromise the reliability of the electric system.

Maintenance frequently lasts for weeks or months, so maintenance is generally conducted during low demand periods when reserve margins are largest. Maintenance costs are affected by the duration and timing of the outage, which affects the availability of plant staff and maintenance contractors. The 2025 SOM finds that generation owners sometimes propose scheduling outages that would leave a region deficient of capacity during a given period. New York Transmission Owners (NYTOs) have local capacity needs and transmission outages that further limit the availability of outage time slots. Lastly, forced outages of generation and transmission may unexpectedly reduce reserve margins further and require rescheduling of certain planned outages. As reserve margins have decreased in recent years maintenance scheduling has become more challenging.

There is an opportunity to review and update the NYISO’s procedures to better incentivize generators to schedule maintenance during periods of low resource adequacy risk to better support grid operations.

29.2. Project Objective(s) & Anticipated Deliverable(s)

The NYISO will consider whether the existing outage scheduling rules need to be revised to provide more incentive for generators to conduct planned and maintenance outages more quickly and at times that do not undermine reliability. The 2027 deliverable for this project would be Issue Discovery.

29.3. Project Justification

The opportunities and resources for generators to perform required maintenance are limited. Therefore, providing appropriate incentives for generators to schedule maintenance during periods of lowest system demand can better ensure the NYCA has sufficient operating resources during period of highest system demand. This project directly addresses SOM Recommendation #2025-4.

62 Qualifications for Capacity Imports from ISO-NE - Requested by LIPA

62.1 Problem / Opportunity

Pursuant to ICAP market rules, in order to be eligible to sell capacity for a particular month, External Installed Capacity Suppliers must provide proof of deliverability to the NYCA border, NYCA interface with an Unforced Capacity Deliverability Rights transmission facility, or the NYCA interface over which an External-to-ROS Deliverability Rights facility creates increased transfer capability, as applicable. External Installed Capacity Suppliers seeking to obtain capacity import obligations into the NYCA from ISO-NE must provide verifiable documentation, which can include confirmation that the External Installed Capacity Supplier's Resource is electrically located in an ISO-NE Capacity Zone. This excludes resources that are located in a Capacity Zone modeled in ISO-NE for the specific period as, among other things, an import-constrained Capacity Zone that is separated from the NYCA capacity zone into which the External Installed Capacity Supplier is seeking to obtain a capacity import obligation by one or more import-constrained or export-constrained Capacity Zones.

Currently, ISO-NE runs Forward Capacity Auctions (FCA) every year, approximately three years and four months in advance of the relevant Capacity Commitment Period for that FCA. The NYISO evaluates the eligibility of an External ICAP Supplier electrically located in ISO-NE based on zonal deliverability constraints that have been identified several years in advance of the relevant ISO-NE Capacity Commitment Period and whether any identified constraint is resolved through the ISO-NE Capacity Export Through Import-Constrained Zones (CETICZ) market mechanism.

Starting in May 2028, ISO-NE intends to replace its Forward Capacity Market with a prompt capacity market in which an Annual Capacity Auction would be held approximately one month before the relevant Capacity Commitment Period. As a result, the NYISO and Market Participants may no longer have the information necessary to determine eligibility prior to the August 1 deadline for submitting elections to participate in the NYISO ICAP market in the upcoming Capability Year. Separately, ISO-NE is contemplating eliminating the CETICZ market mechanism. This change may impact an External ICAP Supplier's ability to export through an ISO-NE import-constrained zone and, in turn, its eligibility to participate in the NYISO ICAP market.

62.2 Project Objective(s) & Anticipated Deliverable(s)

The project will review NYISO market rules and processes related to determining the eligibility of External Installed Capacity Suppliers seeking to obtain capacity import obligations into the NYCA from ISO-NE in light of ISO-NE's transition to an annual capacity auction structure and the elimination of the CETICZ market mechanism. The project will explore potential revisions to the NYISO Market Administration and Control Area Services Tariff and ICAP Manual due to these ISO-NE capacity market rule and process changes. The project deliverable for 2027 would be Market Design Complete.

62.3 Project Justification

Coordination of NYISO ICAP market rules and procedures with External Control Area market reforms improves market-to-market transactions and supports durable and efficient capacity markets.

30 Reliability Attribute-based Capacity Pricing for Transmission Security [SOM]

30.1 Problem / Opportunity

Two tenets of power system reliability are resource adequacy and transmission security. The current ICAP market structure primarily compensates for resource adequacy and only indirectly compensates resources for transmission security. The ICAP market considers transmission security by establishing transmission security limit floor values as a lower limit on the allowable Locational Minimum Installed Capacity Requirement values. In 2024, as part of the Valuing Transmission Security project, the NYISO highlighted the potential issues with the current representation of transmission security needs in the ICAP market and potential market design options to explicitly compensate capacity resources for their contribution to maintaining transmission security margins. Some resources may make different contributions to maintaining transmission security margins and supporting resource adequacy. By directly reflecting and compensating for transmission security either through refined capacity accreditation, zonal enhancements, or locational marginal reliability metrics, resources that contribute to transmission security may be more appropriately compensated for their reliability value.

30.2 Project Objective(s) & Anticipated Deliverable(s)

Building upon the 2024 Valuing Transmission Security Issue Discovery Report and 2025 Capacity Market Structure Review Issue Discovery Report, this project will propose any necessary ICAP market design changes to provide for efficient capacity market compensation for both resource adequacy and transmission security, while maintaining an effective overall market structure. Options to explore could include, but are not limited to, establishing a second set of demand curves, developing transmission security-based capacity accreditation methodologies and associated rules, and establishing a new ICAP market auction structure to solve the two products, resource adequacy and transmission security co-optimally as well as merging transmission security within the resource adequacy model. The project deliverable for 2027 will be Market Design Complete.

30.3 Project Justification

Pricing transmission security explicitly may better represent reliability needs within the structure of the ICAP market. This approach seeks to enhance transparency and investment signals in areas where transmission limitations become the prevailing reliability risk, reduce reliance on out-of-market reliability contracts, and support more efficient grid planning. Current and future MPs may gain clearer guidance on which resource attributes are most valued, encouraging innovation and targeted development of resources that support grid resilience. It may also provide the NYISO with a framework to adapt more flexibly to emerging risks for future potential attribute valuation and compensation mechanisms.

31 Reliability Need - Supply Side Solicitation

31.1 Problem / Opportunity

The 2025-2034 Comprehensive Reliability Plan (CRP) identified a key recommendation to “Structure a multifaceted approach to address resource shortfalls.” Historically, regulated solutions have focused on transmission, but future reliability needs will increasingly require new or repowered generation resources—in addition to wires. Existing tariff mechanisms are not consistently structured to identify, attract, and enable new or alternative resource solutions when transmission is not the preferred or a feasible option. Current processes do not always provide clear pathways or sufficient incentives for new resources. The NYISO will work in close collaboration with policymakers and stakeholders to identify appropriate process improvements to enable supply-side solutions.

