

March 17, 2016

By Electronic Delivery

Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: *New York Independent System Operator, Inc.*, Docket No. ER16-____-000; Proposed Amendments to the NYISO Open Access Transmission Tariff and Market Administration and Control Area Services Tariff to Incorporate Behind-the-Meter Net Generation Resources into the NYISO's Energy, Ancillary Services and Capacity Markets

Dear Secretary Bose:

In accordance with Section 205 of the Federal Power Act¹ and Part 35 of the Federal Energy Regulatory Commission's ("FERC" or "Commission") regulations,² the New York Independent System Operator, Inc. ("NYISO") respectfully submits proposed amendments to its Open Access Transmission Tariff ("OATT") and Market Administration and Control Area Services Tariff ("Services Tariff") to provide rules for the participation of Behind-the-Meter Net Generation Resources ("BTM:NG Resources") in the NYISO's Energy, Ancillary Services, and Capacity markets.³ The proposed tariff amendments were approved by the NYISO's Management Committee on December 17, 2015. As described more fully in part IV of this filing letter, the NYISO respectfully requests that the Commission issue an order within sixty (60) days of the date of this filing; *i.e.*, by May 17, 2016, accepting the tariff revisions proposed in this filing with an effective date of May 19, 2016 for the proposed revisions to OATT Sections 25, 30, and 32 (Attachments S, X, and Z) and for specified sections within Services Tariff Sections 23.2.1 and 23.4.5.7.3, so that they are effective sixty-two days after the date this filing is submitted. The NYISO requests a flexible effective date no earlier than October 1, 2016 for the remaining Tariff revisions presented herein.

¹ 16 U.S.C. § 824d (2010).

² 18 C.F.R. § 35 *et seq.* (2015).

³ Capitalized terms not otherwise defined herein shall have the meaning specified in Section 1 of the NYISO's OATT and Section 2 of the Services Tariff.

I. Documents Submitted

The NYISO submits the following documents along with this filing letter:

1. A clean version of the proposed revisions to the NYISO's OATT ("Attachment I");
2. A clean version of the proposed revisions to the NYISO's Services Tariff ("Attachment II");
3. A blacklined version of the proposed revisions to the NYISO's OATT ("Attachment III"); and
4. A blacklined version of the proposed revisions to the NYISO's Services Tariff ("Attachment IV").

II. Overview

A BTM:NG Resource is a facility that has on-site generation capability that routinely serves a local, on-site Load (the facility's "Host Load"), and that has excess generation capability after serving that Host Load. Examples of potential BTM:NG Resources include industrial complexes, large residential facilities, and college campuses.⁴ The NYISO's current Tariff rules do not expressly prohibit these types of facilities from participating in the wholesale market,⁵ but the eligibility requirements and market rules proposed in this filing will provide an appropriate foundation for expanding the NYISO's resource base and will provide additional clarity to fully incorporate BTM:NG Resources into the NYISO's markets.

The NYISO proposes to amend its OATT and Services Tariff to integrate BTM:NG Resources into the NYISO's Energy, Ancillary Services and Capacity Markets. The NYISO does not intend to create a new program or resource type specifically tailored to BTM:NG Resources. Instead the NYISO's proposal seeks, where possible, to apply many of the NYISO's existing market rules to BTM:NG Resources. However, the NYISO is also proposing new rules

⁴ Note, however, that facilities with back-up "emergency" generation, as defined by the New York State Department of Environmental Conservation will not be allowed to participate in the NYISO's markets as a BTM:NG Resource under the proposed market rules. See NY Dep't of Env'tl. Conservation, *Prevention and Control of Air Contamination and Air Pollution*, 6 NYCRR § 200.1(cq) (2016), defining an Emergency Power Generating Stationary Internal Combustion Engine as "[a] stationary internal combustion engine that operates as a mechanical or electrical power source only when the usual supply of power is unavailable, and operates for no more than 500 hours per year. The 500 hours of annual operation for the engine include operation during emergency situations, routine maintenance, and routine exercising (for example, test firing the engine for one hour a week to ensure reliability). A stationary internal combustion engine used for peak shaving generation is not an emergency power generating stationary internal combustion engine."

⁵ There are currently two Generators participating in the NYISO's wholesale markets that serve a behind-the-meter Load. Both of the resources participated in the wholesale markets established by the NYISO's predecessor, the New York Power Pool, and were permitted to continue operation when the NYISO was established. The NYISO has not permitted additional behind-the-meter Generators to participate in the NYISO's markets after its initial start-up in 1999. Upon the effective date of the Tariff revisions proposed herein, the NYISO will work with the two existing resources to transition them to become BTM:NG Resources or another type of resource as appropriate.

that are necessary to address the characteristics of BTM:NG Resources that differ from “traditional” wholesale generators. For example, one significant departure from existing rules is that BTM:NG Resources will not be permitted to sell the entire nameplate capability of a Generator to the wholesale markets. Instead, the NYISO’s proposal requires a BTM:NG Resource to first satisfy its Host Load, and only after its Host Load is satisfied will the BTM:NG Resource be permitted to sell any excess energy, capacity, and ancillary services in the wholesale markets.

The proposal includes certain minimum eligibility requirements for resources seeking to participate as a BTM:NG Resource. The Resource must have nameplate generation capability with a minimum rating of at least two (2) MW, a minimum Load of at least one (1) MW, and an interconnection allowing an export of at least one (1) MW to the NYS Transmission System. Although there may be behind-the-meter generators in New York that wish to sell energy, capacity or ancillary services in the wholesale markets that do not meet these minimum eligibility requirements, the NYISO’s proposal is a first step toward enhanced integration of distributed energy resources into its wholesale markets. As a series of next steps, the NYISO intends to develop additional software, rules, and procedures to further integrate distributed generation in the wholesale markets and to align the NYISO’s wholesale markets with the New York State Public Service Commission’s (“NYSPSC”) Reforming the Energy Vision (“REV”) proceeding.⁶

The NYISO’s proposed Tariff revisions are intended to permit potential BTM:NG Resources to enroll in the wholesale market in a variety of different facility configurations, providing flexibility to Market Participants. Such flexibility includes a Resource’s ability to enroll with a single Generator serving a Host Load, an aggregation of generation units serving a Host Load, or, where appropriate metering and other facility configuration exists, a single facility may be split into, several distinct BTM:NG Resources.⁷

BTM:NG Resources will participate in the NYISO’s Energy market in a manner similar to traditional Generators. Except where noted in the Tariff revisions proposed in this filing, the NYISO’s currently effective Tariff rules will apply to all BTM:NG Resources. However, new rules are also required to address the unique characteristics of BTM:NG Resources. For example, a BTM:NG Resource will submit Day-Ahead Bids just as all other Energy market participants, except that its Bid will include the additional offer parameter of its expected Host Load. Other proposed Energy market rules that will only apply to BTM:NG Resources are explained in part III(A)(2) of this filing letter.

In order to fully integrate BTM:NG Resources into its Installed Capacity (“ICAP”) market, the NYISO developed new calculations to determine a BTM:NG Resource’s available

⁶ See, e.g., Case 14-M-0101 – Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision, Developing the REV Market in New York: DPS Staff Straw Proposal on Track One Issues (Aug. 22, 2014).

⁷ Each BTM:NG Resource must have a paired Generator and Host Load, and each Resource must separately meet the minimum eligibility requirements for a BTM:NG Resource (e.g., 2 MW nameplate generator, 1 MW of Load, and a 1 MW interconnection).

ICAP and its Unforced Capacity (“UCAP”). Both calculations will determine “net” values whereby the Resource’s gross generation is reduced by the NYISO’s calculation of its Adjusted Host Load⁸ before determining the capacity available to the market. As further explained in part III(A)(3) of this filing letter, the NYISO’s proposal includes new tariff language in Section 5.12.6 of the Services Tariff to calculate a Resource’s Net-Installed Capacity (“Net-ICAP”) value, and in Section 5.12.8 to translate that Net-ICAP value into a Net Unforced Capacity (“Net-UCAP”) value.

Part III(A)(4) of this filing letter describes the limited revisions necessary to Attachment H of the NYISO’s Services Tariff. Attachment H contains the NYISO’s Market Mitigation Measures. The NYISO proposes to apply all of the existing Market Mitigation Measures to BTM:NG Resources, but certain minor clarifications are needed in order to facilitate that application.

A key element of the NYISO’s proposal involves revisions to Section 5.12.1 of the Services Tariff and related revisions to OATT Attachment S. To guard against the likely possibility that BTM:NG Resources not subject to the NYISO’s interconnection procedures (*e.g.*, because they are connected to or proposing to connect to non-FERC jurisdictional distribution facilities) would be beyond the scope of the NYISO’s existing interconnection procedures, including the Deliverability Interconnection Standard, the NYISO is proposing a new eligibility requirement that must be satisfied by resources seeking to become qualified as an ICAP Supplier. As discussed in part III(A)(3)(b)(i) of this filing letter, the NYISO proposes to revise Section 5.12.1 of the Services Tariff to condition BTM:NG Resource participation in the ICAP market on satisfaction of deliverability requirements set forth in Attachment S of the NYISO’s OATT. By adding this requirement to the ICAP Supplier eligibility requirements in Section 5.12.1 of the Services Tariff, the NYISO will ensure that resources seeking to participate in the ICAP market are subject to the deliverability requirements that apply to similar resources over 2 MW regardless of their point of interconnection.

In fairness to existing resources that have already made their investment decisions, and to avoid the application of such a standard retroactively, the NYISO is proposing that this new ICAP Supplier eligibility requirement apply only on a prospective basis. As the NYISO did when it first introduced its Deliverability Interconnection Standard, the NYISO proposes a transition rule that would apply to certain existing resources that would otherwise be subject to this new ICAP Supplier eligibility requirement. Under the proposed transition rule, certain existing resources, including BTM:NG Resources that connect to non-FERC jurisdictional distribution facilities, may obtain Capacity Resource Interconnection Service (“CRIS”) during a limited window of time, without having to enter a Class Year Study and satisfy the requirements under the Deliverability Interconnection Standard set forth in OATT Attachment S. After the close of the transition period BTM:NG Resources and any other Generator or controllable transmission project over 2 MW electrically located in the NYCA (regardless of whether the Point of Interconnection is a FERC-jurisdictional facility) must obtain CRIS through the Class Year process or through a transfer of CRIS at the same location in order to participate as an

⁸ See parts III(A)(1)(a) and III(A)(3)(b)(ii) of this filing letter.

ICAP Supplier. The details regarding the transition period and the manner in which BTM:NG Resources may obtain CRIS during and after the transition period are discussed in detail in part III(B)(2) of the filing letter.

The NYISO proposes to further revise OATT Attachments S, X and Z in order to provide mechanisms by which the NYISO can evaluate BTM:NG Resources in the interconnection procedures, including, for example, revisions to definitions, *pro forma* application forms and study agreements, and other clarifying edits to make clear the manner in which the interconnection procedures will apply to BTM:NG Resources. Additional ministerial and clarifying edits not specifically related to the BTM:NG Resource initiative are included in the OATT Attachment S, X and Z revisions, as described in part III(B) below.

A number of the NYISO's proposed revisions to Attachments S, X and Z would modify tariff language that the Commission adopted in Order Nos. 2003 and 2006, or their successors, as part of the *pro forma* interconnection procedures.⁹ The Commission has accepted other modifications and improvements to the NYISO interconnection procedures,¹⁰ recognizing that where changes to *pro forma* interconnection procedures "are clarifying and/or ministerial in nature and/or NYISO has supplied sufficient justification," such modifications are acceptable under the "independent entity variation" standard.¹¹ The Commission has explained that under this standard, "the Commission will review the proposed variations to ensure they do not provide an unwarranted opportunity for undue discrimination or produce an interconnection process that is unjust and unreasonable."¹²

The revisions to Attachments S, X and Z that are proposed herein are fully justified under the Commission's "independent entity variation" standard because they have been approved by the NYISO's stakeholders after an extensive and open process, have been endorsed by the NYISO's independent Board of Directors, and, as discussed in detail in Section III below, are (1) necessary to accommodate BTM:NG Resources within the NYISO's interconnection procedures; or (2) revise or clarify the meaning of tariff provisions that have proven ambiguous or unduly difficult to implement in the NYISO's experience.

⁹ *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, FERC Stats. & Regs. 31,146 (2003), *order on reh'g*, Order No. 2003-A, FERC Stats. & Regs. 31,160 (2004), *order on reh'g*, Order No. 2003-B, FERC Stats. & Regs. 31,171 (2004), *order on reh'g*, Order No. 2003-C, FERC Stats. & Regs. 31,190 (2005), *aff'd sub nom. Nat'l Ass'n of Regulatory Util. Com'rs v. FERC*, 475 F.3d 1277 (D.C. Cir. 2007), *cert. denied*, 552 U.S. 1230 (2008); *Standardization of Small Generator Interconnection Agreements and Procedures*, Order No. 2006, FERC Stats. & Regs. ¶ 31,180 (2005), *order on reh'g*, Order No. 2006-A, FERC Stats. & Regs. ¶ 31,196 (2005), *order granting clarification*, Order No. 2006-B, FERC Stats. & Regs. ¶ 31,221 (2006).

¹⁰ See, e.g., *New York Independent System Operator, Inc.*, 135 FERC ¶ 51,014 (2011); *New York Independent System Operator, Inc.*, 124 FERC ¶ 61,238 (2008).

¹¹ *New York Independent System Operator, Inc.*, 124 FERC ¶ 61,238 at PP 17-18.

¹² See *id.* at P18.

III. Proposed Tariff Revisions, Analysis, and Justification

The NYISO's proposal includes revisions to both the Services Tariff and the OATT. In the Services Tariff, the NYISO's proposal revises existing provisions to allow BTM:NG Resource participation in the Energy and Ancillary Services markets, creates new sections to facilitate participation in the Capacity Market, revises the Market Power Mitigation Measures to incorporate BTM:NG Resources into the NYISO's existing market mitigation rules, and revises the Market Monitoring Plan to incorporate BTM:NG Resources into the duties of the Market Monitoring Unit.

Revisions to the OATT are largely contained in Attachments S, X, and Z thereto. The proposed revisions incorporate rules for BTM:NG Resources in the NYISO's interconnection procedures. In Attachment S, the NYISO proposes changes to apply CRIS allocation rules to BTM:NG Resources, Generators and controllable transmission facilities electrically located in the NYCA that are not subject to the NYISO's interconnection procedures. In Attachment X, the NYISO proposes to revise the Standard Large Facility Interconnection Procedures to incorporate BTM:NG Resources. In Attachment Z the NYISO proposes to revise the Small Generator Interconnection Procedures to incorporate BTM:NG Resources. Finally, the NYISO proposes revisions and additions to the definitions in Section 1 of the OATT that mirror changes proposed in the Services Tariff.

A. Revisions to the NYISO Services Tariff

1. Revisions to Services Tariff Section 2 - Definitions

In developing the BTM:NG proposal the NYISO determined that additional defined terms are necessary to describe the new processes and procedures applicable to BTM:NG Resources. The proposed newly defined terms build upon, or are derived from, existing defined terms in the NYISO's Services Tariff, altered slightly to address the unique characteristics of BTM:NG Resources. In addition to proposing new defined terms, the NYISO identified several revisions to existing definitions that are necessary to integrate BTM:NG Resources. Where possible, the NYISO chose to revise existing definitions instead of creating newly defined terms.

a. Proposed New Definitions

The term "**Behind-the-Meter Net Generation Resource**" is proposed to be defined as:

A facility within a defined electrical boundary comprised of a Generator and a Host Load located at a single point identifier (PTID), where the Generator routinely serves, and is assigned to, the Host Load and has excess generation capability after serving that Host Load. The Generator of the BTM:NG Resource must be electrically located in the NYCA, have a minimum nameplate rating of 2 MW and a minimum net injection to the NYS Transmission or distribution system of 1 MW. The Host Load of the BTM:NG Resource must also have a minimum ACHL [Average Coincident Host Load] of 1 MW. A facility that otherwise meets these eligibility requirements, but either (i) is an Intermittent Power resource, (ii) whose

Host Load consists only of Station Power, or (iii) has made an election pursuant to Section 5.12.1.12, does not qualify to be a BTM:NG Resource. BTM:NG Resources cannot simultaneously participate as a BTM:NG Resource and in any ISO and/or Transmission Owner administered demand response or generation buy-back programs.

The proposed definition establishes the minimum physical qualifications for a facility to be a BTM:NG Resource. Even if a facility meets these physical qualifications, however, the NYISO proposes to exclude certain facilities from participation including Intermittent Power resources, resources that participate in an ISO-administered demand response program, and resources that are actively participating in a Transmission Owner (“TO”) demand response or generation buy-back program. During the development of these tariff revisions, some Market Participants requested that the NYISO allow BTM:NG Resources to simultaneously participate in the NYISO’s markets and in a TO’s demand response programs. The NYISO does not believe dual participation is appropriate at this time because there are concerns about reliably coordinating the operation of the resource to simultaneously meet both transmission and distribution reliability needs. The NYISO is considering whether and how these concerns might be addressed in the future.

The term “**Host Load**” is proposed to be defined as:

The Load that is electrically interconnected within the defined electrical boundary of a BTM:NG Resource that is routinely served by, and assigned to, the Generator of a BTM:NG Resource. Station Power will be included in the calculation of the BTM:NG Resource’s Host Load if it is self-supplied by the Generator of the BTM:NG Resource, and it is not separately metered pursuant to Section 5.12.6.1.1 and ISO Procedures.

A BTM:NG Resource’s Host Load is the facility Load at any given point in time. The Host Load will include all electrically interconnected Loads served by the Generator. If the Station Power consumed by the Generator serving the BTM:NG Resource is not separately metered at the Generator, it will be included in the calculation of the Host Load. A BTM:NG Resource will have the option, however, to separately meter its Station Power, as explained in Section 5.12.6.1.1 of the Services Tariff.

The term “**Average Coincident Host Load**” (“ACHL”) is proposed to be defined as:

The value calculated for a Capability Year in accordance with Section 5.12.6.1.2.1 of this Tariff. The ACHL shall account for weather normalization and Load growth.

The ACHL is proposed to be a proxy peak Load value used in the calculation of a BTM:NG Resource’s Net-ICAP pursuant to 5.12.6.1.2.1 of the Services Tariff. The raw value will be the average of the top twenty (20) Load hours of the BTM:NG Resource that occur within the top forty (40) Load hours for the New York Control Area (“NYCA”).

The ACHL will then be adjusted to account for weather normalization and Load growth, similar to the calculation done for Load Serving Entities (“LSEs”).

The term “**Adjusted Host Load**” (“AHL”) is proposed to be defined as:

The value, in MW, of a BTM:NG Resource’s Load calculated pursuant to Section 5.12.6.1.2 of this Services Tariff for the purposes of determining the Resource’s Capacity.

The AHL of a BTM:NG Resource is proposed to be an annual value, determined by the NYISO, of the Resource’s Load that is used as a component in the calculation of a Resource’s Net-ICAP. In order to determine the AHL of a BTM:NG Resource, the NYISO proposes to first determine the ACHL, as described above, and then apply the applicable Installed Reserve Margin (“IRM”) as determined on an annual basis by the New York State Reliability Council (“NYSRC”). As described further in part III(A)(3)(b) of this filing letter, application of the IRM to a BTM:NG Resource’s ACHL is necessary to ensure there are sufficient capacity reserves in the NYCA.

The term “**Dependable Maximum Gross Capability**” (“DMGC”) is proposed to be defined as:

The sustained maximum output of the Generator of a BTM:NG Resource, as demonstrated by the performance of a test or through actual operation in accordance with, and averaged over a continuous time period as defined in, ISO Procedures.

The NYISO proposes to measure the output of the Generator serving a BTM:NG Resource in a similar manner to a traditional Generator. Unlike the traditional Dependable Maximum Net Capability (“DMNC”) value, the NYISO proposes to use a gross value that will not be net of Station Power. This will allow the NYISO to more accurately determine the Resource’s capacity by separately measuring the Generator’s gross capability and the facility’s full Load. The NYISO proposes to conduct DMGC tests on the same schedule as it currently conducts DMNC tests. A BTM:NG Resource may choose to conduct a DMNC Test under certain conditions pursuant to proposed Section 5.12.6.1.1 of the Services Tariff.

The term “**Adjusted DMGC**” is proposed to be defined as:

The value, in MW, of a BTM:NG Resource’s capability in a Capability Period, as calculated pursuant to Section 5.12.6.1.1 of this Services Tariff.

The NYISO proposes to use a BTM:NG Resource’s Adjusted DMGC in the calculation of the Resource’s Net-ICAP and Net-UCAP. If a Resource’s tested DMGC value exceeds either the CRIS cap or the Injection Limit, the lower of the CRIS cap or Injection Limit shall instead set the Resource’s Adjusted DMGC.

The term “**Injection Limit**” is proposed to be defined as:

The maximum injection of a BTM:NG Resource, in MW, onto the NYS Transmission System or distribution system at the BTM:NG Resource’s Point of Injection. The Injection Limit for a BTM:NG Resource must be at least 1 MW.

For the purposes of establishing a BTM:NG Resource’s Adjusted DMGC, the NYISO proposes to require a Resource to identify the maximum amount of power it can inject onto the NYS Transmission System or distribution system at its Point of Injection. The NYISO proposes to require a minimum Injection Limit of 1 MW.

The term “**Net Installed Capacity**” (“Net-ICAP”) is proposed to be defined as:

The amount of Installed Capacity that a BTM:NG Resource has demonstrated (in accordance with ISO Procedures) it is capable of supplying in accordance with Section 5.12.6.1 of this Tariff, used to determine its Net Unforced Capacity.

The NYISO proposes to calculate a “net” Installed Capacity value for BTM:NG Resources. A net value will account for the fact BTM:NG Resources have a Host Load that reduces the capacity that can be provided to the ICAP market. A BTM:NG Resource’s Net-ICAP is calculated as the Resource’s Adjusted DMGC minus its Adjusted Host Load.

The term “**Net Unforced Capacity**” (“Net-UCAP”) is proposed to be defined as:

The amount of Unforced Capacity a BTM:NG Resource can offer in the ISO’s Installed Capacity market.

Just as the ICAP value of a traditional Generator is translated into a UCAP value to account for the forced outage rate of the Generator, the NYISO proposes to translate a BTM:NG Resource’s Net-ICAP value into a Net-UCAP value. In addition to applying the Equivalent Demand Forced Outage Rate (“EFORD”) of the Generator to the Adjusted DMGC, the Net-UCAP calculation will also apply the NYCA ICAP to UCAP translation factor to the Adjusted Host Load. The NYCA ICAP to UCAP translation factor is a weighted average derating factor used to translate the NYCA ICAP Demand Curve to a UCAP Demand Curve.

b. Revisions to Existing Definitions

The NYISO proposes the following revisions to existing terms in Section 2 of the NYISO’s Services Tariff. For the sake of brevity, the table below identifies the term and describes the revision to incorporate concepts related to BTM:NG Resources but does not include the full definition of each revised term.

Term	Revision
Adjusted Actual Load	No substantive revision. The definition has been moved to be in alphabetical order.
Dispatchable	The definition was revised to state that a Dispatchable Generator participating as a BTM:NG Resource must bid as Self-Committed Flexible bidding mode. Because a BTM:NG's Resource's primary purpose is to serve the facility's Host Load, the NYISO expects the Generator to be self-committed.
DMNC Test Period	The definition was revised to add a clause to specify that DMGC tests are to be conducted in the same period in which traditional Generators are required to conduct DMNC tests.
Economic Operating Point	The existing definition identifies how the NYISO evaluates the Economic Operating Point of a Resource. The NYISO proposes to amend the definition to indicate that for BTM:NG Resources the Economic Operating Point evaluation will be performed for Energy offers that correspond to production that exceeds the Resource's Host Load.
Emergency Upper Operating Limit (UOL _E)	The NYISO requires all Generators to submit as a Bid parameter an Emergency Upper Operating Limit that the Generator expects to be able to reach at the request of the NYISO during extraordinary circumstances. The NYISO's proposal extends that requirement to BTM:NG Resources. The UOL _E of a BTM:NG Resource is the maximum net injection for the Resource, with the qualification that the Resource's UOL _E cannot exceed its Injection Limit. A BTM:NG Resource may submit a UOL _E value that is attainable through Load reduction at the facility.
Energy Limited Resource	The NYISO's proposal specifies that Energy Limited Resources are not permitted to be BTM:NG Resources.
Generator	The NYISO proposes to include in the current definition of Generator, the generator serving a BTM:NG Resource. Thus, generators that serve BTM:NG Resources have all of the obligations of Generators except where otherwise specified in the tariff.
Installed Capacity Supplier	The NYISO proposes to include BTM:NG Resources as an enumerated type of ICAP Supplier. Thus, if a BTM:NG Resource qualifies as an ICAP Supplier, it has all of the corresponding obligations except where otherwise specified in the tariff.

Term	Revision
ISO-Committed Fixed	Because the Generator serving a BTM:NG Resource must first be operating to satisfy the Resource's Host Load prior to offering Energy into the NYISO's markets, BTM:NG Resources will be required to use the Self-Committed Flexible or Self-Committed Fixed bidding modes. The NYISO proposes to amend the definition of ISO-Committed Fixed to specifically state that a BTM:NG Resource is not permitted to utilize that bidding mode.
ISO-Committed Flexible	For the reasons noted above, the NYISO proposes to amend the definition of ISO-Committed Flexible to specifically state that a BTM:NG Resource is not permitted to utilize that bidding mode.
Minimum Generation Bid	Because the Generator serving a BTM:NG Resource must be operating to serve the Resource's Host Load prior to offering Energy into the NYISO's markets, BTM:NG Resources will only be permitted to offer their dispatchable capability. The NYISO will treat a BTM:NG Resource as if it is already operating at or above its minimum operating level to serve its Host Load. BTM:NG Resources will not be permitted to submit Minimum Generation Bids.
Minimum Generation Level	Since a BTM:NG Resource will not submit a Minimum Generation Bid, it is not necessary for the BTM:NG Resource to submit a Minimum Generation Level. The NYISO proposes to prohibit BTM:NG Resources from submitting Minimum Generation Levels.
Normal Upper Operating Limit (UOL _N)	The NYISO requires all Generators to submit a Normal Upper Operating Limit that the Generator expects to be able to achieve during normal operating conditions. The UOL _N of a BTM:NG Resource is the normal net injection for the Resource, with the qualification that a BTM:NG Resource's UOL _N cannot exceed its Injection Limit.
Operating Reserves	The NYISO currently offers three Operating Reserves Products: 10-Minute Spinning Reserves, 10-Minute Non-Synchronized Reserves, and 30-Minute Reserves. Under the NYISO's proposal, all BTM:NG Resources that are comprised of more than one generating unit that are dispatched as a single unit will be prohibited from providing Spinning Reserves and 30-Minute Synchronized Reserves. The NYISO also proposes to permit all BTM:NG Resources that are comprised of more than one generating unit that are dispatched as a single aggregate unit to provide 10-Minute Non-Synchronized Reserve, and 30-Minute Non-Synchronized Reserve, as further explained in part III(A)(2)(g) of this filing letter.

Term	Revision
Resource	The NYISO proposes to include BTM:NG Resources as a type of “Resource” for the purposes of the Services Tariff. BTM:NG Resources will have all obligations of a Resource except where otherwise specified in the tariff.
Start-Up Bid	Because the Generator serving a BTM:NG Resource must be operating to serve the Resource’s Host Load prior to offering Energy into the NYISO’s markets, the NYISO will treat a BTM:NG Resource as if it has already started-up to serve its Host Load. BTM:NG Resources are not permitted to submit Start-Up Bids for their Generators.
Start-Up Period	Because the Generator serving a BTM:NG Resource must be operating to serve the Resource’s Host Load prior to offering Energy into the NYISO’s markets, the NYISO expects BTM:NG Resources to be online and available for dispatch. The NYISO proposes to prohibit BTM:NG Resources from entering a Start-Up Period with its Bids. The NYISO will follow the designated ramp rates submitted for the Resource when it is made available for dispatch.
Supplier	The NYISO proposes to include BTM:NG Resources as a type of Supplier for the purposes of the Services Tariff. Thus, it would have all of the obligations of a Supplier except where otherwise specified.

2. Revisions to Services Tariff Sections 4 and 15 to Incorporate BTM:NG Resources in the Energy and Ancillary Services Markets

The NYISO proposes to revise Sections 4 and 15 of the Services Tariff to incorporate BTM:NG Resources into the Energy and Ancillary Services Markets. As discussed in part II, above, the NYISO is not creating a new “program” or “product” for BTM:NG Resources, but instead is proposing to integrate them into its existing market structures. Unless otherwise specified, all terms and conditions of the Services Tariff that apply to Generators also apply to the Generator serving a BTM:NG Resource.

The vast majority of the proposed changes affect Section 4 of the Services Tariff. Section 4, titled “Market Services: Rights and Obligations” sets out the general rules for participation in the NYISO’s Energy and Ancillary Services Markets. The NYISO proposes to make corresponding revisions to Services Tariff Section 15 to complement the proposed changes to Section 4.

a. Services Tariff Section 4.1 – Market Services: General Rules

Section 4.1 of the Services Tariff provides general rules related to the sale and purchase of Energy, Capacity, or demand reductions, and the payments to Suppliers providing Ancillary Services in the NYISO's markets. The NYISO proposes to revise Section 4.1.8, Commitment for Reliability, to prohibit BTM:NG Resources from recovering start-up and minimum generation costs when a BTM:NG Resource is committed for reliability:

Suppliers with generating units committed by the ISO for service to ensure NYCA reliability or local system reliability, except for Behind-the-Meter Net Generation Resources, will recover startup and minimum generation costs that were not bid, that were not known before the close of the Real-Time Scheduling Window, and that were not recovered in the Dispatch Day, provided however, eligibility to recover such additional costs shall not be available for megawatts scheduled Day-Ahead.¹³

The proposed revision excludes BTM:NG Resources from eligibility to recover start-up and minimum generation costs that were not bid, that were not known before the close of the Real-Time Scheduling Window, and that were not recovered in the Dispatch Day. Unlike a traditional Generator, the Generator serving the BTM:NG must be operating to serve the Resource's Host Load prior to supplying Energy or Ancillary Services. Because of this unique characteristic, start-up costs and a minimum generation guarantee are not warranted for BTM:NG Resources.

b. Services Tariff Section 4.2 – Day-Ahead Markets and Schedules

Section 4.2 of the Services Tariff establishes the rights and obligations of the NYISO and Market Participants participating in the Day-Ahead Market. Integration of BTM:NG Resources into the Energy and Ancillary Services Markets requires several proposed changes to this section that are described below.

(i) **Section 4.2.1.1 – General Customer Forecasting and Bidding Requirements**

Section 4.2.1.1 outlines the basic information LSEs and Customers (including Transmission Customers) must supply to the NYISO to participate in the Day-Ahead Market and the timeline for submittal of such information. Under the NYISO's proposal, BTM:NG Resources will be considered "Customers," and therefore will be obligated to comply with all requirements applicable to Customers in this section.

Section 4.2.1.1 requires LSEs that serve Load in the NYCA to submit to the NYISO Load forecasts for the Dispatch Day and the day after the Dispatch Day. BTM:NG Resources are not LSEs and therefore LSE obligations will not apply. However, a BTM:NG Resource does serve Load, and the NYISO needs to understand the Resource's Load forecast in order to determine the amount of Energy and Ancillary Services the BTM:NG Resource expects to be able provide in

¹³ Throughout this filing letter, when existing tariff language is revised, the proposed revision appears as underlined.

each hour of the day. Therefore, the proposed Tariff revisions require BTM:NG Resources to submit their “forecasted Host Load for each hour of the Dispatch Day.”

- (ii) Section 4.2.1.3 – Bids by Suppliers Using the ISO-Committed Flexible, Self-Committed Flexible or ISO-Committed Fixed Bid Modes to Supply Energy and/or Ancillary Services

The rules governing Bids for Energy and/or Ancillary Services using the ISO-Committed Flexible, Self-Committed Flexible, or ISO-Committed Fixed Bid modes are set forth in Section 4.2.1.3 of the Services Tariff. Under the general rules in Section 4.2.1.3.1, Day-Ahead Bids by Suppliers using one of the aforementioned bid modes must include both the amount of Capacity available for commitment, and the price(s) at which the Supplier will voluntarily be committed. The NYISO proposes three revisions to Section 4.2.1.3.1 as described below.

Because of the unique characteristics of BTM:NG Resources, and the special measurement and verification required to appropriately reflect the operation of such Resources in the NYISO’s wholesale markets, the NYISO proposes the following language to require a Resource that exhibits the characteristics of a BTM:NG Resource to participate in its markets as a BTM:NG Resource:

If the Supplier elects to participate in the Day-Ahead Market, and is within a defined electrical boundary, electrically interconnected with, and routinely serves a Host Load (which Host Load does not consist solely of Station Power) at a single PTID, it can only participate in the Day-Ahead Market as a Behind-the-Meter Net Generation Resource.

As explained above, if a BTM:NG Resource were to submit bids that did not include the Resource’s forecasted Host Load, the NYISO would not have sufficient information to properly schedule the resource in its Day-Ahead Market. Therefore, the NYISO’s proposal prohibits a Supplier exhibiting the characteristics of a BTM:NG Resource from participating in the Day-Ahead Market as a traditional supplier.¹⁴

The NYISO only intends to economically evaluate and schedule Bids for Energy or Ancillary Services that exceed a BTM:NG Resource’s Host Load. The NYISO proposes to add the following sentence to Services Tariff Section 4.2.1.3.1:

If the Supplier is a Behind-the-Meter Net Generation Resource, the ISO shall only consider price-MW pairs in excess of the forecasted Host Load for the Resource.

¹⁴ See *infra*, part III(A)(3)(b)(i). Prior to August 1 of any year, a BTM:NG Resource can elect to withdraw from the market as a BTM:NG Resource and to instead participate either as a demand response resource or as a traditional Generator, subject to the requirements of the NYISO’s Tariffs regarding such participation.

Again, a BTM:NG Resource must serve its entire Host Load before any Energy, Capacity, or Ancillary Service can be provided to the wholesale markets. The proposed addition explains that the NYISO will only consider Energy and Ancillary Services Bids that exceed the Resource's Host Load.

Finally, Section 4.2.1.3.1 of the Services Tariff requires Suppliers that are eligible to provide Operating Reserves to submit a Day-Ahead Availability Bid for Operating Reserves. If a Supplier that meets the criteria does not submit such Bid, the tariff provides that the Supplier's Day-Ahead Bid will be rejected in its entirety. As discussed further below, the NYISO's proposed rules prohibit BTM:NG Resources that have more than one generating unit that are dispatched as an aggregate unit, at a single PTID, from submitting Bids for Regulation Service or Spinning Reserves. The NYISO proposes to add the following sentence to Section 4.2.1.3.1:

A Behind-the-Meter Net Generation Resource that is comprised of more than one generating unit that is dispatched as a single aggregate unit at a single PTID is not qualified to provide Regulation Service or Spinning Reserves.

This proposal is consistent with existing NERC rules and ISO Procedures identifying Spinning Reserve as a reserve product provided by generation that is synchronized to the grid.¹⁵ When a BTM:NG Resource with multiple generating units is dispatched as a single aggregate unit at a single PTID, the NYISO will not be able to determine if the specific unit being called on to provide Regulation Service or Spinning Reserve is on-line.