31.2 Project Objective(s) & Anticipated Deliverable(s)

The 2027 objective of this project is Deployment. The NYISO will develop and implement targeted tariff revisions and market rule enhancements that more effectively support supply-side solutions to reliability needs identified through the CRP when transmission is not the preferred solution.

31.3 Project Justification

This project is justified by the growing importance of supply-side solutions in meeting New York’s emerging reliability needs and the limitations of existing tariff frameworks in enabling those solutions. Without enhancements, there is a risk that viable new resources will face procedural or timing hurdles that prevent them from addressing identified needs.

32 Reliability Planning & Large Load Integration [SOM]: Will be added to Project 60--FERC Order on Large Loads

32.1 Problem / Opportunity

The NYISO has experienced an exponential growth in large load interconnection requests over the last three years—a trend seen across the country. These large load projects vary in their function—e.g., AI, crypto-currency mining, semiconductor manufacturing, and hydrogen electrolysis—and are often tied to local economic development. These large loads, some equivalent to the demand of the city of Rochester, can develop from concept to in-service in a matter of a couple years, which is much faster than it takes to develop an equivalent amount of generation to serve the new load. The current load interconnection process affords limited opportunities for: 1) the NYISO to identify reliability issues at the bulk level that may result from the collective impact of multiple load interconnections proceeding in parallel; and 2) load developers to progress quickly through the NYISO interconnection process to meet business needs and expedited deadlines.

32.2 Project Objective(s) & Anticipated Deliverable(s)

The objective of this project is to improve the current load interconnection process to further address bulk system reliability concerns and speed up the overall load interconnection process to provide solutions for the unique issue presented by these types of large load projects and accelerated timelines for project development and in-service dates. This is a multi-year project, with a Market Design Complete milestone for 2026, for NYISO to propose revisions to the load interconnection process and adjustments to the organizational structure (if needed) to sustain the improvement. It is anticipated that these revisions could impact other NYISO processes, such as Reliability Planning Process, Short Term Planning Process, Demand Forecasting, DER, and customer registration, among others.

The 2027 project target milestone will be Deployment, with a plan to:

- Reduce manual processes
- Update manuals

32.3 Project Justification

These large loads can be important to support economic development or policies. While the reliability margins are decreasing in NYCA, incorporating these large loads in a reliable and timely fashion becomes critical. The proposed project aims to promote the transparency and efficiency of the process, as well as the ability to more fully address the reliability issues (if any) due to the expedited integration of these large loads.

33 Review Ancillary Service Shortage Pricing [SOM]

33.1 Problem / Opportunity

As the New York Control Area (NYCA) experiences load growth, the evolution of the supply mix, retirements of dispatchable generation, and increasing inter-regional grid events, the role of Ancillary Services—particularly Operating Reserves—has become increasingly critical for maintaining system reliability.

The 2024 State of the Market (SOM) Report finds that NYISO’s current Operating Reserve Demand Curves (ORDCs) understate the reliability value of reserves during deep shortage conditions. Specifically, the SOM Report shows that shortage prices produced by existing ORDCs are substantially below both: (i) the marginal reliability value of reserves as estimated using Expected Value of Lost Load (EVOLL) methodologies; and (ii) shortage pricing levels in neighboring ISO/RTO markets. This misalignment weakens incentives for resources to remain available and responsive during scarcity conditions, increases the likelihood of reliance on out-of-market actions, and may create incentives for exports away from NYISO during periods of heightened reliability risk.

Accordingly, there is an opportunity to review and update NYISO’s shortage pricing framework—particularly the structure and parameters of the ORDCs—to better align price signals with reliability needs, improve coordination with neighboring markets, and support a reliable grid.

33.2 Project Objective(s) & Anticipated Deliverable(s)

The objective of this project is to evaluate and enhance, as appropriate, NYISO’s ORDCs to ensure that Operating Reserves and Regulation prices during shortage conditions provide efficient signals to support reliable operation. The 2026 target project milestone for this project will be Market Design Concept Proposed.

33.3 Project Justification

Well-designed shortage pricing is a foundational element of wholesale electricity markets, both sending a signal for the value of reliability while protecting consumers from inefficient pricing outcomes. Well-designed shortage pricing has the potential to facilitate cost-effective and reliable outcomes as NYISO’s system becomes more dependent on flexible and fast-responding resources to manage variability and uncertainty. This project directly supports SOM Recommendation 2017-2.

34 Review of Non-Competitive Proxy Bus Pricing Rules in the Export Direction Requested by H.Q. Energy Services (U.S.) Inc.

34.1 Problem / Opportunity

Under existing pricing rules for energy exports at non-competitive proxy buses (NCPB) representing the interties with Hydro-Québec, RTD does not calculate real time congestion when the LBMP is greater than \$0.00. See MST Section 17.1.6.3.2. When a line is oversubscribed in the hour-ahead

market (HAM) in the export direction, RTC will reduce schedules based on the economic ranking of the supporting bids, and pro-rate schedules that have the same bid price.

Since the summer of 2025, the HQ interties have experienced intense competition between several market participants that bid to export energy out of the NYCA, usually at the maximum allowed bid price of +\$2000/MWh. As a result, all schedules, including real-time schedules that support DAM schedules and capacity export schedules, have frequently been pro-rated.

When price spreads appear between Zone D and the sink markets (e.g., Ontario and New England), the current market design creates a distorted incentive for market participants to schedule large amounts of energy out of the NYCA in the real time market to capture the spreads. The absence of economic congestion calculated in RTD at NCPBs makes day-ahead congestion hedges (TCCs) less useful. As a result, exports scheduled in the day-ahead market, including capacity-backed exports, do not receive the level of priority of service that HQ believes should be provided.

For more background information, see the presentation of HQUS at the April 22, 2026 MIWG: <https://www.nyiso.com/documents/20142/57746290/HQUS%20MIWG%20Presentation%202026-04-22%20-%20NCPB%20scheduling%20UPDATED.pdf/57844d8f-7fc6-a736-5e20-73f939a3cc5b>

34.2 Project Objective(s) & Anticipated Deliverable(s)

The objective of the project is to assess alternative market designs to address the distorted incentives to use the real time market instead of the day ahead market to schedule energy out of the NYCA at the HQ interfaces. Possible alternatives would include modifying NCPB rules in the export direction to calculate congestion in RTD, or allowing different bid price caps in the HAM for capacity export schedules, DAM schedules and RT schedules so that capacity and DAM schedules have a higher economic priority than RT schedules in RTC.