(iii) Section 4.2.3 – Security Constrained Unit Commitment (“SCUC”)

Over the course of each Dispatch Day, the NYISO develops a SCUC schedule that minimizes the total Bid Production Cost of: (i) supplying power or demand response to satisfy the Load bid into the Day-Ahead Market; (ii) procuring sufficient Ancillary Services to support the Energy purchased in the Day-Ahead Market; (iii) committing enough Capacity to meet the NYISO's Load forecast and associated Ancillary Services; and (iv) meeting Bilateral Transaction Schedules. BTM:NG Resources that submit Bids into the Day-Ahead Market will already be on-line and operating to serve their Host Load. Therefore, the NYISO proposes to exclude BTM:NG Resources from the unit commitment process:

SCUC will treat a Behind-the-Meter Net Generation Resource as already being committed and available to be scheduled.

¹⁵ See, e.g., NERC Glossary of Terms, *available at* http://www.nerc.com/files/glossary_of_terms.pdf (defining Spinning Reserve as “[u]nloaded generation that is synchronized and ready to serve additional demand.”); New York Independent System Operator, Inc., Ancillary Services Manual, § 6.1 (2016) (“10-Minute Spinning Reserve – Operating Reserves provided by qualified Generators and qualified Demand Side Resources located within the NYCA that are already synchronized to the NYS Power System and can respond to instructions from the NYISO to change output level within 10 minutes.”).

Although the NYISO will not be making commitment decisions for BTM:NG Resources, such Resources will still be considered by SCUC for the purposes of dispatch in excess of Host Load requirements when Day-Ahead Market Bids are submitted for the Resource. The NYISO proposes to amend Section 4.2.3 to clarify that the evaluation of BTM:NG Resources will be limited to price-megawatt bid pairs in which the megawatt value exceeds the BTM:NG Resource's Host Load:

In the development of its SCUC schedule, the ISO may commit and de-commit Generators and Demand Side Resources, based upon any flexible Bids, including Minimum Generation Bids, Start-Up Bids, Curtailment Initiation Cost Bids, Energy, and Incremental Energy Bids and Decremental Bids received by the ISO provided however that: (a) the ISO shall commit zero megawatts of Energy for Demand Side Resources committed to provide Operating Reserves and Regulation Service; and (b) for Behind-the-Meter Net Generation Resources, the ISO will consider for dispatch only those segments of the Resource's Incremental Energy Bids above the forecasted Host Load and subject to the Injection Limit.

c. Services Tariff Section 4.4 – Real-Time Markets and Schedules

The NYISO proposes several revisions to Section 4.4 of the Services Tariff addressing the rights and obligations of Market Participants participating in the Real-Time Markets.

(i) Section 4.4.1.1 – Real-Time Commitment

The NYISO's Real-Time Commitment ("RTC") and Real-Time Dispatch ("RTD") software simultaneously optimize the NYISO's real-time procurement of Energy, Operating Reserves and Regulation Service to minimize total production costs. To implement the requirement that BTM:NG Resources be self-committed and serving the current requirements of the Host Load, the NYISO proposes to add the following sentence to Section 4.4.1.1:

RTC will treat a Behind-the-Meter Net Generation Resource [that submits real-time Bids to supply Energy or Ancillary Services] as already being committed and available to be scheduled.

The proposed revision clearly indicates that BTM:NG Resources are expected to be on-line when they offer Energy to the NYISO.

(ii) Section 4.4.1.2 – Real-Time Commitment; Bids and Other Requests

Section 4.4.1.2 of the Services Tariff allows Customers to submit Real-Time Bids into the Real-Time Market. The NYISO proposes to add the following language to require a facility that has the operational characteristics of a BTM:NG Resource to participate in the Real-Time Market as a BTM:NG Resource instead of as a traditional Generator:

If the Supplier elects to participate in the Real-Time Market, and is within a defined electrical boundary, electrically interconnected with, and routinely serves a Host Load (which Host Load does not exclusively consist of Station Power) at a single PTID, it can only participate in the Real-Time Market as a Behind-the-Meter Net Generation Resource. If a Behind-the-Meter Net Generation Resource submits Bids into the Real-Time Market for real-time evaluation, such Bids shall provide the forecasted Host Load for each hour for which Bids are submitted.

The proposed treatment in the Real-Time Market described above is identical to the proposed Day-Ahead Market rule.

(iii) Section 4.4.1.2.1 – RTC Bids

Section 4.4.1.2.1 provides general rules and requirements for Bids submitted in the Real-Time Energy and Ancillary Services Markets. Three separate clarifications are proposed in Section 4.4.1.2.1. The NYISO proposes to add the following sentence in two separate places:

For Behind-the-Meter Net Generation Resources, the ISO will consider only those segments of the Resource's Incremental Energy Bids above the forecasted Host Load and subject to the Injection Limit.

The proposed revision limits NYISO review of Real-Time Incremental Energy Bids from BTM:NG Resources to those increments that exceed the Resource's Host Load.

Existing tariff language in this Section requires Generators to notify the NYISO of real-time physical operating problems. The NYISO proposes to add a similar notice requirement for BTM:NG Resources:

Additionally, if the Host Load of a Behind-the-Meter Net Generation Resource is greater in real-time than was forecasted Day-Ahead such that it cannot meet its Day-Ahead schedule, it must notify the NYISO.

Changes to the operation of the Generator or the requirements of the Load of a BTM:NG Resource will affect the real-time capability of the Resource. Not all real-time deviations from forecasted Load need to be reported to the NYISO; the NYISO is only proposing to require a BTM:NG Resource to report changes that will prevent the Resource from meeting its Day-Ahead schedule.

(iv) Section 4.4.1.4 – Real-Time Commitment and De-Commitment

Section 4.4.1.4 describes the NYISO's procedures for making unit commitment and de-commitment decisions. The NYISO proposes to add the following sentence:

For Behind-the-Meter Net Generation Resources, RTC will consider only those segments of the Resource's Incremental Energy Bids above the forecasted Host Load and subject to the Injection Limit.

The proposed revision limits NYISO review of Real-Time Incremental Energy Bids from BTM:NG Resources to the capability that exceeds the Resource's Host Load.

d. Services Tariff Section 4.5 – Real-Time Market Settlements

Section 4.5 of the NYISO's Services Tariff provides the rules by which Customers and Transmission Customers taking service under the Services Tariff are subject to Real-Time Market Settlement. The existing Tariff rules provide that for the purposes of determining a Resource's scheduled output, Generators that provide Energy under certain contracts (including PURPA contracts), as well as existing Generators that produce electricity and supply steam to a steam system (*i.e.*, topping turbine Generators, extraction turbine Generators), have their scheduled output retroactively set equal to the Generator's actual output for each Real-Time Dispatch interval. The NYISO proposes to omit the Generator of a BTM:NG Resource from this exclusion from the rules that require Generators to operate consistent with their NYISO-determined schedule, even if the BTM:NG Resource's Generator might otherwise qualify for this exclusion.

Services Tariff Section 4.5.1 states that when the Actual Energy Withdrawals by a Customer over an RTD interval exceed the Energy withdrawals scheduled over that interval, the NYISO will charge the Customer for such over-withdrawals. The NYISO proposes to add the following sentence to Section 4.5.1:

If the Generator of a Behind-the-Meter Net Generation Resource is not able to serve the Resource's Host Load at any time, any resulting Actual Energy Withdrawals that serve the Host Load will be charged to the Load Serving Entity responsible for serving the Behind-the-Meter Net Generation Resource.

Under the proposal, if a BTM:NG Resource is required, at any time, to draw electricity from the grid due to a full or partial outage of its Generator, the LSE serving the BTM:NG Resource will be charged for the resulting withdrawals. This proposal is necessary to properly account for any Energy withdrawals occurring as a result of an outage of the Generator of a BTM:NG Resource.

e. Services Tariff Section 15.3 – Rate Schedule 3, Payments for Regulation Service

Rate Schedule 3 to NYISO's Services Tariff applies to payments for Regulation Service. The NYISO proposes to revise Section 15.3 of the Services Tariff to prohibit a BTM:NG Resource comprised of more than a single Generator that is dispatched as a single aggregate unit from providing Regulation Service by adding the following:

A Behind-the-Meter Net Generation Resource that is comprised of more than one generating unit that is dispatched as a single aggregate unit is not qualified to provide Regulation Service to the ISO.

In the case of a BTM:NG Resource with multiple generating units dispatched as a single aggregate unit at a single PTID, the NYISO will be unable to determine if the Generator being called on to provide Regulation is on-line and ready for dispatch. The proposed prohibition ensures that if dispatched, the Resources called to provide Regulation Service will be meet the NYISO's qualification to provide such service.¹⁶ The NYISO's current rules prohibit an off-line Resource from providing Regulation Service.

BTM:NG Resources that are permitted to provide Regulation Service will be subject to the terms and conditions set forth in Rate Schedule 3.

f. Services Tariff Section 15.3A – Rate Schedule 3-A, Charges Applicable to Suppliers That Are Not Providing Regulation Service

Rate Schedule 3-A of the NYISO's Services Tariff applies to Suppliers that do not supply Regulation Service. Under the NYISO's proposal, Rate Schedule 3-A will apply to BTM:NG Resources that are prohibited from or otherwise do not provide Regulation Service. The NYISO further proposes to revise Section 15.3A.2.1 of the Services Tariff to exclude BTM:NG Resources from an exemption that excuses a limited subset of Generators from penalties for persistent undergeneration:

Generators, except for the Generator of a Behind-the-Meter Net Generation Resource, providing Energy under contracts (including PURPA contracts), executed and effective on or before November 18, 1999, in which the power purchaser does not control the operation of the supply source but would be responsible for payment of the persistent undergeneration and performance charge;

The NYISO does not believe it would be appropriate to exempt BTM:NG Resources from persistent undergeneration charges, even if the exemption might otherwise apply. The NYISO proposes to require a BTM:NG Resource to provide the NYISO with both its available generation and its Host Load in its Energy Bids. By requiring this information to be submitted, the NYISO will already account for the effect of variations in Load that are typically the cause of undergeneration.

¹⁶ See *Reliability Reference Directory No. 5 - Reserve*, Northeast Power Coordinating Council Regional, available at https://www.npcc.org/Standards/Directories/Directory_5-Full%20Member%20Approved%20clean%20-GJD%2020150330.pdf.

g. Services Tariff Section 15.4 – Rate Schedule 4, Payments for Supplying Operating Reserves

Rate Schedule 4 of the Services Tariff describes the payments made to Suppliers that provide Operating Reserves to the NYISO. The NYISO proposes three revisions in Rate Schedule 4, to Sections 15.4.1.2.1, 15.4.1.2.2, and 15.4.1.2.3, addressing Spinning, 10-Minute Non-Synchronized Reserve, and 30-Minute Reserves respectively:

15.4.1.2.1 – Spinning Reserve: Suppliers that are ISO Committed Flexible or Self-Committed Flexible, are operating within the dispatchable portion of their operating range, are capable of responding to ISO instructions to change their output level within ten minutes, and that meet the criteria set forth in the ISO Procedures shall be eligible to supply Spinning Reserve (except for Demand Side Resources that are Local Generators and Behind-the-Meter Net Generation Resources that are comprised of more than one generating unit and dispatched as a single aggregate unit).

15.4.1.2.2 – 10-Minute Non-Synchronized Reserve: ~~(i) Off-line Generators that are capable of starting, synchronizing, and increasing their output level within ten (10) minutes, (ii) Behind-the-Meter Net Generation Resources that are comprised of more than one generating unit and dispatched as a single aggregate unit that are capable of increasing their output level within ten (10) minutes, and that meet the criteria set forth in the ISO Procedures, and, (iii) Demand Side Resources that are capable of reducing their Energy usage within ten (10) minutes, and that meet the criteria set forth in the ISO Procedures shall be eligible to supply 10-Minute Non-Synchronized Reserve.~~ (i) Off-line Generators that are capable of starting, synchronizing, and increasing their output level within ten (10) minutes, (ii) Behind-the-Meter Net Generation Resources that are comprised of more than one generating unit and dispatched as a single aggregate unit that are capable of increasing their output level within ten (10) minutes, and that meet the criteria set forth in the ISO Procedures, and, (iii) Demand Side Resources that are capable of reducing their Energy usage within ten (10) minutes, and that meet the criteria set forth in the ISO Procedures shall be eligible to supply 10-Minute Non-Synchronized Reserve.

15.4.1.2.3 – 30-Minute Reserve: ~~(i) Generators, except Behind-the-Meter Net Generation Resources that are comprised of more than one generating unit and dispatched as a single aggregate unit, that are ISO-Committed Flexible or Self-Committed Flexible and operating within the dispatchable portion of their operating range and Demand Side Resources, that are not Local Generators, that are capable of reducing their Energy usage within thirty (30) minutes shall be eligible to supply synchronized 30-Minute Reserves, (ii) (i) Off-line Generators that are capable of starting, synchronizing, and increasing their output level within thirty (30) minutes, (ii) Behind-the-Meter Net Generation Resources that are comprised of more than one generating unit and dispatched as a single aggregate unit that are capable of increasing their output level within thirty (30) minutes, and that meet the criteria set forth in the ISO Procedures, and (iii) Demand Side Resources that are capable of reducing their energy usage within thirty (30) minutes, and that meet the criteria set forth in the ISO Procedures, shall be eligible to supply non-synchronized 30-Minute reserves.~~ (i) Generators, except Behind-the-Meter Net Generation Resources that are comprised of more than one generating unit and dispatched as a single aggregate unit, that are ISO-Committed Flexible or Self-Committed Flexible and operating within the dispatchable portion of their operating range and Demand Side Resources, that are not Local Generators, that are capable of reducing their Energy usage within thirty (30) minutes shall be eligible to supply synchronized 30-Minute Reserves, (ii) (i) Off-line Generators that are capable of starting, synchronizing, and increasing their output level within thirty (30) minutes, (ii) Behind-the-Meter Net Generation Resources that are comprised of more than one generating unit and dispatched as a single aggregate unit that are capable of increasing their output level within thirty (30) minutes, and that meet the criteria set forth in the ISO Procedures, and (iii) Demand Side Resources that are capable of reducing their energy usage within thirty (30) minutes, and that meet the criteria set forth in the ISO Procedures, shall be eligible to supply non-synchronized 30-Minute reserves.

The proposed revisions to Sections 15.4.1.2.1, 15.4.1.2.2, and 15.4.1.2.3 clarify the type of Operating Reserves BTM:NG Resources may provide. The NYISO proposes to allow a BTM:NG Resource consisting of more than a single Generator serving a Host Load that is

dispatched as a single unit at a single PTID to provide 10-minute and 30-minute non-synchronous reserves. Although the NYISO will know when a BTM:NG Resource is operating and synched to the grid (to serve its Host Load), the NYISO will be unable to determine if the particular Generator providing the spinning reserves will be on-line and ready for dispatch. The NYISO permits only those Generators that are on-line and synched to the grid to provide spinning reserves.¹⁷ Conversely, BTM:NG Resources that consist of a single Generator serving a Host Load will be permitted to provide spinning reserves when the Generator serving the BTM:NG Resource is on-line and synched to the grid.

The NYISO further proposes to permit BTM:NG Resources that consist of more than one Generator serving a Host Load and dispatched as a single unit at a single PTID to provide both 10-minute and 30-minute non-synchronous reserves.

3. Revisions to Services Tariff Section 5 to Incorporate BTM:NG Resources in the ICAP Market

The NYISO's proposal contains revisions to Sections 5.11 and 5.12 of the Services Tariff to allow BTM:NG Resources to participate in the NYISO's ICAP market and provide for the manner in which they can participate. As was true of Section 4 discussed above, the proposal provides that the current ICAP rules will apply to BTM:NG Resources except where otherwise specified.

a. *Services Tariff Section 5.11 – Load Requirements*

The NYISO proposes to revise Section 5.11.1 in order to clarify existing language regarding the determination of Adjusted Actual Load. This section provides that the NYISO will consider certain data points to determine Actual Adjusted Load at the time of the NYCA peak Load value in order to determine the Adjusted Actual Load. The NYISO is proposing the following clarification:

The ISO shall use these data to determine the Adjusted Actual Load at the time of the NYCA peak Load for each Transmission District and municipal electric utility pursuant to ISO Procedures, which shall ensure that transmission losses and the effects of demand reduction programs and the other elements of Adjusted Actual Load are treated in a consistent manner and that all weather normalization procedures meet a minimum criterion described in the ISO Procedures.

The NYISO further proposes to include the same above-highlighted language in Section 5.11.1 in reference to the reasonable expectation of Load forecasts for Transmission Districts or for municipal electric utilities. Neither of these proposed revisions will alter the NYISO's calculation of Adjusted Actual Load and will make clear that the elements within the definition of Adjusted Actual Load will be considered as part of the NYISO's Load forecasting.

¹⁷ The NYISO is also concerned as to whether it will be able to demonstrate compliance with NPCC Regional Reliability Reference Directory No. 5 Reserve Rules during times when an aggregation of BTM:NG Resources receive a synchronous reserve award where the reserves are only available by starting an off-line Generator.

b. Services Tariff Section 5.12 – Requirements Applicable to ICAP Suppliers

Section 5.12 of the NYISO's Services Tariff describes the obligations of ICAP Suppliers. The NYISO's proposal contains revisions to sections 5.12.1 (ICAP Supplier Qualification Requirements), 5.12.6 (Capacity Calculations, Operating Default Value, and Collection), and 5.12.8 (Unforced Capacity Sales).

(i) Section 5.12.1 – ICAP Supplier Qualification Requirements

Services Tariff Section 5.12.1 establishes the basic requirements to qualify as an ICAP Supplier, including the requirement for certain ICAP Suppliers to obtain CRIS. To provide an opportunity for BTM:NG Resources to participate in the ICAP market, the NYISO proposes to: (i) revise currently effective language for clarity; (ii) add language to require Market Participants that meet the qualifications of a BTM:NG Resource to participate as such; (iii) provide rules to limit a BTM:NG's ability to participate as different types of ICAP Suppliers in the same Capability Year (*e.g.*, it cannot be a Special Case Resource and a BTM:NG Resource in the same Capability Year); and (iv) provide other clarifying revisions necessary to provide an opportunity for BTM:NG Resources to participate as ICAP Suppliers.