The project deliverable is deployment.

34.3 Project Justification

This market improvement is expected to improve price convergence between DAM and RTD at the HQ interfaces and improve market efficiency by removing a distorted incentive to over-schedule in the HAM at the maximum bid price cap of +\$2000/MWh rather than in the DAM to capture price spreads with external control markets. In turn, addressing this distorted incentive is likely to improve the value of TCCs in the export direction at the HQ interfaces by making DAM congestion potentially more likely than currently.

35 Review of Real-Time Market Structure

35.1 Problem / Opportunity

In a time of unprecedented change in the electricity sector, New York's competitive electricity markets must be positioned to unleash the innovation and flexible energy solutions necessary for a reliable transformation towards a zero-emissions power grid. A rapid transition is underway in New York State

from a power grid where energy is largely produced by central-station fossil fuel generation, towards a grid with increased intermittent renewable resources and distributed generation.

The pace of this transition is driven primarily by state policy. In addition, technological advancements are expanding the capabilities of new resources and lowering their costs, further driving broader industry changes.

The NYISO is actively working on market enhancements to meet these future challenges. A grid characterized by high levels of intermittent renewable resources, Energy Storage Resource (ESR), and DER may require different Real-Time market structures and rules to efficiently balance intermittency and uncertainty while continuing to efficiently schedule energy transactions and commit short lead time resources.

The NYISO approaches this work with two guiding principles: (1) all aspects of grid reliability must be maintained; and (2) competitive markets should continue to maximize economic efficiency and minimize the cost of maintaining reliability.

35.2 Project Objective(s) & Anticipated Deliverable(s)

This project will review the existing real-time market structure and settlements and determine if changes are needed to maintain reliable operation in real time. The project will review the current real-time market and settlement structure, the risks associated with a grid characterized with high levels of intermittent renewable resources, ESR and DER and will review potential alternative structures. Building on the 2026 Issue Discovery effort, the 2027 project deliverable will be Study Defined.

35.3 Project Justification

This project will help to identify the means to maintain real-time system reliability while addressing the state's goals and mandates in a cost-effective way through the creation of proper market mechanisms. This project also supports SOM Recommendation 2012-13.

36 Storage as Transmission

36.1 Problem / Opportunity

The unique characteristics of energy storage allow these assets to provide many potential services to grid operators. During normal operation, storage can have positive impacts on transmission systems by shifting demand, supporting ancillary services, and managing transmission congestion. Currently, the NYISO tariffs treat storage as a market-based Generator that competes and is scheduled in parallel with other suppliers. When operating as a market resource, storage can have positive impacts on transmission systems by shifting demand, supporting ancillary services, and managing transmission congestion. In some instances, storage used exclusively as a regulated transmission asset, instead of as a market resource, could provide an alternative option for providing the same services as traditional

transmission solutions. Previous project efforts have proposed rules for eligibility, assessment, operation, and cost recovery of energy storage as a regulated solution to identified transmission needs.

36.2 Project Objective(s) & Anticipated Deliverable(s)

The 2027 project deliverable is Functional Requirements Specifications. The 2026 deliverable of Functional Requirements Specifications is an unresourced project.

36.3 Project Justification

Transmission upgrades may be necessary to deliver more clean energy across New York’s electric grid. However, transmission development is often difficult, expensive, and on very extended development time frames. Utilizing storage as regulated transmission assets may serve as an alternative to provide or enhance these services on a shorter timescale and potentially at lower cost, while preserving valuable optionality in the process. However, storage does not create transfer capability on the grid and thus it may not be the appropriate solution in many cases. Without fully vetting the opportunities and risks for considering whether storage can offer viable and reliable alternatives to traditional transmission, the marketplace will not have certainty on whether there is value to these potential projects. Market rule changes would only be pursued if they were expected to unlock these benefits.

37 Time Differentiated TCCs

37.1 Problem / Opportunity

The Time-Differentiated TCC project seeks to improve the TCC market by introducing the availability of more granular products. Such enhancements seek to address requests from MPs for improved commercial flexibility and forward congestion price transparency. Currently, only a 24-hour TCC is available, which may limit MPs' ability to hedge congestion effectively, as it lacks period-specific granularity. This makes it challenging to manage varying congestion patterns throughout the day or week. Offering more granular TCC products would allow MPs to hedge congestion costs during specific periods of the day or week, improving flexibility in both current and future grid conditions, particularly for a grid with more intermittent resources. These changes may also support further market design enhancements.

37.2 Project Objective(s) & Anticipated Deliverable(s)

The deliverable for the 2027 Time-Differentiated TCC project is to achieve Market Design Complete, building on the concept proposal framework developed in the 2021 and 2026 phases. To obtain Market Design complete, the NYISO will work with stakeholders to finalize market rule changes and develop any associated tariff modifications to allow for TCC products to be defined for different time periods. For example, more granular TCC products make multi-period auctions more complex and implementation may require automating Existing Transmission Capacity for Native Load (ETCNL) feasibility analysis and developing an inventory system for both ETCNL and Original Residual TCCs. The implementation of Time-Differentiated TCCs also requires adapting the existing credit policy to address more granular TCC products.

37.3 Project Justification

Implementing more granular TCC products may: (1) enhance TCC usefulness for tailored congestion hedges, including for intermittent generation; (2) lower congestion hedging costs for MPs; (3) improve forward congestion price signals by distinguishing time-varying patterns; and (4) enable other market design improvements.

38 Voltage Support Service for Inverter Based Resources (VSS-IBR)

38.1 Problem / Opportunity

The New York State Reliability Council (NYSRC) issued Reliability Rule #151 - Reliability Rule B.5: Establishing New York Control Area (NYCA) Interconnection Standards for Large IBR Generating Facilities, which adopts all normative mandatory requirements specified in IEEE 2800-2022. The new rule necessitates updated testing requirements and settlement mechanisms for inverter-based resources (IBRs). IEEE 2800-2022 requires that new large IBR generating facilities have the capability to produce and absorb MVAr at zero active power output. However, the mandates of the new rule may not be required by the NYISO under its existing Voltage Support Service program. This requires the NYISO to revisit the existing payment structure and revise existing protocols to accurately assess IBR performance and facilitate appropriate compensation for reactive power.

38.2 Project Objective(s) & Anticipated Deliverable(s)

The Voltage Support Service for Inverter Based Resources (VSS-IBR) project will deliver updated testing requirements and settlement mechanisms to align with the new rule set forth by the NYSRC. The 2027 project deliverable would be Market Design Concept Proposed.