The NYISO therefore proposes the following revisions:

In order to qualify as an Installed Capacity Supplier, in the NYCA, each Generator and controllable merchant transmission projects electrically located in the NYCA facility interconnected to the New York State Transmission System must, commencing with the 2009 Summer Capability Period, have elected obtained Capacity Resource Interconnection Service ("CRIS") and been found deliverable, or must have been grandfathered as deliverable, pursuant to the applicable provisions of Attachment X, Attachment Z and Attachment S to the ISO OATT, and controllable transmission projects must also have obtained Unforced Capacity Deliverability Rights.

The revision to this Section is a key element of the NYISO's proposal as it is intended to guard against the likely possibility that BTM:NG Resources not subject to the NYISO's interconnection procedures (*e.g.*, because they are connected to or proposing to connect to non-FERC jurisdictional distribution facilities) would be beyond the scope of the NYISO's existing interconnection procedures, including the Deliverability Interconnection Standard. By adding this requirement to the ICAP Supplier eligibility requirements in Section 5.12.1 of the Services Tariff, the NYISO will ensure that Resources seeking to participate in the ICAP market are not able to evade the deliverability requirements that apply to all other resources over 2 MW simply because they are not subject to the NYISO's interconnection procedures by virtue of their point of interconnection.

The NYISO further proposes to add a new sentence to this section to require an ICAP Supplier that meets the characteristics of a BTM:NG Resource, and seeks to offer Capacity from its Generator, to only participate as a BTM:NG Resource, and cannot participate as a traditional Generator, as explained in part III(A)(2) of this filing letter. The NYISO proposes to add the following sentence, consistent with the revisions proposed for participation in the Energy and Ancillary Service Markets:

A Generator that elects to participate in the ICAP Market, and is within a defined electrical boundary, electrically interconnected with, and routinely serves a Host Load (which Host Load does not consist solely of Station Power) at a single PTID can only participate in the Installed Capacity market as a Behind-the-Meter Net Generation Resource.

As discussed with respect to the Day-Ahead and Real-Time markets, this limitation is necessary to properly account for the Resource's capacity available to the NYISO. As further described below, the NYISO is proposing new and specific measurement and verification rules for BTM:NG Resources participating in the ICAP market. Among those measurement and verification rules is a proposal regarding the measurement of a Resource's AHL. The components of AHL will account for weather normalization, load growth and the IRM to appropriately measure the Unforced Capacity the resource is eligible to offer into the market. The proposed measurement and verification rules are necessary to ensure that the generation and Load of each BTM:NG Resource is accurately accounted for.

Section 5.12.1 further identifies a series of ICAP Supplier requirements. Because the NYISO is proposing to add BTM:NG Resources as an enumerated type of ICAP Supplier, it is also adding that they are obligated to perform DMGC tests (unless the Resource elects otherwise pursuant to proposed Section 5.12.6.1.1), and to prohibit a BTM:NG Resource from participating as a BTM:NG Resource in the same Capability Year as it participates as another type of ICAP Supplier (*e.g.*, Special Case Resource or a traditional Generator). The proposed revisions will require BTM:NG Resources to:

5.12.1.2: in accordance with the ISO Procedures, perform DMNC or DMGC tests and submit the results to the ISO, or provide to the ISO appropriate historical production data;

5.12.1.12: A Resource that was determined by the ISO to be qualified as a Behind-the-Meter Net Generation Resource and for which Net Unforced Capacity was calculated by the ISO for a Capability Year can annually, by written notice received by the NYISO prior to August 1, elect not to participate in the ISO Administered Markets as a Behind-the-Meter Net Generation Resource. Such notice shall be in accordance with ISO Procedures. A Resource that makes such an election cannot participate as a Behind-the-Meter Net Generation Resource for the entire Capability Year for which it made the election, but can, however, prior to August 1 of any subsequent Capability Year, provide all required information in order to seek to re-qualify as a Behind-the-Meter Net Generation Resource.

This proposed rule is necessary because unlike traditional Generators which provide capacity, BTM:NG Resources also have an element of Load. The manner in which the Market Participant is enrolled in the NYISO's market has implications for the NYISO's planning process.

The NYISO's planning process takes into account the various inputs from Generators, LSEs, and Demand Side Resources, among others, to determine the amount of generation available to the NYCA and to develop a Load forecast. To integrate BTM:NG Resources, the NYISO will need to identify the Resource's capability (*i.e.*, its Adjusted DMGC) as well as its Load (*i.e.*, its Average Coincident Host Load), and incorporate those values into the planning process. On the generation side, integration of BTM:NG Resources is much like that of a traditional Generator: the NYISO will determine the actual capability of the Resource, taking into account its EFORD, CRIS cap, and any Injection Limit. On the Load side, the NYISO's calculation is more complex. As described in greater detail in part III(A)(3)(b)(ii), the NYISO will calculate for each BTM:NG Resource its ACHL accounting for the inputs that are traditionally calculated on a Transmission District basis for other Loads in the NYCA (*e.g.*, load growth, weather normalization) and apply the annual IRM value to obtain the AHL for the Resource. If a BTM:NG Resource was able to participate as such in part of a Capability Year, and then participate as a traditional Generator, or enroll as a Special Case Resource for another part of the Capability Year, it would not be appropriately accounted for in the NYISO's processes.

Finally, the NYISO seeks to clarify Section 5.12.1 to provide that an ICAP Supplier is required to submit, and the NYISO must receive and approve, DMNC or DMGC data (as appropriate) for each summer and winter Capability Period. This minor revision is intended to clarify that a Supplier's DMNC or DMGC data must not only be sent by the Supplier, but must be received by the NYISO, and subsequently validated and approved.

(ii) Section 5.12.6 – Capacity Calculations, Operating Data Default Value, and Collection

The bulk of the NYISO's proposed tariff revisions to integrate BTM:NG Resources in the ICAP Market will be contained in Services Tariff Section 5.12.6. The NYISO proposes to rename the section from "Operating Default Value and Collection," to "Capacity Calculations, Operating Default Value, and Collection." The new section heading provides a more descriptive title for the contents – both existing and proposed – of Section 5.12.6.

Existing Section 5.12.6 of the NYISO's Services Tariff describes the method by which the NYISO will calculate an ICAP Supplier's UCAP. The NYISO proposes to add five (5) new sections in Section 5.12.6, applicable solely to BTM:NG Resources, to describe the NYISO's calculation of a BTM:NG Resource's ICAP value (including its Adjusted DMGC, Adjusted Host Load, and Average Coincident Host Load). The NYISO also proposes to revise Section 5.12.6.2, UCAP Calculations, to add the calculation to be used for BTM:NG Resources. Due to the addition of the proposed new sections, the proposal also re-numbers the remaining portions in Section 5.12.6. There are no substantive changes to those sections.

Section 5.12.6.1 **ICAP Calculation for Behind-the-Meter Net Generation Resources**

The NYISO proposes to add the following text to new Section 5.12.6.1:

The ISO shall calculate the amount of Net-ICAP for each Behind-the-Meter Net Generation Resource as the Adjusted DMGC of the Generator of the Behind-the-Meter Net Generation Resource minus the resource's Adjusted Host Load in accordance with this Tariff and ISO Procedures.

The product Generators offer into the ICAP market is in terms of UCAP, calculated based on its DMNC and EFORD. Unlike a traditional Generator, the NYISO cannot solely rely on a BTM:NG Resource's DMGC to establish its ICAP value. As discussed throughout, the NYISO must account for the Resource's Host Load in determining its ability to supply the NYCA with Capacity, Energy and Ancillary Service. Therefore the NYISO proposes to establish a BTM:NG Resource's Net-ICAP as the capability of the Generator (the lesser of the Resource's DMGC, its CRIS cap, and its Injection Limit) minus its Adjusted Host Load.¹⁸

Section 5.12.6.1.1 **Adjusted DMGC**

The first input to a BTM:NG Resource's Net-ICAP is its Adjusted DMGC. The NYISO proposes to establish the Adjusted DMGC as the least of the Resource's gross capability (the DMGC test value), its CRIS cap, and its Injection Limit. The NYISO proposes to add the following text to this new section:

The ISO's calculation of the Adjusted DMGC of a Behind-the-Meter Net Generation Resource shall be the least of: (i) its DMGC for the Capability Period; (ii) its Adjusted Host Load plus its applicable Injection Limit; and (iii) its Adjusted Host Load plus the number of MW of CRIS it has obtained, as determined in accordance with OATT Section 25 (OATT Attachment S) and ISO Procedures.

In short, the NYISO is proposing the Adjusted DMGC value to be the actual output the Resource is capable of injecting into the system. To arrive at that value, the NYISO will determine the factor that most limits the Resource's injection into the system. There may be circumstances in which a Resource's DMGC (or equivalent) will exceed its AHL plus either its Injection Limit or CRIS cap. In such cases, the Resource's Adjusted DMGC will not reflect the actual capability of the BTM:NG Resource, but instead the limitation of either the CRIS cap or Injection Limit.

The NYISO further proposes to allow a BTM:NG Resource, with appropriate metering infrastructure, to opt-out of the DMGC testing requirement. If the Resource opts-out of the DMGC test, it will instead be required to submit a DMNC test. The NYISO conceived of the DMGC test as a method to determine the gross capability of the Generator serving a BTM:NG

¹⁸ The inputs to the ICAP calculation for BTM:NG Resources are proposed in Services Tariff Sections 5.12.6.1.1 and 5.12.6.1.2, and in part III(A)(3)(b)(ii) of this filing letter.

Resource. The reason for the gross test (as opposed to the long-standing net test) was two-fold: (1) the NYISO's determination of the capacity of the entire resource required an evaluation of both the gross capability of the Generator, and the gross Host Load of the facility (including the Station Power consumed by the Generator), and (2) the understanding that many BTM:NG Resources would not have sufficient metering infrastructure to differentiate between Station Power serving the Generator and the remaining Load at the facility. Through the stakeholder process, however, the NYISO learned that existing facilities intending to participate in the NYISO's markets as BTM:NG Resources do, in fact, have the metering capability to differentiate between Station Power and remaining Host Load. Therefore, the NYISO proposes to allow a BTM:NG Resource to submit a DMNC test when the conditions below are met. To incorporate this idea, the NYISO proposes the following provision:

If the Station Power of a Behind-the-Meter Net Generation Resource is separately metered from all other Load of the Resource, such that the Station Power Load can be independently measured and verified, the Generator of a Behind-the-Meter Net Generation Resource may elect to perform a DMNC Test instead of a DMGC Test pursuant to ISO Procedures. Such election must be made in writing to the ISO prior to the start of the DMNC Test Period.

The main concern of the NYISO with respect to a BTM:NG Resource conducting a DMNC Test is the lack of transparency to the components of the Resource's Load without sufficient metering. Because the DMNC is a "net" value there is the potential to decrease the Resource's Host Load by designating it as Station Power. Doing so would affect the calculation of the Resource's Adjusted Host Load (by reducing the Load subject to load growth factors and weather normalization), and would remove that portion of "hidden" Host Load from the application of the IRM, an undesirable outcome.

If the BTM:NG Resource meets the qualifications to conduct a DMNC Test, and chooses to submit such test, the NYISO proposes to apply the following provision:

If a Behind-the-Meter Net Generation Resource elects to submit a DMNC Test, the Station Power measured during such DMNC Test shall not be included in the Resource's Host Load. A Behind-the-Meter Net Generation Resource's DMNC value for the Capability Period shall be used in lieu of a DMGC value in the calculation of the Resource's Adjusted DMGC for the purposes of Sections 5.12.6.1 and 5.12.6.2 of this Services Tariff.

The NYISO proposes to exempt the Station Power of a BTM:NG Resource from inclusion in the Resource's Host Load if it chooses to conduct a DMNC Test. This proposal aligns with existing treatment of Station Power in the NYISO's Services Tariff. Under the current provisions, the NYISO does treat Station Power as "Load" in the traditional sense; that is, Load that is counted in the NYISO's annual forecasts and accounted for when applying the IRM. Instead, Station Power acts much like a derating of a Generator. As explained above, when the NYISO cannot specifically distinguish Station Power from a BTM:NG Resource's remaining Host Load through proper metering, the NYISO proposes to include all Load in the calculation of a Resource's Host Load in order to obtain a more fulsome value. However, when

the BTM:NG Resource has sufficient metering such that the NYISO can be assured that the only Load being labeled Station Power is that Load identified in the NYISO's Services Tariff as Station Power, the proposal will treat the BTM:NG Resource as it would a traditional Generator for that purpose.

Section 5.12.6.1.2 Adjusted Host Load

The second component of a BTM:NG Resource's Net-ICAP value is its AHL. The NYISO proposes to calculate a BTM:NG Resource's AHL as the product of the Resource's Average Coincident Host Load and one plus the IRM.

The proposal will establish a "peak Load" value for a Resource across a Capability Year by averaging the particular Resource's 20 highest Load hours that occur within the top-40 NYCA peak Load Hours, and normalize that peak Load proxy value for weather and Load growth. This proposal is consistent, albeit on a smaller scale, with how annual Load requirements are established for the NYCA: prior to each Capability Year, the NYISO establishes the forecast peak Load for the NYCA based on the highest Adjusted Actual Load in the previous Capability Year, taking into account weather normalization, and applying a Regional Load Growth Factor.¹⁹

Once the BTM:NG Resource's Average Coincident Host Load is established, the NYISO proposes to apply the IRM, set annually by the New York State Reliability Council, to that peak Load proxy value to use for purposes of determining Net-ICAP. This proposal is consistent with the NYISO's existing procedures with respect to setting the NYCA Minimum ICAP Requirement and in determining the amount of load an individual LSE would be required to procure.²⁰

The NYISO therefore proposes the following text in Section 5.12.6.1.2:

A Behind-the-Meter Net Generation Resource's Adjusted Host Load shall be equal to the product of the Average Coincident Host Load and one plus the Installed Reserve Margin.

The Adjusted Host Load shall be calculated by the ISO on an annual basis prior to the start of the Summer Capability Period and in accordance with ISO Procedures, based upon the Behind-the-Meter Net Generation Resource's Average Coincident Host Load for the prior Summer Capability Period.

Consistent with current NYISO practices to develop the NYCA Load forecast and apply the IRM, the NYISO further proposes to conduct AHL calculations for BTM:NG Resources annually, prior to the start of the Summer Capability Period, using data from the prior Summer

¹⁹ See, e.g., Section 5.11.1 of the NYISO's Services Tariff and Section 1.2 of the Load Forecasting Manual.

²⁰ See, e.g., Section 2.4 of the NYISO's Installed Capacity Manual.

Capability Period.²¹ For instance, a BTM:NG Resource that seeks to enroll in the Summer 2016 Capability Period (May 1, 2016 through October 31, 2016) will have its AHL calculated based on data from the Summer 2015 Capability Periods. This timeline will allow the NYISO sufficient opportunity to gather and process data from BTM:NG Resources to be included in the NYISO's planning processes, and for the NYISO to establish the AHL and Net-ICAP for each BTM:NG Resource prior to the beginning of a Capability Year on May 1.

Section 5.12.6.1.2.1 Average Coincident Host Load

Section 5.12.6.1.2.1 proposes the rules and process for determining a BTM:NG Resource's ACHL. The purpose of the ACHL is to calculate a proxy value for the Resource's peak Host Load that is coincident with the NYCA peak Load. In order to do so, the NYISO proposes the following sentence:

The ISO shall compute the Average Coincident Host Load for each Capability Year (i) using the metered Host Load data for the applicable NYCA peak Load hours, except as provided below in this Section, and (ii) adjusted for weather normalization and Load growth as determined by the ISO in relation to developing the NYCA Minimum Installed Capacity Requirement in accordance with ISO Procedures.

In order to determine the ACHL, the NYISO will gather hourly interval metered Load data from each BTM:NG Resource for the top forty (40) NYCA peak Load hours for the previous Summer Capability Period. As already applicable to Transmission Owners and Municipal Electric Systems, and pursuant to existing ISO Procedures, the hourly interval Load data that is submitted by the Resource to the NYISO shall account for weather.²² The NYISO will also apply a Load growth factor to the facility to account for annual changes in demand.

Certain NYISO stakeholders argued that individual BTM:NG Resources are not comparable to Transmission Districts, which currently have a Regional Load Growth Factor applied in the Load Forecasting process. Stakeholders argued that BTM:NG Resources are likely to be large industrial and commercial facilities with stable tenants and predictable Load, and therefore should not have a general Load Growth Factor applied, but instead allow the Resource to submit a Resource-specific Load Growth Factor. While this may be true for a limited number of BTM:NG Resources, the NYISO's proposal does not create a separate class of resource with the ability to designate its own Load Growth Factor. Indeed, while the NYISO's currently effective processes allow a Transmission Owner or Municipal Electric System to provide a Load Growth Factor on a Transmission District basis, the NYISO does not allow large, stable loads within those Transmission Districts to supplement the TO's analysis. It is simply not feasible for the NYISO to obtain and review Load growth rates provided by each

²¹ This section will not restrict a resource, subject to the terms of proposed revision in Section 5.12.1.12 of the Services Tariff, from seeking to become a BTM:NG Resource during an on-going Capability Year. The NYISO will develop an AHL, in conjunction with the Resource, pursuant to proposed Section 5.12.6.1.2.1, Average Coincident Host Load.

²² See NYISO Load Forecasting Manual § 2.2.3.

end-user in a Transmission District, and the NYISO is proposing to treat the Load of BTM:NG Resources in the same manner as all other Loads in the NYCA with respect to Load growth.

Prior to applying any Load Growth Factor or weather normalization, the NYISO will determine the BTM:NG Resource's top twenty (20) one-hour peak Loads that are coincident with the top forty (40) NYCA peak load hours of the prior Summer Capability Period. The NYISO proposes to add the following sentence to Section 5.12.6.1.2.1:

For each Capability Year, the NYISO shall use the average of the highest twenty (20) one-hour peak Loads of the Host Load of the Behind-the-Meter Net Generation Resource that occur during the top forty (40) NYCA peak Load hours of the prior Summer Capability Period to calculate the Average Coincident Host Load.

This proposed methodology will create a proxy peak Load value for each BTM:NG Resource. The NYISO's annual Load forecasts are based off of the peak Load hour from the previous Capability Year, but it is unlikely that a BTM:NG Resource's peak Load hour will specifically coincide with the NYCA peak. Moreover, the NYISO believes that establishing a baseline over twenty peak Load hours will mitigate the chances of a Resource manipulating its baseline. The NYISO currently employs a "top-20 of 40" baseline methodology to resources participating in the Special Case Resource program and experience has shown that, by and large, the "top-20 of 40" baseline established for resources in that program better represent the peak Load than using a single peak Load hour to establish the baseline. Therefore, the NYISO believes that this proxy value will be more reflective of the BTM:NG Resource's peak Load during the NYCA peak.

Finally, the NYISO proposes to allow a facility that meets the criteria to be, but has not previously been, a BTM:NG Resource, to estimate an ACHL. A Resource may only forecast an estimated ACHL when the Resource has not previously been a BTM:NG Resource and when it does not have appropriate meter data from which to calculate a true ACHL. In addition, a Resource may only use an estimated ACHL until such a time as actual data becomes available, and for a maximum of three consecutive Capability Years beginning with the first Capability Year in which the Resource is an ICAP Supplier. This provides sufficient opportunity for the Resource to gather all of the required meter data necessary to calculate an ACHL. The NYISO proposes to include the following in Section 5.12.6.1.2.1:

If a facility meets the criteria to be, and has not previously been, a Behind-the-Meter Net Generation Resource, but does not have all of the appropriate meter data, its Average Coincident Host Load shall be a value forecasted by the Behind-the-Meter Net Generation Resource. The Behind-the-Meter Net Generation Resource's forecast shall be based on actual meter data, or if not available, billing data or other business data of the Host Load. An estimated Average Coincident Host Load can only be applicable to a Behind-the-Meter Net Generation Resource until actual data becomes available, but in any event no longer than three (3) consecutive Capability years beginning with the Capability Year it is first an Installed Capacity Supplier.

The NYISO believes that this proposal provides potential BTM:NG Resources with the flexibility to enter the wholesale market earlier than would otherwise be allowed if historical meter data were required as a precondition to participation. Reducing the lag time for potential Resources is beneficial to the NYISO's wholesale market, and to the Resources. The NYISO further believes that, in conjunction with the Resource, it can determine a satisfactory estimated ACHL that will not greatly over or under estimate the Resource's capability based on available data that, while not ideal, provides a measure of certainty that the Resource's ACHL is not incongruent with its actual Load.

Section 5.12.6.1.2.2 Determination of Adjusted Host Load

A BTM:NG Resource's AHL will be determined by multiplying the Average Coincident Host Load, as described above, by one plus the NYCA IRM. The NYCA IRM is set annually by the New York State Reliability Council, and is filed with the New York Public Service Commission, and the FERC. The NYISO proposes to add the following to Section 5.12.6.1.2.2:

After the ISO has calculated a Behind-the-Meter Net Generation Resource's Average Coincident Host Load, it shall then apply the NYCA Installed Reserve Margin. The Behind-the-Meter Net Generation Resource's Adjusted Host Load will be established by multiplying the Resource's Average Coincident Host Load for the Capability Year by the quantity of one plus the NYCA Installed Reserve Margin.

Under existing language in Section 5.10, the NYISO calculates the NYCA Minimum ICAP Requirement by multiplying the annual peak Load forecast by one plus the IRM. The NYISO is proposing to use the same calculation to determine the AHL for BTM:NG Resources in an effort to consistently apply the rules concerning the adequate amount of installed Reserves. If the NYISO declined to apply the IRM to BTM:NG Resources, there is the chance that the NYCA would be short of Reserves, and in violation of NERC and NPCC requirements. It would also introduce a significant difference in the treatment of wholesale load versus load of a BTM:NG Resource.

Section 5.12.6.2 UCAP Calculations

The NYISO proposes to revise existing Section 5.12.6.2 to add a provision for BTM:NG Resources. This Section sets forth the rules used to calculate the amount of UCAP that an ICAP Supplier is qualified to supply. The NYISO proposes to exclude BTM:NG Resources from the general UCAP calculation method, and add a BTM:NG Resource-specific provision which will appropriately account for both the generation and the Load of the Resource. The proposed rule for BTM:NG Resources will, therefore, mirror both the rule for determining the UCAP of a Generator, and the rule that translates the forecasted NYCA Load, which is a raw number, in to UCAP terms. The NYISO proposes to add the following to Section 5.12.6.2:

The amount of Unforced Capacity that each Behind-the-Meter Net Generation Resource is authorized to supply in the NYCA shall be its Net-UCAP. Net-UCAP is the lesser of (i) the ISO's calculation of the Generator of the Behind-the-Meter

Net Generation Resource Adjusted DMGC multiplied by one minus its Equivalent Demand Forced Outage Rate, decreased by its Adjusted Host Load translated into Unforced Capacity terms consistent with Section 5.11.1 of this Tariff, and (ii) the Resource's Net-ICAP.

The proposed revision will establish a BTM:NG Resource's Net-UCAP. The calculation, similar to the Net-ICAP calculation, will subtract the Resource's Load from its Capability to determine the amount of Capacity qualified to supply in the NYCA. Prior to doing so, however, the Net-UCAP formula will translate both components into Unforced Capacity terms. The Unforced Capacity of the Generator is determined by applying the Generator's forced outage rate, that is, its EFORD, and the Unforced Capacity of the Load is translated into Unforced Capacity terms consistent with the existing provisions of Section 5.11.1 of the Services Tariff.

In certain circumstances a BTM:NG Resource's Net-ICAP may be lower than its Net-UCAP (such as when its EFORD is less than the ICAP to UCAP translation factor used to convert the Load to UCAP). If such a situation occurs, the BTM:NG Resource will only be qualified to supply its Net-ICAP; *i.e.*, the lower of the two values.

(iii) Section 5.12.8 – UCAP Sales

Section 5.12.8 of the NYISO's Services Tariff provides the rules and requirements to offer UCAP. As an ICAP Supplier, Section 5.12.8 will apply in its entirety to BTM:NG Resources. The NYISO's proposal also includes a scattering of minor revisions specifically applicable to BTM:NG Resources.

Throughout the Section, existing tariff language references the DMNC test and test results of ICAP Suppliers. The NYISO proposes to add a reference to the DMGC test of a BTM:NG Resource where appropriate:

If an Energy Limited Resource's, Generator's, System Resource's or Control Area System Resource's DMNC rating, or the DMGC rating of a Generator of a Behind-the-Meter Net Generation Resource, if applicable, is determined to have increased during an Obligation Procurement Period, pursuant to testing procedures described in the ISO Procedures, the amount of Unforced Capacity that it shall be authorized to supply in that or future Obligation Procurement Periods shall also be increased on a prospective basis in accordance with the schedule set forth in the ISO Procedures provided that it first has satisfied the deliverability requirements set forth in the applicable provisions of Attachment X, Attachment Z and Attachment S to the ISO OATT.

New Generators and Generators that have increased their Capacity since the previous Summer Capability Period due to changes in their generating equipment may, after satisfying the deliverability requirements set forth in the applicable provisions of Attachment X, Attachment Z and Attachment S of the ISO OATT, qualify to supply Unforced Capacity on a foregoing basis during the Summer Capability Period based upon a DMNC test, or the DMGC test of a Generator of a

Behind-the-Meter Net Generation Resource, that is performed and reported to the ISO after March 1 and prior to the beginning of the Summer Capability Period DMNC Test Period.

The Generator will be required to verify the claimed DMNC or DMGC rating by performing an additional test during the Summer DMNC Test Period.

New Generators and Generators that have increased their Capacity since the previous Winter Capability Period due to changes in their generating equipment may, after satisfying the deliverability requirements set forth in the applicable provisions of Attachment X, Attachment Z an Attachment S to the OATT, qualify to supply Unforced Capacity on a foregoing basis during the Winter Capability Period based upon a DMNC test, or the DMGC test of a Generator of a Behind-the-Meter Net Generation Resource, that is performed and reported to the ISO after September 1 and prior to the beginning of the Winter Capability DMNC Test Period.

The Generator will be required to verify the claimed DMNC or DMGC rating by performing an additional test during the Winter Capability Period DMNC Test Period.

If an entity other than the owner of an Energy Limited Resource, Generator, System Resource, Behind-the-Meter Net Generation Resource, or Control Area System Resource that is providing Unforced Capacity is responsible for fulfilling bidding, scheduling, and notification requirements, the owner and that entity must designate to the ISO which of them will be responsible for complying with the scheduling, bidding, and notification requirements.

The revisions described above do not alter the existing obligations of ICAP Suppliers. Instead, the revisions are intended to extend existing obligations to BTM:NG Resources, and where necessary integrate new language to capture the BTM:NG Resource's obligation to conduct either a DMGC or a DMNC test.

4. Revisions to Services Tariff Section 23 (Attachment H), to Incorporate BTM:NG Resources in the NYISO's Market Power Mitigation Measures

The NYISO's Market Power Mitigation Measures ("Mitigation Measures") are set forth in Section 23 of the NYISO Services Tariff. The Mitigation Measures are intended to minimize interference with open and competitive markets and to encourage prices to be reflective of, and determined by, competitive forces. The proposed revisions make clear that the Mitigation Measures apply to BTM:NG Resources.

a. Services Tariff Section 23.2.1 – Definitions

The NYISO proposes to revise the definition of “Unit Net CONE” as follows:

For purposes of Section 23.4.5 of this Attachment H, “**Unit Net CONE**” shall mean localized levelized embedded costs of a specific Installed Capacity Supplier, including interconnection costs, and for an Installed Capacity Supplier located outside a Mitigated Capacity Zone including embedded costs of transmission services in either case net of likely projected annual Energy and Ancillary Services revenues, and revenues associated with other energy products (such as energy services and renewable energy credits), as determined by the ISO, translated into a seasonally adjusted monthly UCAP value using an appropriate class outage rate. The Unit Net CONE of an Installed Capacity Supplier that has functions beyond the generation or transmission of power shall include only the embedded costs allocated to the production and transmission of power, and shall not net the revenues from functions other than the generation or transmission of power.

The proposed revision to the definition of Unit Net CONE and the buyer-side market power mitigation measures (*i.e.*, the measures in Section 23.4.5.7, *et seq.* “the BSM Rules”) which utilize the term Unit Net CONE would add clarity and would better accommodate BTM:NG Resources. Therefore, the NYISO proposes to revise the definition in two ways. The first proposed revision articulates that projected annual revenues from other products like energy services and renewable energy credits will be netted out of embedded costs, just as Energy and Ancillary Services are currently netted out. The generator component of the BTM:NG Resource often provides services to the Host Load beyond Energy and Ancillary Services, such as energy audits and consumption control services. These are examples of sources of revenue associated with its provision of Capacity, Energy and Ancillary Services to the Host Load.

The second proposed revision would make it clear that Unit Net CONE will only include the embedded costs from the generation and transmission of power to the wholesale market. This clarification is not necessary when an ICAP Supplier’s primary business is the generation and transmission of power for wholesale use. However, the primary business function of a BTM:NG Resource may not be the generation and transmission of power. While these revisions are intended to accommodate BTM:NG Resources, the NYISO does not propose to limit its application only to BTM:NG Resources.

b. Services Tariff Section 23.4.5 – Pivotal Supply Rules

Section 23.4.5.4 of the NYISO’s Services Tariff requires Mitigated UCAP (generally, capacity under control of a Pivotal Supplier) to be offered in the ICAP Spot Market at or below the UCAP Offer Reference Level or the Going-Forward Cost. The NYISO proposes a limited exception to when the failure to offer the Mitigated UCAP in such manner would not constitute physical withholding:

Mitigated UCAP shall be offered in each ICAP Spot Market Auction in accordance with Section 5.14.1.1 of the ISO Services Tariff and applicable ISO procedures,

unless (a) it has been exported to an External Control Area or sold to meet Installed Capacity requirements outside the Mitigated Capacity Zone in which the ICAP Supplier is a Pivotal Supplier is located in a transaction that does not constitute physical withholding under the standards specified below, or (b) it is Net Unforced Capacity of a Behind-the-Meter Net Generation Resource that is sold to its Host Load in a transaction that does not constitute physical withholding under the standards specified in Section 23.4.5.4.1(b).

This revision establishes the limited circumstances and describes the quantity of BTM:NG Resource capacity that, if it was Mitigated UCAP and it was not offered into an ICAP Spot Market Auction, would not constitute physical withholding. This revision recognizes the requirement established by the other proposed tariff revisions that a BTM:NG Resource must first serve its Host Load prior to offering any UCAP for sale in the NYISO's ICAP market.

Corresponding to that provision, the NYISO proposes the following addition to Section 23.4.5.1 to consider potential physical withholding of BTM:NG Resources:

(b) Any Mitigated UCAP that is Net Unforced Capacity of a Behind-the-Meter Net Generation Resource that is not offered into the ICAP Spot Market Auction in accordance with Section 23.4.5.2 may be subject to audit and review by the ISO, and shall be deemed to have been physically withheld unless (i) the Responsible Market Party has obtained a determination from the ISO pursuant to Section 23.4.5.4.3(b) that the sale to its Host Load would not constitute physical withholding, and (ii) the Mitigated UCAP that was the subject of the determination pursuant to Section 23.4.5.4.3(b) is actually sold to its Host Load.

Section 23.4.5.4.3(b) is a new section the NYISO proposes to be applicable only to BTM:NG Resources. It establishes the procedures a BTM:NG Resource must follow in order to obtain a determination from the NYISO that a sale of Net Unforced Capacity in a Mitigated Capacity Zone to its Host Load, in an amount that is greater than the Resource's Adjusted Host Load, is not physical withholding. The NYISO proposes:

(b) At least fifteen business days in advance of the opening of the ICAP Spot Market Auction, a Behind-the-Meter Net Generation Resource can request that the ISO make a determination that the sale of Net Unforced Capacity in a Mitigated Capacity Zone to its Host Load does not constitute physical withholding. The Responsible Market Party shall be exempt from a physical withholding penalty as specified in Section 23.4.5.4.2 if the ISO determines that the Behind-the-Meter Net Generation Resource has demonstrated that the Host Load's actual consumption is planned to exceed its Adjusted Host Load, and it has a documented transaction to provide Net Unforced Capacity to its Host Load. Prior to reaching its decision on a request by a Behind-the-Meter Net Generation Resource that its sale of Net Unforced Capacity to its Host Load would not constitute physical withholding, the ISO shall provide its preliminary determination to the Market Monitoring Unit for review and comment. The responsibilities of the Market Monitoring Unit that are

addressed in this section of the Mitigation Measures are also addressed in Section 30.4.6.2.8(b) of Attachment O.

The NYISO proposes to provide an opportunity for a BTM:NG Resource located in a Mitigated Capacity Zone to request an *ex ante* determination of whether a specific type of UCAP sale would constitute physical withholding. The BTM:NG Resource would need to demonstrate to the ISO that its Host Load in a month is projected to exceed the Resource's Adjusted Host Load such that the Resource might be permitted to sell to the Host Load additional UCAP without it constituting physical withholding. The proposed revision will require a BTM:NG Resource to seek such determination from the NYISO at least fifteen days prior to the opening of the ICAP Spot Market Auction, and to have documentation of the sale of Net Unforced Capacity to its Host Load. The NYISO recognizes that a BTM:NG Resource's Host Load in certain months may exceed its Adjusted Host Load as determined pursuant to Section 5.12.6.1.2.2 of the Services Tariff, and that the Resource should not be prohibited from providing an additional amount of capacity to the Host Load rather than selling it into the market. The NYISO proposes to require such Resources to advise the NYISO of when such conditions exist.

5. Miscellaneous Revisions to the NYISO Services Tariff

The NYISO proposes the following revisions to capture changes to the NYISO's Services Tariff that do not exclusively relate to BTM:NG Resource participation in the Energy, Ancillary Service, or Capacity Markets, or to the Mitigation Measures but apply more generally to Market Participants.

a. *Services Tariff Section 3.5.2*

Services Tariff Section 3.5.2 outlines the obligations of Market Participants to provide the NYISO with operational data to assist the NYISO in operating the bulk power system. The NYISO proposes to amend the following sentence:

Suppliers will provide data on Generator status and output including maintenance schedules, Generator scheduled return dates (inclusive of return to service from maintenance, forced outages, partial unit outages or an increase in the forecasted Host Load of a Behind-the-Meter Net Generation Resource in real-time compared to the forecasted Host Load submitted as part of its Energy Bid in the Day-Ahead Market that resulted in a significant reduction in a generating units or a Behind-the-Meter Net Generation Resource's ability to produce Energy in any hour), and Generator machine data, in accordance with ISO Procedures.

This proposed amendment clarifies that a BTM:NG Resource must report to the NYISO a material deviation from the Host Load that was forecasted and used to develop its Day-Ahead Bids in the Energy Market. This requirement will allow the NYISO to more accurately dispatch a BTM:NG Resource in real-time.

b. Services Tariff Sections 23.2.1 and 23.4.5.7

The NYISO proposes several related “housekeeping” revisions to eliminate outdated language that can no longer be applied. These related changes will increase the clarity of the provisions and eliminate now superfluous language.