38.3 Project Justification

This project is crucial for compliance with the latest NYSRC reliability rules regarding reactive power capability for IBRs. This project will explore providing an incentive for existing IBRs to upgrade their equipment to provide reactive power support at zero MW output. Procuring this service would greatly enhance grid reliability and could alleviate the need to commit fossil fuel-based generators for voltage support only through the Supplemental Resource Evaluation (SRE) process. Being able to rely on this service might even contribute to efficient/economic solutions to the voltage issues identified through the reliability planning process. By aligning testing requirements and settlement mechanisms with the new rule, the project facilitates accurate assessment of IBR performance and fair compensation for power support. This enhances grid stability and reliability while promoting the efficient utilization of IBRs in the NYCA.

Mandatory

39 Ambient Adjusted Transmission Lines Rating

39.1 Problem / Opportunity

FERC Order 881 requires the NYISO to implement ambient adjusted line ratings for use in near-term operational evaluations, necessitating coordinated changes across systems and data interfaces. Building on prior years that established requirements and functional specifications, a detailed system design is needed to translate these requirements into an implementable solution within Network Manager (NM). The 2027 project provides the opportunity to complete a Software Design Specification that aligns NYISO's approved functional requirements with vendor capabilities, reduces implementation risk, and prepares the organization for future deployment in support of Order 881 compliance.

39.2 Project Objective(s) & Anticipated Deliverable(s)

The 2027 objective for this project is to develop a Software Design Specification that translates NYISO-approved Ambient Adjusted Rating (AAR) functional requirements into an implementable technical design within NYISO's EMS/BMS. Building on prior years that completed regulatory assessment, stakeholder coordination, and functional requirements definition, this effort will focus on aligning the NYISO's needs with vendor capabilities. The project objective is a validated system design that reduces implementation risk and prepares the organization for future deployment in support of FERC Order 881.

39.3 Project Justification

This project continues the NYISO's multi year effort to comply with FERC Order 881, building on the 2026 initiative that completed AAR functional requirements. Developing a Software Design Specification in 2027 is necessary to translate approved requirements into a viable technical design. This work represents the ongoing commitment to achieving compliance with FERC Order 881, furthering the NYISO's progress toward future AAR deployment. Postponing this effort would delay the organization's readiness to meet regulatory requirements outlined in Order 881.

40 FERC Order 2222 Compliance

40.1 Problem / Opportunity

FERC's issuance of Order No. 2222 presents additional scope to NYISO's previously approved DER market design. In 2021, 2022 and 2024, the NYISO developed and filed market rules in compliance with Order No. 2222. In 2024, NYISO completed the Functional Requirements Specification for all functionality remaining to support the filed tariff language for compliance with the Order. In 2025, the

NYISO completed the Software Design Specification for Order No. 2222 Compliance requirements based on the 2024 Functional Requirements Specification. In 2026, the NYISO completed software development. In 2027, the NYISO will deploy the software in alignment with accepted tariff language to support Order No. 2222.

40.2 Project Objective(s) & Anticipated Deliverable(s)

The anticipated deliverable is Deployment of software according to the requirements of Order No. 2222.

40.3 Project Justification

This project will enable the NYISO to incorporate software specifications to support market design features required by Order No. 2222 that were not previously included in the initial deployment of DER due to resource constraints and a lack of final ruling from the Commission.

The 2027 effort will enable NYISO's DER Participation Model and software to be fully compliant with the requirements of FERC Order No. 2222.

60 FERC Order on Large Loads

Description will be developed after FERC issues the order.

41 FERC Transmission Planning Order 1920 Implementation

41.1 Problem / Opportunity

FERC issued Order 1920 on Long-Term Regional Transmission Planning and Cost Allocation on May 13, 2024, and then subsequently Orders 1920-A and 1920-B in November 2024. The final rule requires the NYISO to reform its current regional transmission planning process (i.e., the Comprehensive System Planning Process [CSPP]) to, among other things, establish a process to identify and address long-term transmission needs over a 20-year time horizon, improve coordination of its CSPP and generator interconnection procedures, require consideration of alternative transmission technologies, improve transparency and coordination of local transmission planning processes, and require the establishment of a right of first refusal for right-sized replacement transmission facilities selected to meet an identified long-term transmission need.

This is a multi-year project that started in 2024 to explore the potential changes required to its transmission planning process to comply with the final rule. In 2025, an Issue Discovery document was completed to outline necessary business changes to the regional transmission planning process. In 2026, the NYISO is developing a finalized process and will submit a compliance filing, including necessary tariff revisions for the NYISO's regional requirements. Additionally, it will begin work on the inter-regional coordination requirements. For 2027, NYISO will finalize coordination requirements and submit a subsequent compliance filing for NYISO's inter-regional coordination requirements.

41.2 Project Objective(s) & Anticipated Deliverable(s)

For 2027, the objective is to complete a manual for the NYISO's regional requirements and a compliance filing, including necessary tariff revisions for the NYISO's inter-regional requirements. The project delivery for 2027 will be Market Design Complete.

41.3 Project Justification

The project is required to comply with a FERC final rule Order 1920.

42 Hybrid Aggregation Model

42.1 Problem / Opportunity

As part of the 2022 Hybrid Aggregation Model project, the NYISO developed market rules and Functional Requirements for two participation models, Co-Located Storage Resources (CSRs) and Hybrid Storage Resources (HSRs). Under the CSR participation model, an ESR and an eligible generating resource are co-located at a single point of interconnection, share the same point identifier (PTID), and participate in the NYISO markets as two distinct resources with separate bids, schedules, and settlements, subject to shared scheduling limits. Under the HSR participation model, eligible co-located resources share a single point of interconnection and participate in the Energy and Ancillary Services Markets as a single aggregated resource.

The market rules that the NYISO implemented in December 2021 for CSRs limited eligibility to an ESR and a wind or solar IPR. In 2024, the NYISO added steam turbines as an eligible resource that can co-locate with an ESR for eligibility as a CSR. Expanding the CSR-eligible resource types to include steam turbines provides an opportunity for the development of additional CSRs. In 2026, the NYISO completed development of the HSR functionalities, with plans to complete the project in 2027.

42.2 Project Objective(s) & Anticipated Deliverable(s)

The 2027 project goal is to reach the Deployment milestone for the HSRs functionalities as defined in the market design approved by stakeholders. The NYISO is required to implement HSR in its markets by April 30, 2027.

42.3 Project Objective(s) & Anticipated Deliverable(s)

State and federal initiatives, such as renewable energy credit (REC) procurements, provide incentives for developers to couple storage and intermittent renewable assets. These programs are aimed at reducing output volatility and improving the availability of intermittent resources. The NYISO has implemented a CSR model for front-of-the-meter generators plus storage, which is two distinct resources with a shared injection limit, that better aligns the NYISO's market procurement with state and federal efforts to integrate more clean energy into the grid. The NYISO has also broadened the range of resources that can use its existing CSR participation model. The 2027 project deliverable of

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HSR functionality deployment will complete the implementation of the Hybrid Aggregation Model effort.