The NYISO proposes the following revision to the definition of “NCZ Examined Project”:

“NCZ Examined Project” shall mean any Generator or UDR project that is not exempt pursuant to 23.4.5.7.8 and either (i) is in a Class year on the date the Commission accepts the first ICAP Demand Curve to apply to a Mitigated Capacity Zone or (ii) meets the criteria specified in 23.4.5.7.3(II), ~~or (iii) meets the criteria specified in 23.4.5.7.3(III) but the time period therein has passed on the date the Commission accepts the first ICAP Demand Curve.~~ An NCZ Examined Project may be at any phase of development or in operation or an Installed Capacity Supplier.

That proposed revision would recognize the proposed revision to Section 23.4.5.7.3. In that Section, the NYISO proposes to eliminate Subsection (III) of the definition of Examined Facilities (sometimes referred to as a “Category III” facility).

Examined Facilities are those facilities that are examined pursuant to the BSM Rules. Section 23.4.5.7.3(III) at one time captured in the Examined Facilities definition proposed new projects that (i) were either in a Class Year prior to 2009/10 and had not commenced commercial operation or been cancelled, and for which the ISO had not made an exemption or Unit Net CONE determination, or (ii) that were not subject to a deliverability requirement and provided specific written notification to the ISO no later than a date specified by the NYISO that it planned to commence commercial operation and offer UCAP in a month that coincided with the Mitigation Study Period. It is no longer possible for a proposed new project to be a Category III facility, and therefore the NYISO proposes eliminating the language.

The NYISO further proposes to remove Section 23.4.5.7.3(III) from the Mitigation Measures in Sections 23.4.5.7.3.2, 23.4.5.7.3.3, and 23.4.5.7.3.4.

In Section 23.4.5.7.3.5, the NYISO proposes to revise existing language to reflect the proposed deletion of Section 23.4.5.7.3(III) as follows:

Except as specified in Section 23.4.5.7.6 with respect to Additional CRIS MW, an Examined Facility for which an exemption or Offer Floor determination has been rendered may only be reevaluated for an exemption or Offer Floor determination if it meets the criteria in Section 23.4.5.7.3 (I) and either (a) enters a new Class Year for CRIS or (b) intends to receive transferred CRIS rights at the same location. An Examined Facility under the criteria in 23.4.5.7.3 (II) that did receive CRIS rights will be bound by the determination rendered and will not be reevaluated. An

Examined Facility under the criteria that had been set forth in 23.4.5.7.3 (III) prior to May 17, 2016 will not be reevaluated.

Unrelated to the above revisions to Section 23.4.5.7.3, the NYISO proposes to revise the definition of “Examined Facility” to clarify that an Examined Facility is “(i) an existing generator that did not have CRIS rights, and (ii) proposed new Generator and proposed new UDR project, provided that such Generator under Subsection (i) or (ii) is an expected recipient of transferred CRIS rights at the same location ...”

c. Services Tariff Section 30.4.6.2 – Market Monitoring Unit responsibilities set forth in the Market Mitigation Measures

In conjunction with the revisions proposed for Section 23.4.5.4.3, the NYISO proposes to revise Section 30.4.6.2.8 to include a Market Monitoring Unit (“MMU”) obligation to review and comment on the NYISO’s preliminary physical withholding determination for a BTM:NG Resource:

At least fifteen Business Days in advance of the opening of the ICAP Spot Market Auction, the Responsible Market Party for a Behind-the-Meter Net Generation Resource may request the ISO to make a determination regarding physical withholding that the sale of Net Unforced Capacity in a Mitigated Capacity Zone to its Host Load does not constitute physical withholding. Prior to reaching its decision on such a request, the ISO shall provide its preliminary determination to the Market Monitoring Unit for review and comment. *See* Market Mitigation Measures Section 23.4.5.4.3(b).

B. Revisions to the NYISO’s Open Access Transmission Tariff

1. Revisions to OATT Section 1 to Incorporate BTM:NG Resources into Applicable Definitions

The NYISO’s proposal includes revisions to existing definitions in Section 1 of the OATT as well as the addition of new terms to that Section. The revised and new definitions proposed in the OATT duplicate the changes that the NYISO proposes in the Services Tariff. With regard to newly defined terms, in order to avoid any potential for inconsistent definitions between the OATT and the Services Tariff, the NYISO proposes to state “As defined in the NYISO Services Tariff” in the OATT. The NYISO proposes to add or revise the following definitions in Section 1 of its OATT:

Newly Defined Terms	Terms with Revised Definitions
Behind-the-Meter Net Generation (“BTM:NG”) Resource	Dispatchable

Dependable Maximum Gross Capability (“DMGC”)	Economic Operating Point
Host Load	Generator
Injection Limit	ISO-Committed Fixed
Net Installed Capacity (“Net-ICAP”)	ISO-Committed Flexible
Net Unforced Capacity (“Net-UCAP”)	Minimum Generation Bid
	Minimum Generation Level
	Operating Reserves
	Start-Up Bid
	Supplier

2. Revisions to OATT Section 25, Attachment S, to Incorporate BTM:NG Resources into the Tariff Provisions Governing the Acquisition and Retention of Capacity Resource Interconnection Service

Attachment S to the NYISO’s OATT provides the Class Year Interconnection Facilities Study (“Class Year Study”) requirements. The Class Year Study is the final and most comprehensive study in the NYISO’s Large Facility Interconnection Procedures. The Class Year Study includes an evaluation under the Deliverability Interconnection Standard (the “Class Year Deliverability Study”) for resources requesting CRIS.

a. *OATT Section 25.1 – Introduction*

(i) Section 25.1.1 – Purpose of the Rules

NYISO proposes to revise Section 25.1.1, describing the purposes of Attachment S, for clarity and to clean up outdated language. The NYISO proposes to clarify that the rules established in Attachment S cover all of the following: “(i) Large Facilities greater than 20 MW subject to the Large Facility Interconnection Procedures set out in Attachment X to the NYISO OATT (“LFIP”), (ii) Small Generating Facilities no larger than 20 MWs subject to the Small Generator Interconnection Procedures set out in Attachment Z to the NYISO OATT (“SGIP”) that are required to enter a Class Year Study pursuant to Section 32.3.5.3.2 of the SGIP and facilities greater than 2 MW that seek to obtain or increase CRIS beyond the levels permitted by this Attachment S, Section 30.3.2.6 of the LFIP and Section 32.4.10.1 of the SGIP as applicable.”

(ii) Section 25.1.2 – Definitions

Section 25.1.2 of the OATT contains a set of defined terms applicable to Attachment S (and later incorporated in Attachments X and Z to the OATT). The NYISO does not propose to add any new definitions, or to make revisions specific to BTM:NG Resources. Instead, the proposal revises existing definitions for clarity and to update existing language to match proposed revisions elsewhere in Attachment S.

The NYISO proposes the following revisions to existing terms in Section 25.1.2 of the NYISO’s OATT:

Term	Revision
Capacity Resource Interconnection Service (“CRIS”)	Revised existing definition to state that CRIS is a service provided by the NYISO to Developers that satisfy the NYISO’s Deliverability Interconnection Standard, or are otherwise eligible to receive CRIS, and identifies that CRIS is one of the eligibility requirements to participate as an ICAP Supplier.
Class Year CRIS Project	No substantive revision. The definition was moved into alphabetical order.
Class Year Deliverability Study	No substantive revision. Revised for clarity and brevity.
Class Year Interconnection Facilities Study	Identified that the Large Facility Interconnection Procedures are located in Attachment X of the OATT.
Class Year Interconnection Facilities Study Agreement	Identified that the Large Facility Interconnection Procedures are located in Attachment X of the OATT.
Developer	Added a third category of entity to be defined as a “Developer”: owners of facilities seeking to obtain or increase CRIS as permitted by OATT Attachment S.
Distribution System	No substantive revision. Removed shorthand reference to Large Facility Interconnection Procedures and Small Generator Interconnection Procedures and replaced with the full name and location in Attachments X and Z, respectively.
Eligible Class Year Project	Revised romanette (ii) to remove the requirement that the Developer or Interconnection Customer that has completed a Class Year Interconnection Facilities Study for Energy Resource Interconnection Service (“ERIS”), and replaced it with additional, updated language that it applies to Developers or Interconnection Customers that seek evaluation in a Class Year Study to obtain or increase CRIS as permitted by Attachment S.
Interconnection System Reliability Impact Study (“SRIS”)	Revised to indicate that Section 7.3 of the Large Facility Interconnection Procedures referenced in the definition is located in Attachment X of the OATT.

Term	Revision
NYISO Deliverability Interconnection Standard	The proposal adds “NYISO” to the defined term “Deliverability Interconnection Standard,” and therefore is moved to maintain alphabetical order. The definition was also revised throughout for clarity, including identifying two types of entities to which the definition applies: (i) any entity requesting External CRIS Rights, and (ii) any entity requesting CRIS transfer pursuant to Section 29.5.9 of Attachment S.
NYISO Minimum Interconnection Standard	The proposal adds “NYISO” to the defined term “Minimum Interconnection Standard,” and therefore is moved to maintain alphabetical order. Clarifications throughout the definition as to whom the Standard applies. There are no new entities to which the Standard applies.

b. OATT Section 25.2 – Minimum Interconnection Standard

(i) Section 25.2.1 – Scope and Purpose of Standard

The NYISO proposes to clarify Section 25.2.1 of the OATT. The revisions in the proposal do not alter the rights or responsibilities of any party (*i.e.*, only FERC-jurisdictional interconnections continue to be subject to the Minimum Interconnection Standard).

c. OATT Section 25.3 – Deliverability Interconnection Standard

(i) Section 25.3.1 – Scope and Purpose of Standard

The NYISO’s proposed revisions to Section 25.3.1 are intended to clarify existing language and to add a reference to new language proposed in Section 25.9.3.4.1 of Attachment S:

Each Large Facility or Small Generating Facility larger than 2 MW that is proposed by a ~~generation Developer or merchant transmission Developer~~ must meet the NYISO Deliverability Interconnection Standard before it can ~~become a qualified Installed Capacity Supplier or receive~~ CRIS or Unforced Capacity Deliverability Rights, unless otherwise provided for in this Attachment S. Pursuant to Section 32.1.1.7 of Attachment Z to the OATT, a Small Generating Facility 2 MWs or smaller may obtain CRIS without being evaluated for deliverability under the NYISO Deliverability Interconnection Standard. The requirement that a facility not subject to the NYISO’s Large Facility Interconnection Procedures or Small Generator Interconnection Procedures must meet the NYISO Deliverability Interconnection Standard to become a qualified Installed Capacity Supplier first applies on May 19, subject to the transition rule specified in Section 25.9.3.4.1 of this Attachment S.

These revisions remove the unnecessary distinction between generation Developer and merchant transmission Developer in Attachment S. The revisions also provide an overview of substantive revisions proposed elsewhere in Attachment S and Z. These revisions will be discussed in full below.

The proposal also makes clarifying revisions in Sections 25.3.1.1 and 25.3.1.2 that do not change the rights or obligations of any party.

d. OATT Section 25.4 – Interconnection Facilities Covered by Attachment S

(i) Section 25.4.1 – Interconnection Standards

The NYISO's proposal contains one minor clarification in Section 25.4.1. Existing language provides that the interconnection facilities covered by Attachment S's cost allocation rules are those facilities required for the proposed project to connect to the NYS Transmission System or Distribution System in a manner that meets the NYISO Minimum Interconnection Standards for ERIS and the NYISO Deliverability Interconnection Standards for CRIS. The existing language is intended to show two distinct elections for interconnection service – ERIS and CRIS, but the NYISO determined that the existing language could be revised for optimal clarity. Therefore, the NYISO proposes to set off each type of interconnection service via romanettes (i) and (ii) such that number (i) applies to ERIS, and number (ii) applies to CRIS.

e. OATT Section 25.5 – Cost Responsibility Rules for Both ERIS and CRIS

(i) Section 25.5.9 – Class Year Start Date and Schedule

The NYISO proposes two minor clarifications to Section 25.5.9 of the OATT:

In order to become a Class Year Project in a Class Year subsequent to Class Year 2012, an Eligible Class Year Project must (1) satisfy the criteria for inclusion in the next Class Year, as those criteria are specified in Section 25.6.2.3.1 of this Attachment S, Section 25.8.2.3 of this Attachment S and Sections 32.1.1.7 of Attachment Z to the OATT and/or Section 32.3.5.3.2 of Attachment Z to the OATT, as applicable and (2) must elect to enter the applicable Class Year by providing notice to the NYISO ~~within~~ by five (5) Business Days ~~of~~ after the Class Year Start Date.

f. OATT Section 25.7 – Cost Allocation Methodology for CRIS

(i) Section 25.7.1 – Cost Allocation Among Developers in a Class Year

The NYISO proposes three minor revisions to Section 25.7.1 to clarify existing language. The first revision clarifies that the existing reference to each project in a “Class Year” is intended to mean each project in a “Class Year Deliverability Study (‘Class Year CRIS Project’).” The NYISO proposes to replace the existing “Class Year Project” with “Class Year CRIS Project” throughout Section 25.7.1. This revision merely clarifies that “Class Year” refers to the Class Year Deliverability Study. Finally, the NYISO proposes to further clarify that the total cost of System Deliverability Upgrades will be shared by each project in the Class Year Deliverability Study on a *pro rata* basis.

(ii) Section 25.7.2 – Categories of Transmission Facilities

The NYISO proposes to clarify existing language in Section 25.7.2 by replacing four existing references to “Class Year Project” with “Class Year CRIS Project” to align with the revision made in Section 25.7.1.

(iii) Section 25.7.3 – Capacity Regions

The NYISO proposes to make a single minor clarification in Section 25.7.3:

To be declared deliverable a generator or merchant transmission project must only be deliverable throughout the Capacity Region in which the project is interconnected or is interconnecting.

The revision is intended to capture proposed (*i.e.*, “interconnecting”) as well as existing (*i.e.*, “interconnected”) projects, both of which may be subject to the Deliverability Interconnection Standard in order to obtain or increase CRIS.

(iv) Section 25.7.4 – Participation in Capacity Markets

Section 25.7.4 of Attachment S explains the requirements for a Developer to become an ICAP Supplier or to obtain Unforced Capacity Deliverability Rights. The NYISO proposes several revisions to this Section to clarify the existing rules and to propose new language specifically applicable to BTM:NG Resources. The first revision the NYISO proposes is intended to clarify existing language:

A Developer, in order to be eligible to become an Installed Capacity Supplier or receive Unforced Capacity Deliverability Rights, must ~~elect~~ obtain CRIS pursuant to the procedures set forth in this Attachment S. A Developer must enter a Class Year Deliverability Study in order to obtain CRIS, unless otherwise provided for in this Attachment S.

The revision clarifies that, under existing rules, a Developer does not elect CRIS, but instead obtains it through a Class Year Deliverability Study. This is not a new process, and the revision is only intended to mirror the effective substantive rule.

The NYISO further proposes to revise Section 25.7.4 to identify the amount of CRIS a BTM:NG Resource is allowed to request in the Class Year Deliverability Study:

The MW amount of CRIS requested by a Developer, stated in MWs of Installed Capacity (“ICAP”), cannot exceed the name-plate capacity of its generation or merchant transmission project; provided however, if the Class Year CRIS Project is a BTM:NG Resource, the requested CRIS cannot exceed its Net-ICAP.

The revision proposes to limit the amount of CRIS a BTM:NG Resource may request in the Class Year Deliverability Study to its Net-ICAP. The NYISO has explained throughout this filing letter that the most significant difference between a traditional Generator and a BTM:NG Resource is that a BTM:NG must offset its Host Load before supplying Energy, Capacity or Ancillary Services to the NYCA. This revision is consistent with the other revisions proposed in that it will limit the amount of CRIS the Resource may request to its actual output as an ICAP Supplier.

The NYISO also proposes two additional clarifications to replace existing language with the proposed shorthand “Class Year CRIS Project.”

(v) Section 25.7.5 – The Pre-Existing System

The NYISO proposes one minor clarification in Section 25.7.5:

Where the Existing System Representation demonstrates deliverability issues, a Developer electing CRIS need only address the incremental deliverability of its inter-connecting, or interconnected, generator or merchant transmission project, not the deliverability of the pre-existing system depicted in the Existing System Representation.

This revision is intended to clarify that a Developer may either be a Developer of a proposed (*i.e.*, “interconnecting”) facility or a Developer of an existing (*i.e.*, “interconnected”) facility seeking to obtain or increase CRIS.

(vi) Section 25.7.6 – CRIS Values

The NYISO proposes several revisions to Section 25.7.6 to clarify existing language and to explain the methodology for allocating CRIS for a Winter Capability Period. Existing tariff language provides that Generators qualifying for CRIS will have two CRIS values: a Summer Capability Period CRIS value and a Winter Capability Period CRIS value. The NYISO proposes to clarify that all projects, not just Generators, will have both a Summer CRIS value and a Winter CRIS value.

The Section further identifies that a facility's Winter Capability Period CRIS value will maintain the same ratio of CRIS to ERIS as the Summer Capability Period. The NYISO proposes to revise the existing language by adding a clear statement of the NYISO's process for establishing a facility's Winter CRIS allocation for "traditional" facilities as well as for BTM:NG Resources:

The ERIS value that will be used to determine the CRIS to ERIS ratio for purposes of determining Winter CRIS pursuant to this Section 25.7.6 will be the following, as applicable: (i) for facilities that were evaluated for ERIS in the NYISO's Large Facility Interconnection Procedures in Attachment X to the NYISO OATT or the NYISO's Small Generator Interconnection Procedures in Attachment Z to the NYISO OATT ("NYISO's interconnection procedures"), the ERIS value reflected in the Class Year Study or Small Generator Interconnection Facilities Study, as applicable; (ii) for facilities other than BTM:NG Resources, not evaluated for ERIS in the NYISO's interconnection procedures, the facility's baseline ERIS as determined in accordance with Section 30.3.1 or 32.1.3 of the NYISO's interconnection procedures, as applicable, plus any permissible increase to the baseline ERIS permitted by the applicable provisions of this Attachment S or the NYISO's interconnection procedures; or (iii) for BTM:NG Resources not evaluated for ERIS in the NYISO's interconnection procedures, the Dependable Maximum Gross Capability.