49 M2M Enhancements for New PARs: **Moved from Prioritize**

49.1 Problem / Opportunity

The NYISO-PJM Market to Market (M2M) coordination process focuses on real-time market coordination to manage transmission limitations that occur on certain Flowgates in a more cost effective manner and to coordinate operation of the NY-NJ Phase Angle Regulators (PARs) that are located at the NYISO – PJM interface. This real-time coordination provides a more efficient economic dispatch solution across both markets to manage the real-time transmission constraints that impact both markets, focusing on the actual flows in real-time to manage constraints. A new PAR is scheduled to be installed on the East Towanda-Hillside line in 2026. With this planned installation the NYISO seeks to update the OATT and other applicable documentation/procedures and make software updates to allow for future PARs to be included in the M2M PAR coordination program.

49.2 Project Objective(s) & Anticipated Deliverable(s)

The objective of this project is to identify and capture the necessary software and tariff updates required to include new PARs at the NY-PJM border. **The 2027 project deliverable will be Functional Requirements ~~Market Design Concept Proposed~~. Implementation is expected to be completed in 2028~~2029~~.**

49.3 Project Justification

With the addition of PARs at the NY-PJM seam, it is important to continue the coordination of PAR control actions across all the border PARs to reduce the overall cost of congestion.

43 Quadrennial Demand Curve Reset

43.1 Problem / Opportunity

Every four years, the NYISO, along with its stakeholder community, conducts a comprehensive review to determine the parameters used in establishing the ICAP Demand Curves. This process is referred to as the demand curve reset (DCR). As currently required by the tariff, the study includes an examination of potential peaking unit technologies and the financial parameters assumed in the construction and operation of such technologies, along with an estimate of the projected profit earned in the Energy and Ancillary Service markets, to determine unit with the “lowest fixed costs and highest variable costs among all other units’ technology that are economically viable” that serves in establishing values for each of the ICAP Demand Curves.

Based on current rules, the upcoming DCR would address the ICAP Demand Curves for the 2029-2030 through 2032-2033 Capability Years. The filing to address the results of the DCR would be submitted

on or before November 30, 2028 and include the proposed curves for the 2029-2030 Capability Year, together with the assumptions and methodology used in the annual updates to determine the resulting curves for the 2030-2031, 2031-2032, and 2032-2033 Capability Years. Given the complexity of the DCR process, advanced effort and planning is needed to meet the timeline requirement for the upcoming DCR.

Notably, however, ongoing efforts related to the *Capacity Market Structure Review* initiative may inform and/or require adjustments to the upcoming DCR, including the ongoing *ICAP Demand Curve Reset Process and Methodology Improvements* effort. The status of such ongoing efforts will continue to be monitored for potential impacts on the upcoming DCR.

43.2 Project Objective(s) & Anticipated Deliverable(s)

This periodic review of the ICAP Demand Curves seeks to ensure that the capacity market continues to efficiently support reliability and send accurate, transparent price signals. Under current rules, the review is performed by engaging an independent consultant to lead the DCR process.

Historically and based on current rules, the DCR process culminates in a filing on or before November 30 of the calendar year prior to the first year of the reset period. Such filing has included the proposed curves for the first Capability Year encompassed the reset period along with the assumptions and methodology to be used to set demand curves for the subsequent three Capability Years of the reset period

The 2027 project deliverable will be Study Defined, which, consistent with currently effective rules, will include selection of an independent consultant to assist with conducting the DCR and posting an initial project milestones and schedule for completing the DCR.

43.3 Project Justification

The current quadrennial DCR is mandated by the tariff. The DCR is a resource intensive process for both the NYISO and stakeholders that has a significant impact on the market as a whole.

Continuing

44 Dynamic Reserves Phase 1 [SOM]

44.1 Problem / Opportunity

Today, the NYISO procures fixed quantities of operating reserves in specified regions across the state. This static approach may not reflect changing system conditions, which are expected to become more variable as new resources enter the market in coming years.

Under NYSRC rules, the NYISO must procure enough 10-minute reserves to cover the single largest source contingency and enough 30-minute reserves to cover the two largest source contingencies at

all times. Dynamically setting reserve requirements could maintain reliability and improve market efficiency by better matching reserves to system needs.

NYSRC rules also require the NYISO to keep transmission facilities at or below their Long-Term Emergency (LTE) rating post-contingency. In limited New York City cases, the NYISO may operate above LTE using unscheduled generation and Phase Angle Regulator (PAR) actions to quickly re-secure facilities post-contingency, which can reduce production costs by relaxing limits on facilities feeding NYC load pockets. Currently, reserve providers in these load pockets are not compensated for the avoided congestion they enable when higher-than-LTE securing is used.

Dynamic Reserves, as designed and approved by stakeholders in 2024, would enhance current modeling by: (i) adjusting minimum operating reserve requirements based on the single largest contingency or the simultaneous loss of the two largest contingencies, and (ii) accounting for transmission headroom when determining reserve needs in constrained areas. These changes could support scheduling reserves above minimums where available and shifting reserves to lower-cost regions when transmission capability exists. Overall, the 2024-approved methodology could improve market efficiency by enhancing competition and better aligning market outcomes with system operations.

44.2 Objective(s) & Anticipated Deliverable(s)

Anticipated 2027 deliverable: Development Complete.

44.3 Project Justification

As markets and grid conditions evolve, reserve modeling must be more flexible. The MMU recommended that the NYISO “[d]ynamically adjust operating reserve requirements to account for factors that increase or decrease the amount of reserves that must be held on internal resources [SOM Recommendation 2015-16].” Dynamic Reserves would better align reserve requirements and procurement with system conditions by dynamically accounting for the single largest source contingency and the loss of transmission capability into a region. This could improve market efficiency by allowing more energy from a single source when adequate reserves are available and by scheduling reserves in lower-cost regions when transmission can support post-contingency imports into constrained areas. Dynamic reserve requirements and procurement could enhance grid resilience, encourage flexibility, lower total production costs, and improve efficiency in meeting applicable reserve requirements. This project also supports SOM Recommendations 2015-16, 2021-2.

45 Market Purchase Hub Transactions – Requested by LIPA

45.1 Problem / Opportunity

The ability for marketers to source energy from the wholesale market, (i.e., buy at Locational Based Marginal Pricing (LBMP) for sale to load or other parties) is important for municipalities to take

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advantage of Treasury Department regulations allowing for tax-advantaged prepaid energy market purchases that serve retail load, and may be valuable to a broad range of MPs for other commercial purposes. The Netting of Bilaterals (Trading Hubs) initiative was first proposed in 2008, but was limited to balanced transactions. The proposed project would expand the rules to allow unbalanced market purchase hub transactions.

45.2 Project Objective(s) & Anticipated Deliverable(s)

This project will modify zonal trading hubs in the NYISO energy market systems to provide additional flexibility in scheduling of hub transactions. Using the NYISO scheduling system, a Market Participant will be able to establish unbalanced transactions to purchase power from the NYISO Day-Ahead Market for either ultimate delivery to a load or resale back into the Day-Ahead Market. This project will also modify zonal trading hubs by allowing Trading Hub Energy Owner -to- Trading Hub Energy Owner transactions. The 2027 deliverable will be a deployment.

45.3 Project Justification

The market design will modify zonal trading hubs to allow unbalanced transactions and provide additional flexibility in the scheduling of trading hub transactions.

Future

46 Balancing Intermittency Phase 3: Evaluation of Efficient Operating Reserve Scheduling Practices and Designs

46.1 Problem / Opportunity

In a time of unprecedented change in the electricity sector, New York’s competitive electricity markets must be positioned to unleash the innovation and flexible energy solutions necessary for a transformation towards a zero-emissions power grid. A rapid transition is underway in New York State from a power grid where energy is largely produced by central-station fossil fuel generation, towards a grid with increased intermittent renewable resources and distributed generation.

A grid characterized by high levels of intermittent renewable resources, ESR, and DER will require new thinking to adequately balance intermittency on the system and the associated system ramps. The NYISO approaches this work with two guiding principles: (1) all aspects of grid reliability must be maintained; and (2) competitive markets should continue to maximize economic efficiency and minimize the cost of maintaining reliability.

As Operating Reserve needs grow to provide the flexibility needed to manage increasing uncertainty and variability, the efficient scheduling of such Operating Reserves will become increasingly important. Currently, Operating Reserves are scheduled strictly based on the supplier’s offer to provide Operating Reserves. Alternate designs may enable broader consideration of Operating Reserve supplier costs, such as the cost of energy if the Operating Reserve supplier is converted from reserves to energy.

46.2 Project Objective(s) & Anticipated Deliverable(s)

Using the work completed to date across various NYISO studies and initiatives, including the Reliability and Market Considerations for a Grid in Transition work, Grid in Transition project work, and any relevant external studies on the ramp and flexibility needs of the future, this project will examine the existing NYISO market structures and market rules to evaluate efficient methods to schedule Operating Reserves, including consideration of the energy costs of those resources scheduled for Operating Reserves. The deliverable for this project will be Study Complete.

46.3 Project Justification

This project will help to identify the means to maintain system reliability while addressing the state’s goals and mandates in a cost-effective way through the creation of proper market mechanisms.

47 Eliminate CTS Transaction Fees with PJM [SOM]

47.1 Problem / Opportunity

Potomac Economics raised concerns that many fees assessed to PJM CTS transactions are inappropriate because these transactions should not bear an allocation of NYCA system costs. The intent of CTS is to drive price convergence at specified interfaces and facilitate efficient scheduling of transactions. The NYISO has previously eliminated most fees for CTS transactions with ISO-NE, where increased economic efficiency is observed compared to CTS transactions with PJM. The applicable fees that would be eliminated for PJM CTS Transactions to achieve parity with NYISO treatment of ISO-NE CTS Transactions include: Operating Reserves, Voltage Support Service, NYISO Budget, Residuals, Guarantee Payments, Supplemental Event Credits, SCR/EDRP, TSC, and NTAC.

47.2 Project Objective(s) & Anticipated Deliverable(s)

The 2027 deliverable for this project would be Market Design Concept Proposed.

47.3 Project Justification

Eliminating the inappropriate fees for CTS transactions with PJM, consistent with treatment of CTS transactions with ISO-NE, would create an opportunity for more economically efficient outcomes and potential increased market activity and greater price convergence at the PJM Keystone proxy bus. Increased economic efficiency may be feasible even if PJM does not eliminate the associated fees that it charges to these transactions.

48 LCR Optimizer Enhancements

48.1 Problem/Opportunity

In 2017 and 2018, the NYISO worked with stakeholders to design and implement a proposal to set LCRs based on both the resource adequacy criterion of maintaining a loss of load expectation of no greater than one event-day in 10 years, as well as an economic cost minimization of those requirements based upon a set of net cost of new entry (CONE) curves developed based upon the peaking plant used in establishing each ICAP Demand Curve.

Since implementation of the revised methodology, certain concerns have been raised, including the stability of the LCRs and the transparency of the optimization function. Re-examining this process and the methodology could lead to improvements in the stability and transparency of the LCRs.

48.2 Project Objective(s) & Anticipated Deliverable(s)

The objective of this project is to assess potential modifications and enhancements to the LCR optimizer and/or LCR process considering alignment with project efforts outlined in the *Capacity*

Market Structure Review, as well as LCR stability and transparency. The milestone is a Market Design Complete.

48.3 Project Justification

This project will seek to further enhance the LCR methodology to improve stability and transparency of the LCRs.

49 M2M Enhancements for New PARs: Moved up to Prioritize

50 Mitigation Threshold Review

50.1 Problem / Opportunity

This project intends to perform a comprehensive review of all mitigation thresholds, including solicitation of feedback from stakeholders. This project will review all thresholds used for conduct and impact for mitigation, including the current Load Pocket Threshold (LPT) process.

50.2 Project Objective(s) & Anticipated Deliverable(s)

The objective of this project would be to evaluate all current mitigation thresholds, to improve the LPT methodology based on observations from the last several years, and to determine if any of the existing mitigation thresholds need to be modified.

This project would consider the following improvements:

1. Modifying the mitigation measure that predicts potential market power for each load pocket in the coming month, based on the number of transmission constrained hours in the previous 12 months. The existing measure may not accurately forecast upcoming tightness of load pockets by neglecting the systematic tendency for tight constraints during summer peaks, but fewer constraints over the rest of the year.
2. Revising the method to determine the load pocket threshold. Currently, the formula uses a 12-month averaging of load-weighted and fuel-price-adjusted LBMPs to calculate the expected load-pocket LBMP in the coming month. The formula that calculates a weighted average of past load-pocket LBMPs could be revised to better predict load-pocket LBMP in the upcoming month. The proposal is focused on the yearly average. The NYISO wants to explore other options to replace the 12-month average with averages calculated over shorter, more relevant periods to better predict load-pocket LBMPs going forward and hence create a more appropriate measure of the load pocket threshold.
3. The Market Services Tariff requires the NYISO to fuel-price-adjust LPTs, allowing the NYISO to specify the method of fuel price adjustment. Currently, MMA implements this requirement

by fuel-adjusting the LBMP term on a monthly basis. MMA proposes to change the frequency of fuel-adjusting LPTs from monthly to daily, so that each day LPTs maintain consistency with the daily fuel-price component of energy reference levels.