The revision provides a more fulsome explanation of how the NYISO allocates Winter Capability Period CRIS and establishes the procedure applicable to BTM:NG Resources. If a BTM:NG Resource elects to establish a DMNC value instead of a DMGC value pursuant to proposed Services Tariff Section 5.12.6.1.1, the Resource's DMNC value will be substituted for DMGC.

(vii) Section 25.7.8 – Deliverability Test Methodology for Highways and Byways

The proposal revises several aspects of Section 25.7.8 of the OATT which addresses the deliverability test methodology for Highways and Byways. In Section 25.7.8.1 the NYISO proposes to revise the definition of NYCA Deliverability for clarity. The proposed revision does not change the meaning of the existing text, but clarifies that the NYISO will ensure the deliverability only of "each Class Year CRIS Project." Since not all Class Year Projects are subject to the Class Year Deliverability Study – only those Class Year Projects requesting CRIS – this revision specifies which Class Year Projects are subject to that evaluation.

Section 25.7.8.2 describes the NYCA Deliverability Testing Methodology. The NYISO proposes certain clarifying revisions, as well as revisions to integrate BTM:NG Resources:

- In Section 25.7.8.2.1 the NYISO proposes to replace "proposed projects seeking CRIS" with "Class Year CRIS Projects"; and

- In Section 25.7.8.2.3 the NYISO proposes to clarify that if the Class Year CRIS Project is a BTM:NG Resource, the requested CRIS cannot exceed the Resource's Net-ICAP, and that the derated generator capacity of a BTM:NG Resource is based upon the Resource's Net-UCAP.

The proposed revisions to incorporate BTM:NG Resources into the existing language in Section 25.7.8.2 continue the NYISO's proposed measurement of a BTM:NG Resource's capability by a net value. This is particularly important in terms of CRIS allocation in light of the unique characteristics of BTM:NG Resources that by definition only have the ability to offer for injection a limited portion of their total output

(viii) Section 25.7.12 – Cost Allocation for Highway System Deliverability Upgrades

The NYISO's proposed revisions in Section 25.7.12 do not change the substantive rights and obligations of the NYISO or Market Participants. The proposed revisions only clarify certain language in that section, including applying the proposed "Class Year CRIS Project" shorthand where appropriate.

g. *OATT Section 25.8 – Project Cost Allocation Decisions*

(i) Section 25.8.1 – Project Cost Allocation Figures

Section 25.8.1 of the OATT requires Developers to specify an Interconnection Service evaluation election and to provide updated In-Service and Commercial Operation Dates when they execute Class Year Interconnection Facilities Study Agreements. Existing provisions further require that where the Class Year Project is covered by a new Interconnection Request, the Developer must elect to be evaluated for either ERIS alone, or for both ERIS and CRIS. Section 25.8.1 limits the amount of CRIS a Developer may request to a maximum value of the nameplate capacity of its facility. The NYISO proposes to limit the amount of CRIS a BTM:NG can request to its Net-ICAP value:

If the Class Year Project is covered by a new Interconnection Request, the Developer will either elect to be evaluated for ERIS alone, or elect to be evaluated for both ERIS and for some MW level of CRIS, not to exceed the nameplate capacity of its facility; provided however, if the Class Year Project is a BTM:NG Resource, it can elect to be evaluated for ERIS alone, or both ERIS and some MW level of CRIS, not to exceed its Net-ICAP.

As discussed above, this revision is necessary to limit the amount of CRIS a BTM:NG Resource may elect to be evaluated for to its Net-ICAP in order to accurately measure the amount of capacity the Resource can provide the NYCA.

(ii) Section 25.8.2 – Decision Periods

Section 25.8.2 obligates Developers to submit to the NYISO notice stating whether it will accept (the “Acceptance Notice”) or not accept (the “Non-Acceptance Notice”) the Project Cost Allocation and Deliverable MWs allocated by the NYISO. The NYISO proposes to make two revisions in this Section that do not affect the substantive rights or responsibilities of any party, but instead clarify existing language:

Starting with Class Year 2012, an Acceptance Notice for projects not yet In-Service must also include a confirmed In-Service Date and Commercial Operation Date, subject to the limitations set forth in Section 30.4.4.5 of Attachment X.

As soon as practicable following receipt of either an Acceptance Notice or Non-Acceptance Notice from each Class Year Developer, but not later than two (2) business days following receipt, the NYISO shall report to all Class Year Developers, in writing and via electronic mail, all of the acceptance Notices and Non-Acceptance Notices that were received from all of the Developers in the then-current Class Year.

h. OATT Section 25.9 – Going Forward

(i) Section 25.9.1 – ERIS Election and future Evaluation for CRIS

Existing Section 25.9.1 permits a Developer who elects an ERIS interconnection to come back to the NYISO at a later date and enter a Class Year Deliverability Study for the purposes of obtaining CRIS. The existing language was intended to apply only to facilities where the Developer elected to interconnect with ERIS only, but was not so explicit. Therefore, the NYISO proposes to make clear that Section 25.9.1 applies only to those Developers who initially elected to interconnect taking ERIS only:

Whenever a Developer elects to interconnect taking ERIS only, that Developer may, at any later date, ask the NYISO to evaluate the Developer’s Large Facility or Small Generating Facility for CRIS by including the Developer’s Large Facility or Small Generating Facility in the Open Class Year and the Deliverability Study to be conducted for that Class Year.

(ii) Section 25.9.3 – CRIS Rights

The bulk of the NYISO’s proposed revisions related to Interconnections are located in Section 25.9.3 of the OATT. In this section, in addition to changing the name of Section 25.9.3 from “Term of CRIS Rights” to “CRIS Rights,” the NYISO proposes to revise existing language for clarity and to remove outdated language that is no longer applicable due to specific sun-setting provisions. The NYISO also proposes to close the “grandfathered” CRIS provisions that have applied to certain facilities in existence prior to the effective date of the NYISO’s

Deliverability Interconnection Standard set forth in Attachment S and proposes a “transition rule” to allow for an orderly close to the existing grandfathering rules. Finally, the NYISO proposes new rules specifically applicable to BTM:NG Resources.

As noted above, a key element of the NYISO’s proposal involves revisions to Section 5.12.1 of the Services Tariff, which are interrelated with the revisions to Section 25.9.3 of OATT Attachment S. To guard against the likely possibility that BTM:NG Resources not subject to the NYISO’s interconnection procedures (*e.g.*, because they are connected to or proposing to connect to non-FERC jurisdictional distribution facilities) would be beyond the scope of the NYISO’s existing interconnection procedures, including the Deliverability Interconnection Standard, the NYISO is proposing a new eligibility requirement that must be satisfied by resources seeking to become qualified as an Installed Capacity Supplier. As discussed in part III(A)(3)(b)(i) of this filing letter, the NYISO proposes to revise Section 5.12.1 of the Services Tariff to condition BTM:NG Resource participation in the ICAP market on satisfaction of the deliverability requirements set forth in Attachment S of the NYISO’s OATT (just like Generators and controllable transmission facilities electrically located in the NYCA). With these revisions, BTM:NG Resources will be subject to the same deliverability requirements applicable to other Generators and controllable transmission facilities larger than 2 MW electrically located in the NYCA.

NYISO is proposing that this new requirement apply only on a prospective basis, and for existing resources, proposes a transition rule. Under the proposed transition rule, discussed in more detail below, certain existing resources, including BTM:NG Resources that connect to non-FERC jurisdictional distribution facilities, may obtain CRIS during a limited time period, without having to enter a Class Year Study and satisfy the requirements under the Deliverability Interconnection Standard set forth in Attachment S. After the close of the transition period, however, BTM:NG Resources and any other resource over 2 MW that seeks to participate as an ICAP Supplier may only do so after having obtained CRIS. This treatment is comparable to the treatment provided to incumbent generators through existing Section 25.9.3.1, which allows them to obtain CRIS without having to satisfy the Deliverability Interconnection Standard if they were existing at the time such standard was implemented, subject to the specific requirements of that section.

Section 25.9.3.1 Retaining CRIS Status

The NYISO’s rules for retaining CRIS status, applicable to Large Facilities and Small Generating Facilities, are set forth in Section 25.9.3.1 of the OATT. Generally speaking, a facility becomes CRIS-inactive on the last day of the month during which it ceases to offer capacity into the NYISO’s capacity auctions or it is no longer a registered Capacity Resource for a LSE through a bilateral transaction or self-supply arrangement. The NYISO proposes several revisions to this Section, none of which change the substantive rights or obligations of any parties.

The most significant revision is the reorganization of a large section of existing text by removing it from Section 25.9.3.1 and reinserting it in new Section 25.9.3.3. The existing language was moved in order to keep CRIS allocation rules in the same Section 25.9.3.3.

The NYISO also proposes to revise existing language to provide reference to the specifically applicable Sections:

Large Facilities and Small Generating Facilities qualifying for CRIS will retain their CRIS Status at the capacity level found deliverable in the Class Year Deliverability Study or at the final CRIS level determined pursuant to Section 25.9.3.3, Section 25.9.3.4.1, or Section 25.9.3.5, as applicable, regardless of subsequent changes to the transmission system or the transfer of facility ownership, provided the facility remains capable of operating at the capacity level studied and is not CRIS-inactive for more than three (3) continuous years.

The proposed revision clarifies that a facility may have obtained CRIS not only through a Class Year Deliverability Study, but possibly through grandfathering or transition mechanisms set forth in the referenced Sections of Attachment S.

Section 25.9.3.3 **CRIS for Facilities Pre-Dating Class Year 2007**

Section 25.9.3.3 is a proposed new section that will contain the existing language moved from Section 25.9.3.1. The NYISO proposes to create new Sections in Section 25.9.3 in order to more clearly differentiate among the different methods for obtaining CRIS, the manner in which CRIS is calculated, and the rules for retaining CRIS. Section 25.9.3.3 will now contain the NYISO's existing rules permitting Large Facilities and Small Generating Facilities that pre-dated Class Year 2007 to obtain CRIS, under certain specified conditions, without participating in a Class Year Deliverability Study. These rules are colloquially known as the NYISO's "Grandfathering Rules" for CRIS.

Based on the qualifications in the existing tariff language, there is the potential that existing Large Facilities and Small Facilities have not yet obtained CRIS and yet remain eligible for CRIS pursuant to the Grandfathering Rules. The NYISO has determined, however, that it is appropriate at this time to eliminate the Grandfathering Rules for Large Facilities and Small Generating Facilities. Therefore, the NYISO proposes to eliminate the Grandfathering Rules sixty (60) days after the effective date of these tariff revisions (*i.e.*, July 18, 2016). This transition period will permit existing Resources time to request CRIS pursuant to the Grandfathering Rules prior to the closing date. Any Resource that seeks CRIS after the close of the Grandfathering Rules will be required to obtain CRIS as if it were a new Resource (*e.g.*, via the Class Year Deliverability Study). In order to facilitate this transition, the NYISO proposes the following sentence:

Existing generators that are eligible for CRIS under this Section 25.9.3.3 that wish to obtain CRIS pursuant to this provision must request CRIS within 60 days of

May 19, 2016; CRIS cannot be obtained under this Section 25.9.3.3 if not requested by such date.

Section 25.9.3.4 **CRIS for Facilities Not Subject to NYISO Interconnection Procedures**

The NYISO proposes to add this new Section to address CRIS for facilities that are not subject to the NYISO's interconnection procedures. Section 25.9.3.4 proposes to require all facilities that seek to participate in the NYISO's ICAP market pursuant to Section 5.12.1 of the NYISO's Services Tariff to have CRIS, even if the facility is not subject to the Large Facility Interconnection Procedures (OATT Attachment X) or the Small Generator Interconnection Procedures (OATT Attachment Z) (or if the facility was not subject to those Attachments at the time it was interconnected). If a facility is not subject to Attachments X or Z, the NYISO proposes that the facility obtain CRIS rights either through satisfying the NYISO Deliverability Interconnection Standard after participating in a Class Year Deliverability Study, or through satisfying the requirements in proposed Section 25.9.3.4.1.

The NYISO's proposal is intended to close an inadvertent loophole that has allowed new or existing facilities (interconnected or completely studied for interconnection before the projects in Class Year 2007) with a non-FERC jurisdictional interconnection (*e.g.*, facilities connected to non-FERC jurisdictional distribution lines) to entirely avoid the NYISO's Deliverability Interconnection Standard. The loophole requires the NYISO to grant such a facility CRIS at the level requested by the Developer because the facility cannot be subject to the Deliverability Interconnection Standard which is found in the interconnection procedures. With the revisions to Section 5.12.1 noted above, however, a facility must meet the NYISO Deliverability Interconnection Standard in order to become eligible to sell ICAP in the NYISO's markets, regardless of its interconnection (except for demand response resources or marketers that participate in the ICAP market). Therefore the NYISO proposes that, moving forward, all facilities that seek to be ICAP Suppliers, and that therefore must obtain CRIS, are subject to the Class Year Deliverability Study and the NYISO Deliverability Standard regardless of whether the facility is subject to the NYISO's interconnection procedures.

Section 25.9.3.4.1 **Facilities Subject to the Transition Rule**

In order to ensure that each facility desiring to sell Installed Capacity, but not subject to Attachments X or Z, obtain CRIS pursuant to Attachment S, the NYISO proposes the revision to Section 5.12.1 of the Services Tariff discussed above, which will thereby subject facilities with non-FERC jurisdictional interconnections (*i.e.* – facilities subject to the "Transition Rule") to the procedures set forth in proposed Sections 25.9.3.4.1.1 and 25.9.3.4.1.2. The Transition Rule described in proposed Section 25.9.3.4.1 proposes to allow facilities that (i) have not commenced Commercial Operation, but have completed all required interconnection studies and have an effective interconnection agreement by the effective date of these proposed tariff revisions, (ii) have commenced Commercial Operation by the effective date of these proposed tariff revisions, have an effective interconnection agreement and have not been out-of-service for more than three consecutive years, (iii) have not or were not subject to the NYISO's interconnection

procedures in Attachments X and Z of the OATT when first interconnected, and (iv) request CRIS within 60 days of the effective date of the proposed tariff revisions, may obtain CRIS without being evaluated in the Class Year Deliverability Study. If a facility that qualifies for CRIS under the proposed language is a BTM:NG Resource, it will be subject to the language proposed in Section 25.9.3.4.1.1. A facility that qualifies for CRIS under this proposed language and is any other type of facility will be subject to the language proposed in Section 25.9.3.4.1.2.

Section 25.9.3.4.1.1 BTM:NG Resources Subject to the Transition Rule

The CRIS value for a BTM:NG Resource that meets the requirements of Section 25.9.3.4.1 is proposed to be established based on the Resource's demonstrated Net-ICAP value (but not an estimated Net-ICAP as described in part III(A)(3)(b)(ii) of this filing letter). Recognizing that a BTM:NG Resource's Net-ICAP value may fluctuate over time, the NYISO further proposes that the Resource's CRIS value shall be subject to a five-year set and reset period, with a final CRIS level set at the highest Net-ICAP recorded during a Summer Capability Period for the entire five-year period:

A BTM:NG Resource's initial CRIS level will be set at its Net-ICAP level. The CRIS level will be set, and reset if necessary, at the maximum Net-ICAP level achieved during the successive Summer Capability Periods until the facility has Net-ICAP levels recorded for five Summer Capability Periods. The five-year CRIS set and reset period begins with the first Summer Capability Period following receipt of an initial CRIS value, for which the BTM:NG Resource's Net-ICAP calculation incorporates a demonstrated Average Coincident Host Load. The final CRIS level will be the highest Net-ICAP recorded for the Summer Capability Period during the five-year set and reset period, excluding the initial CRIS level.

This aspect of the NYISO's proposal describes the three steps necessary to set a BTM:NG Resource's final Summer Capability Period CRIS level: (i) a BTM:NG Resource subject to Section 25.9.3.4.1.1 will be allocated an initial CRIS value of its Net-ICAP value for the first Capability Period in which it participates as an ICAP Supplier; (ii) the NYISO proposes to set and reset (if the Net-ICAP increases) to the Resource's maximum Net-ICAP level for a period of time up until such a point where the Resource has five consecutive years where its Net-ICAP is determined by actual meter data (*i.e.*, when the ACHL for the Resource is not an estimated ACHL); and (iii) the NYISO proposes to set the final CRIS level as the highest Net-ICAP level over the five-year set and reset period, but will not in any case be the initial CRIS level if that level is greater than any Net-ICAP determined over the period.

The proposed allocation of CRIS to a BTM:NG Resource is necessarily distinct from the allocation of CRIS to a traditional ICAP Supplier. Whereas a traditional ICAP Supplier has a nameplate capacity that evidences the Supplier's maximum output, a BTM:NG Resource has a nameplate capacity that is derated by the Resource's Host Load. Therefore, the NYISO proposes to allocate CRIS based upon the derated value. This methodology is conceptually the same as the NYISO's proposals for calculating the Resource's Net-ICAP, Net-UCAP and its Day-Ahead and Real-Time capability. The NYISO, however, understands that a Resource's

Net-ICAP may fluctuate over a period of years. Therefore, the NYISO believes that allocating CRIS on the basis of the Resource's highest Net-ICAP, based on actual ACHL values and not estimated values, over the five-year period will provide an adequate representation of the capacity a Resource has available to provide the NYISO. The NYISO's proposal will not prevent a BTM:NG Resource from seeking increased CRIS through a Class Year Deliverability Study at a later date if its Net-ICAP value should increase.