4. Automate the process of calculating LPTs, which currently consists of several manual steps, some of which are time consuming and labor intensive. MMA proposes to work with IT to create a fully automated process with measures in place to validate results from each execution.

The project deliverable would be Market Design Concept Proposed.

50.3 Project Justification

This project would allow for a comprehensive review of all mitigation thresholds, as well as the LPT methodology and process, to identify ways to improve the accuracy of and verification process for LPT calculations.

51 More Granular Operating Reserves [SOM]

51.1 Problem / Opportunity

The NYISO and Transmission Owners (TOs) must maintain sufficient energy and operating reserves to meet local (sub-zone) reliability needs under N-1-0, N-1-1, and N-1-1-0 criteria where applicable in New York City, Long Island, and other areas of New York State. Because the markets do not schedule and price these local needs, the NYISO and TOs satisfy them with out-of-market commitments in most hours. The NYISO recovers these costs through make-whole payments rather than energy and operating reserve clearing prices. Heavy reliance on make-whole payments distorts short-term performance incentives and long-term investment incentives for resources that can meet local needs. They also weaken incentives for demand-side participation in the wholesale market. Having more comprehensive locational reserve requirements based on available transmission capability would account for the flexibility of the grid to respond to system needs by utilizing the transmission system to import capacity into generation-constrained regions. Additionally, load pocket reserves could provide further incentives for resources to locate in important, supply constrained areas of the New York Control Area.

As the potential implementation of load pocket reserve requirements is considered, a dynamic reserve procurement methodology that does not exist today is an important pre-requisite to improve market efficiency, better align market outcomes with how the power system is operated, and avoid the potential for unnecessary price volatility.

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51.2 Project Objective(s) & Anticipated Deliverable(s)

The project deliverable for 2027 would be Market Design Concept Proposed. The More Granular Operation Reserves design and implementation would be dependent on the market design for Dynamic Reserves.

51.3 Project Justification

The MMU has recommended that the NYISO “[m]odel local reserve requirements in New York City load pockets [Recommendation 2017-1].” This effort has also been identified as beneficial in both the 2018 Performance Assurance Management Response and the 2017 Integrating Public Policy Market Assessment Report. Additionally, this effort will reflect the locational reliability value provided by resources in certain load pockets within New York City. This project also supports State of the Market recommendation 2021-3.

52 Reserves for Congestion Management [SOM]

52.1 Problem / Opportunity

The NYISO is responsible for the reliable operation of the electricity grid in New York State. One way the NYISO maintains reliability is by procuring operating reserves – extra power capability that can quickly be dispatched to address sudden changes in demand or unexpected outages. Additionally, the availability of reserves in certain locations allows NYISO operators to increase transmission flows on certain facilities, thereby increasing the utilization of the transmission system.

The current system does not reflect the location-specific benefits of operating reserves when they relieve congestion on the transmission grid. As a result, all providers of operating reserves receive the applicable market clearing price regardless of whether they enable NYISO operators to increase transmission system flows on certain facilities.

There is an opportunity to improve NYISO's wholesale electricity markets by developing rules for efficient pricing and settlement when operating reserve suppliers provide congestion relief. Such rules could compensate operating reserve suppliers for the cost of providing those reserves, including any location-specific costs or benefits associated with relieving congestion on the transmission grid. Furthermore, promoting competition among operating reserve suppliers will help to drive down the cost of providing those reserves and reduce the cost to consumers. Encouraging investment in new operating reserve capacity will also help maintain the reliability of the electricity grid.

52.2 Project Objective(s) & Anticipated Deliverable(s)

The objective of this project is to consider and develop new rules and mechanisms for efficient pricing and settlement when operating reserve suppliers provide congestion relief. The 2027 anticipated deliverable is a Study Complete identifying the proposed rules and mechanisms.

52.3 Project Justification

Improving the rules and mechanisms for efficient pricing and settlement of operating reserves in the NYISO's wholesale electricity markets will lead to a more efficient and reliable electricity grid. By more accurately reflecting the true cost of providing operating reserves and the location-specific benefits of relieving congestion, the new rules and mechanisms will promote competition among operating reserve suppliers, produce efficient costs for consumers, and encourage investment in new operating reserve capability

The project will address the need for improved pricing and settlement mechanisms for operating reserves that provide congestion relief. The goal is for the NYISO's wholesale electricity markets to promote competition, efficiency, and investment in new operating reserves to maintain the reliability of the electricity grid.

53 Reserving Capacity for TCC Balance-of-Period (BoP) Auctions

53.1 Problem / Opportunity

The NYISO currently conducts Centralized TCC Auctions twice each year. In each of those auctions, longer-duration TCCs (six-month, one-year, and/or two-year) are available for purchase. However, TCCs covering periods shorter than six months are not available in those auctions. Instead, MPs wishing to purchase shorter-term TCCs must do so in the Reconfiguration Auctions, which are held each month. Reconfiguration Auctions may be conducted as either single month auctions or Balance-of-Period (BoP) Auctions. BoP Auctions encompass all remaining months of the applicable Capability Period.

Currently, the NYISO's tariffs require that all transmission capacity not associated with Existing Transmission Agreements or outstanding TCCs and not reserved through conversion of Existing Transmission Capacity for Native Load (ETCNL) to ETCNL TCCs or Residual Capacity Reservation Rights (RCRR) to RCRR TCCs be made available for sale in the Centralized TCC Auctions. As a result, the opportunity for MPs to acquire shorter-term TCCs in BoP Auctions may be significantly limited. Other ISO/RTOs reserve some transmission capacity for sale in their monthly Financial Transmission Right auctions.

Consequently, this proposal seeks to build upon the 2020 and 2021 project efforts related to the development of software and rule/procedure revisions to permit the NYISO to reserve a portion of available system transfer capability, which it would then release into the BoP Auctions. Such functionality would permit auction participants to purchase additional shorter-term TCCs in the BoP Auctions.

53.2 Project Objective(s) & Anticipated Deliverable(s)

This project is intended to build on the efforts undertaken in 2020 and 2021 to develop market rule changes to accommodate the potential for reserving a portion of otherwise available transmission capacity for release in the BoP Auctions. The project deliverable for 2027 will be Software Design.

53.3 Project Justification

Today the TCC Automated Market System and other supporting systems do not support the reservation of transmission Capacity for sale in BoP Auctions.

The proposed solution is intended to:

- Address stakeholder requests for such enhancements to the current TCC auction design, as auction participants have consistently indicated interest in reserving transfer capability for release in BoP Auctions; and
- Provide additional opportunities for interested parties to obtain shorter-duration TCCs because it would remove a constraint that limits the availability of shorter-term TCCs in the BoP Auctions.

54 Seasonal ICAP Market Improvements [SOM]

54.1 Problem / Opportunity

The NYISO's planning analyses indicate that the NYCA system is transitioning from a summer-peaking system with predominantly summer reliability risk to a winter-peaking system with increasing winter reliability risk. Through the 2025 Winter Reliability Capacity Enhancements project, the NYISO proposed the following ICAP market enhancements to better reflect differences in seasonal reliability risk:

1. seasonal NYCA minimum capacity requirements, seasonal transmission security limit floor values, and seasonal Locational Minimum Installed Capacity Requirements;
2. seasonal elections for Unforced Capacity Deliverability Rights (UDRs) and External-to-Rest of State Deliverability Rights (EDRs) with an accompanying must offer requirement consistent with the submitted elections; and
3. adjustments to the ICAP Demand Curves to reflect the establishment of seasonal minimum capacity requirements.

Additional enhancements to the ICAP market may include developing seasonal capacity accreditation with specific seasonal reliability requirements as well as providing timing flexibility for decisions on firm fuel arrangements and capacity imports.

54.2 Project Objective(s) & Anticipated Deliverable(s)

This project will evaluate and may propose potential ICAP market design enhancements, including adjustments to the timing of Capacity Accreditation Resource Class assignments and UDR/EDR

elections as well as development of seasonal Capacity Accreditation Factors. The project deliverable will be Market Design Complete.

54.3 Project Justification

As the NYCA continues its transition to a winter peaking system, further modifications to the ICAP Market may be necessary to ensure that market outcomes continue to efficiently support resource adequacy. This project supports SOM Recommendation #2022-2.

55 Separating Up and Down Regulation Service

55.1 Problem / Opportunity

Currently, Regulation Service providers are required to be able to move both up and down at the instruction of the NYISO in order to balance the system.

The Reliability Gap Analysis in the 2019 Reliability and Market Considerations for a Grid in Transition report identified that bifurcation of the reserve by separating regulation “up” and regulation “down” products would be a benefit in maintaining the ability to balance load and generation.

The 2021 Grid Services from Renewable Generators report reported that bifurcation of Regulation Service into “up” and “down” products would lead to a variety of impacts on markets, grid operations, and consumers. It expected to:

1. Expand the participation by renewable resources by allowing participation in regulation down without having the impact on generation that participating in regulation up would have, and
2. Expand participation by generation when they encounter limitations in scheduling capability due to an inability to regulate up or down. For example, generators that are scheduled at either their minimum generation or UOL and are not currently eligible to provide the current symmetric Regulation Service because they are not able to move in both directions.

Additionally, this effort could include reassessing the Regulation Capacity and Movement structure to determine if there might be opportunities for increased market efficiency.

The bifurcation of the regulation market will require substantial software revisions. Discussions with other ISOs and RTOs that procure distinct Regulation “up” and Regulation “down” products indicated that procurement of separate regulation products has led to software run-time increases due to the added complexity of the solution.

55.2 Project Objective(s) & Anticipated Deliverable(s)

The 2027 project deliverable would be Market Design Concept Proposed. The project would propose the market enhancements that would be required for regulation providers to separate their up and down regulation offers as well as for the NYISO to accept, optimize, price, and dispatch resources using separate up and down regulation offers.

55.3 Project Justification

Bifurcation of the Regulation Service market would be expected to reduce consumer costs, as it would expand the pool of eligible suppliers. This increase in supply may include some renewable generators, but it is likely that the majority will consist of generators that were previously precluded from providing Regulation Service due to the constraint of either being scheduled at mingen or UOL. The NYISO conducted a consumer impact analysis for this project in 2021. Costs to consumers would be expected to decline overall as a result of this market change, since the shift in supply would likely drive a reduction in high-priced intervals, including shortage price intervals, and reduce price impacts from tradeoffs with producing energy. The current Regulation Service market is small in relation to the energy market, on the order of \$15-\$20M annual cost compared to annual energy market costs that have ranged from roughly \$4B to \$7B in recent years. Thus, while this effort would be expected to reduce consumer costs, the benefits are expected to be minimal in the context of total NYISO market costs.

56 Transmission Planning Modeling Enhancements [SOM]

56.1 Problem / Opportunity

Through the Comprehensive System Planning Process, the NYISO evaluates bulk transmission project proposals through competitive solicitation to address needs. Recent State of the Market reports recommend an enhancement to the NYISO the evaluation methodologies when evaluating transmission solutions to explore capturing anticipated resource mix changes caused by inclusion of a proposed transmission project within the planning models. Additionally, the MMU recommends that NYISO estimate transmission project benefits based on NYISO market value and include more detailed ancillary service requirements within its economic planning models.

56.2 Project Objective(s) & Anticipated Deliverable(s)

The objective of this project is to (i) review previous Public Policy Transmission Planning Process and Economic Planning Process reports and identify the previous methodologies implemented; (ii) define the methodologies and effort required to implement the recommended enhancements by the MMU; and (iii) review ISO Procedures to identify where improvements could be made to effectuate the potential enhancements in the future. The anticipated deliverable for this project is a Market Design Concept Proposed.

56.3 Project Justification

Assumptions and techniques applied in the Comprehensive System Planning Processes can have significant implications on NYISO markets through the identification of transmission expansion opportunities/needs and selection of solutions. The project directly supports the SOM recommendation 2022-3.

57 Uncertainty Adjustment Review

57.1 Problem / Opportunity

The NYISO market design is advancing rapidly to consider (1) dynamic scheduling of reserves based on the varying needs of the grid to respond to changes in system conditions (*i.e.*, the Dynamic Reserves Project) and (2) the uncertainty introduced by intermittent and behind the meter resources (*i.e.*, the Balancing Intermittency project).

These designs will enable more efficient reserve requirements and facilitate efficient operations. At the same time, they will build a foundation for further improvements (*e.g.*, More Granular Operating Reserves). One such potential enhancement would be to transition the Uncertainty Reserve Requirements calculation process from one based on measured historic errors to one that incorporates probabilistic forecasts of next-day uncertainty.

This study will evaluate incorporating probabilistic forecasts and serve as an opportunity to review the performance and parameters of the Uncertainty Reserve Requirement more broadly to ensure that it is performing its intended function of procuring additional reserves to ensure sufficient real-time energy is available to serve Load.

57.2 Project Objective(s) & Anticipated Deliverable(s)

The 2027 deliverable for the Uncertainty Reserve Requirement Refresh Study will be Study Complete.

57.3 Project Justification

This project will help to identify the means to maintain system reliability while addressing the grid transition and the state's goals and mandates in a cost-effective way through the creation of proper market mechanisms. This project also supports SOM Recommendations 2021-1 and further evaluating 2017-2.