The NYISO further proposes to terminate the five-year set and reset period for a BTM:NG Resource under three circumstances:

The five-year CRIS set and reset period will terminate early, before five Net-ICAP values have been recorded if any of the following conditions occurs: (i) the BTM:NG Resource ceases to qualify as a BTM:NG Resource pursuant to Section 5.12.1 of the Services Tariff; (ii) the BTM:NG Resource elects to participate as another type of Installed Capacity Supplier, other than as a BTM:NG Resource; or (iii) the BTM:NG Resource's Net ICAP is equal to or less than zero for a Capability Period.

If the five-year set and reset period is terminated, the NYISO proposes to set the Resource's CRIS in the same manner as if the full five-year period had run (*i.e.*, based on the highest Net-ICAP value):

Upon an early termination of the five-year CRIS set and reset period, the final CRIS value will be determined based on the available data from the CRIS set and reset period up to the point of early termination – *i.e.*, the highest Net-ICAP value recorded during the CRIS set and reset period prior to the point of early termination.

The NYISO recognizes that a BTM:NG Resource may determine that it no longer wishes to be a BTM:NG Resource, or that it may no longer meet the qualifications of a BTM:NG Resource. In such situations, the NYISO does not propose to require the Resource to re-start the process in order to obtain CRIS. Instead, the NYISO proposes to allocate CRIS in the same manner as it would if the Resource had completed the five-year set and reset period, but based upon only the years in which the Resource completed the set and reset period. If a BTM:NG Resource transitions to a traditional Generator (*e.g.*, it separates its Load and its Generator such that it intends to provide its entire capability to the NYCA), its CRIS will be capped as described, and the Generator will be required to seek increased CRIS through the Class Year Deliverability Process. If a Resource's Net-ICAP drops to zero or below zero for an entire Capability Period, the BTM:NG Resource will necessarily cease to qualify as an ICAP Supplier because the Resource will not have any capacity to supply for that Capability Period. In such circumstances, the Resource's Adjusted Host Load will be greater than its Adjusted DMGC value, and will be drawing power from the grid instead of supplying power to the grid. Once the BTM:NG Resource re-qualifies to be a BTM:NG Resource it will be allocated CRIS based on the highest Net-ICAP value for the years prior to termination.

Section 25.9.3.4.1.2 **Facilities Other than BTM:NG Resources Subject to the Transition Rule**

For facilities that are not BTM:NG Resources, Section 25.9.3.4.1.2 proposes to establish an initial CRIS value of the facility's nameplate MW prior to the facility undertaking its first Summer DMNC Test, followed by a five-year set and reset period, with the CRIS value set at the facility's maximum DMNC test values:

Prior to the establishment of the generator's first DMNC value for a Summer Capability Period, the generator's CRIS level will be set at nameplate MW. The CRIS level will be set, and reset if necessary, at the maximum DMNC level achieved during successive Summer Capability Periods until the facility has DMNC levels recorded for five Summer Capability Periods.

The NYISO's proposal applicable to traditional facilities mirrors that proposal applicable to BTM:NG Resources, except that the NYISO will evaluate the facility based upon its DMNC test values instead of the Net-ICAP proposed for BTM:NG Resources. This proposal will allow the NYISO to set a facility's CRIS value at an accurate level based upon five years of data.

Section 25.9.3.5 **CRIS for BTM:NG Resources Evaluated in a Class Year Deliverability Study**

Proposed Section 25.9.3.5 of Attachment S sets forth the rules for allocating CRIS to BTM:NG Resources that acquire CRIS through a Class Year Deliverability Study after the close of the Transition Rule. The proposal is consistent with the proposal for Resources that are allocated CRIS through the Transition Rule, with one significant difference: The initial CRIS value will be set at the CRIS MW level evaluated in the Class Year Deliverability Study and found to be deliverable (or where the Developer accepts the System Deliverability Upgrades):

If meter data is available for both the Load and the generator, the initial CRIS that can be requested is limited to the demonstrated Net-ICAP. If meter data is not available for either the Load or the generator of the BTM:NG Resource, the initial CRIS that can be requested is limited to the Net-ICAP calculation set forth in Section 5.12.1 of the NYISO Services Tariff. The initial CRIS level will set at the CRIS MW level evaluated in the Class Year Deliverability Study and either found to be deliverable or for which the Developer accepted its Project Cost Allocation and posted Security for any required System Deliverability Upgrades.

The NYISO proposes to limit the amount of CRIS that a BTM:NG Resource can request to its Net-ICAP value (whether obtained by meter data, or as an estimated value). This proposal is consistent with the valuation of the capacity a BTM:NG Resource can provide the NYCA as discussed throughout this filing letter and proposal. Unlike CRIS obtained via the Transition Rule, when a BTM:NG Resource is required to participate in a Class Year Deliverability Study, the Resource will be allocated initial CRIS either at the value found to be deliverable or for

which the Developer agrees to pay for System Deliverability Upgrades, a limitation applicable to all facilities participating in the Class Year Deliverability Study.

Once the NYISO determines an initial CRIS value for a BTM:NG Resource that has participated in the Class Year Deliverability Study, the NYISO proposes to subject the Resource to a five-year set and reset period similar to the set and reset period applicable to Resources obtaining CRIS via the Transition Rule. The sole difference between the proposed Transition Rule and the proposal for Resources going through the Class Year Deliverability Study is that the initial CRIS level determined to be deliverable shall act as a cap throughout the set and reset period, regardless of whether the Resource's Net-ICAP exceeds the amount determined to be deliverable during that time:

The CRIS level will be set, and reset if necessary, at the maximum Net-ICAP level achieved during successive Summer Capability Periods, not to exceed the initial CRIS level, until the facility has Net-ICAP levels recorded for five Summer Capability Periods – *i.e.*, the initial CRIS level will act as a cap through the set and reset period and for the final CRIS level. The final CRIS level will be the highest Net-ICAP recorded for the Summer Capability Period during the five-year set and reset period, excluding the initial CRIS level.

This proposal serves two purposes: first it caps the BTM:NG Resource's CRIS allocation at the amount found deliverable by the NYISO; second it allows the CRIS to set and reset on an annual basis if necessary. The five-year period, as described above, provides the BTM:NG Resource with flexibility to establish an accurate baseline while at the same time ensuring the Resource's deliverability.

Finally the NYISO proposes new rules, identical to those proposed for the Transition Rule under which a BTM:NG Resource's five-year set and reset period will terminate early:

The five-year CRIS set and reset period will terminate early, before five Net-ICAP values have been recorded if any of the following conditions occurs: (i) the BTM:NG Resource ceases to qualify as a BTM:NG Resource pursuant to Section 5.12.1 of the Services Tariff; or (ii) the BTM:NG Resource elects to participate as another type of Installed Capacity Supplier, other than as a BTM:NG Resource; or (iii) the BTM:NG Resource's Net-ICAP is equal to or less than zero for a Capability Period. Upon an early termination of the five-year CRIS set and reset period, the final CRIS value will be determined based on the available data from the CRIS set and reset period up to the point of early termination – *i.e.*, the highest Net-ICAP value recorded during the CRIS set and reset period prior to the point of early termination.

3. Revisions to OATT Section 30, Attachment X, to Incorporate BTM:NG Resources into the Standard Large Facility Interconnection Procedures

The NYISO's Standard Large Facility Interconnection Procedures ("LFIP"), applicable to generating facilities with a capability exceeding 20 MW and to Merchant Transmission Facilities, are set forth in Attachment X to the OATT. The NYISO's proposal includes minor housekeeping revisions as well changes to integrate BTM:NG Resources into the procedures. Wherever possible, the NYISO's proposed revisions are identical to the revisions proposed for Attachment S.

a. *OATT Section 30.1 – Definitions*

The NYISO proposes to make certain revisions to the definitions contained in Section 30.1 of Attachment X. The revisions proposed in Section 30.1 are identical to the revisions proposed in Section 25.1.2 of Attachment S to the OATT and described above.

b. *OATT Section 30.2 – Scope and Application*

The NYISO proposes only minor changes to Section 30.2 which identifies the scope and application of the LFIP. In Section 30.2.1, existing language identifies that the Procedures apply to Large Generating Facilities and Merchant Transmission Facilities proposing to connect to the NYS Transmission System or to the Distribution System, and the NYISO's proposal seeks to add that it also applies to:

[A]n existing Large Generating Facility or Merchant Transmission Facility proposing a material increase or modification requiring a new Interconnection Request pursuant to Procedures.

The NYISO's proposal extends existing procedures that apply to facilities seeking new interconnections to facilities that have existing interconnections, but that seek a material increase or modification to the existing interconnection. The proposal will help the NYISO ensure that each material modification of an interconnection is assessed and approved appropriately and according to the standards set forth in Attachment X.

The NYISO further proposes to modify Section 30.2.5 to clarify that the existing term "modify" means a "material" modification as defined in Section 30.3.1. This modification does not change the rights or responsibilities of any party.

c. *OATT Section 30.3 – Interconnection Requests*

Section 30.3 of the OATT provides the rules applicable to interconnection requests for Large Facilities. The NYISO's proposal includes several revisions to this Section, some of which are specifically applicable to BTM:NG Resources, while others are generally applicable to all facilities covered by Attachment X.

In Section 30.3.1, the NYISO proposes both a clarifying revision and a BTM:NG Resource-specific revision. Existing language explaining exemptions to the NYISO's definition of "material increase" refer to a Large Facility's "existing ERIS level." This language has led to confusion, and so the NYISO proposes to revise the term to "baseline ERIS." The Large Facility's baseline ERIS is the amount of ERIS as reflected in the Facility's interconnection agreement or other applicable documentation governing its interconnection.

In that same Section, the NYISO proposes additional text to address a request for increased capacity of a BTM:NG Resource:

If the existing Large Facility is a BTM:NG Resource, the increase in existing capacity will be measured based on the increase from the existing gross capability of the generator to the proposed gross capability of the generator, as modified.

Although the NYISO intends to measure the capacity of a BTM:NG Resource by its Net-ICAP, Section 30.3.1 applies to material modifications to the generation assets. Therefore, the NYISO proposes to apply Section 30.3.1 only to circumstances when the BTM:NG Resource's Generator undergoes a modification that increases the physical capability of the generator.

The NYISO further proposes to clarify existing language in Section 30.3.1 related to requests for evaluation of two different voltage levels at a single facility location. Existing language provides that the NYISO will evaluate an Interconnection Request requesting two voltage levels at a single site as two Interconnection Requests. However the existing language was unclear that the requirement applied only to Large Facilities:

~~An proposed Large Generating Facility Interconnection Request requesting to~~ evaluate one site at two different voltage levels shall ~~be treated as~~ require two Interconnection Requests.

The NYISO offers two types of interconnection service to Large Facilities: ERIS and CRIS. Section 30.3.2 describes the two types of service and a Large Facility's process to elect one or both ERIS and CRIS. The NYISO proposes several revisions to Sections 30.3.2.2, 30.3.2.4, and 30.3.2.6 to clarify existing provisions and to integrate provisions necessary for BTM:NG Resources.

In Section 30.3.2.2 the NYISO proposes to clarify an existing obligation that Large Facilities requesting CRIS must participate in a Class Year Study unless the request is pursuant to Section 30.2.6 of Attachment X:

An existing Large Generating Facility requesting only CRIS must request CRIS in an Open Class Year Study unless it is requesting CRIS pursuant to Section 30.3.2.6 of this Attachment X.

This revision does not change any rights or responsibilities of the NYISO or Market Participants.

In Section 30.3.2.4, CRIS Elections, the NYISO proposes to limit the amount of CRIS a Developer may request for a BTM:NG Resource to its Net-ICAP. This proposal is consistent with revisions made in Attachment S of the OATT and in Section 5.12 of the Services Tariff that limit the ICAP value of a BTM:NG Resource to its Net-ICAP.

The NYISO proposes to further revise Section 30.3.2.4 to clarify that the CRIS value applicable during a Winter Capability Period will be set in accordance with the provisions of Section 25.7.6 of Attachment S to the OATT. This revision cleans up outdated language that set Winter CRIS at “a value that will maintain the same proportion of CRIS to ERIS as the summer capability period.”

Section 30.2.6 provides the rules applicable to Large Facilities that already have CRIS, but seek to increase the facility’s CRIS level. The NYISO proposes to add new language applicable to facilities, like BTM:NG Resources, that have a final CRIS value set after a five-year set and reset period:

For purposes of this Section 30.3.2.6, an “established CRIS value” for facilities subject to a CRIS set and reset period pursuant to Section 25.9.3.3, Section 25.9.3.1.4.1, Section 25.9.3.1.4.2, or Section 25.9.3.5 of Attachment S to the NYISO OATT is the final CRIS value established after the termination of the CRIS set and reset period.

This proposed revision is necessary to specifically identify the CRIS value the NYISO considers the “established CRIS value” for the purposes of this Section.

d. OATT Section 30.7 – Interconnection System Reliability Impact Study

As part of the Large Facility Interconnection process the NYISO conducts a System Reliability Impact Study (“SRIS”). The processes and procedures applicable to the SRIS are explained in Section 30.7. The NYISO proposes only two minor revision in Section 30.7: (i) to replace the long-hand “Interconnection System Reliability Impact Study” with “SRIS” throughout the Section; and (ii) to replace the term “payment” in Section 30.7.4 with “deposit” to maintain consistency among terms throughout the Section (*see, e.g.*, Section 30.7.2: “[t]he Developer shall execute the Interconnection System Reliability Impact Study Agreement and deliver the executed Interconnection System Reliability Impact Study Agreement to the NYISO no later than thirty (30) Calendar Days after its receipt along with demonstration of Site Control and the required *deposit.*” (*emphasis added*)).

e. OATT Section 30.8 – Class Year Interconnection Facilities Study

The NYISO proposes several minor revisions to the processes and procedures for conducting the Class Year Interconnection Facilities Study described in Section 30.8. In Section 30.8.1, regarding the Class Year Interconnection Facilities Study Agreement (the “Agreement”),

the NYISO proposes to add the requirement that the NYISO provide a Developer with an Agreement upon request if the Developer is only requesting CRIS:

As soon as practicable after a Study Start Date is established pursuant to Section 25.5.9 of Attachment S to the OATT, the NYISO shall provide a Class Year Interconnection Facilities Study Agreement for the next Class Year in the form of Appendix 4 to these Large Facility Interconnection Procedures to each Developer and Interconnection Customer who has not previously received an agreement for the next Class Year, upon confirmation by the NYISO that the Developer is an Eligible Class Year Project or upon request if the Developer is requesting to enter a Class Year Study only to request CRIS.

Section 30.8.1 also requires Class Year Projects to provide the NYISO with certain information including technical data and the Project's interconnection service evaluation election, as well as an updated proposed In-Service Date and updated proposed Commercial Operation Date. The NYISO proposes to clarify that only Large Facilities that are "not yet In-Service" must provide updated proposed In-Service and Commercial Operation Dates. In addition to providing the requested information, Section 30.8.1 also proposes to require a Project to submit a deposit of either \$100,000 or \$50,000 depending on the type of Project. The NYISO proposes to clarify this existing language to state that Projects requesting evaluation for ERIS only or ERIS and CRIS are required to pay a deposit of \$100,000, and Class Year Projects only seeking evaluation for CRIS are required to submit a deposit of \$50,000. Existing language requires projects to make a deposit of the greater of \$100,000 or the Class year Project's portion of the estimated monthly cost of conducting the Class Year Interconnection Facilities Study. Since the NYISO anticipates more projects will be subject to a Class Year Study for CRIS under the proposed rules, it believes it is appropriate to lessen the deposit for the CRIS-only Class Year Projects in order to make it easier for resources to comply with the new requirements.

Section 30.8.2 of Attachment X identifies the scope of the Class Year Interconnection Facilities Study. The NYISO proposes a single housekeeping revision in Section 30.8.2.1 to clarify that the Section applies to Class Year Projects that are not yet In-Service.

f. OATT Section 30.10 – Optional Interconnection Study

The NYISO proposes a single housekeeping revision in Section 30.10.1 to replace "Interconnection System Reliability Impact Study" with "SRIS" as described above for Section 30.7 of the OATT.

g. OATT Section 30.14 – Appendices

The NYISO's proposal includes revisions to the four Appendices to the Large Facility Interconnection Procedures contained in Section 30 of the OATT. None of the changes materially change a Market Participant's existing rights or responsibilities. Instead the proposed changes to the Appendices are intended to clarify existing language and to add new language to integrate BTM:NG Resources where needed.

Appendix 1 to the LFIP, the Interconnection Request form, contains several proposed changes to clarify existing language and to add requests for new information specifically attributable to BTM:NG Resources. For example, the revisions to Appendix 1 clarify that the “General description” of the facility is a “General description of the proposed project along with a conceptual breaker one-line diagram and a project location geo map (*e.g.*: describe type/size/number/general configuration of the proposed generator units, merchant transmission, transformers, feeders, lines leading to the proposed point of interconnection(s), breakers, etc).” The NYISO receives a wide range of detail in response to the request for a “general description of the proposed project.” The NYISO has historically asked Developers for additional details stated in this parenthetical, but has done so in communications back and forth with the Developer upon receipt of the Interconnection Request. The revision will provide clarity and transparency to Developers and other Market Participants regarding the precise information needed and is intended to reduce the likelihood of the NYISO having to deem an Interconnection Request deficient.

The NYISO also proposes to revise Appendix 1 to the LFIP to ask for information specific to BTM:NG Resources. For example the NYISO proposes to request that the Developer disclose the Generator type (synchronous, induction, inverter), the nameplate rating, and the Customer-Site Load. The NYISO also proposes ministerial changes to Appendix 1-A applicable to requests for External CRIS Rights.

Appendix 4 to the LFIP, the Interconnection Facilities Study Agreement, is a *pro forma* agreement entered into by the NYISO and a Developer prior to commencing the Interconnection Facilities Study. The NYISO proposes revisions throughout the Agreement to clarify existing language applicable to all Developers. The revisions help conform the text of the Agreement to the obligations set forth in Attachments S and X of the OATT. The NYISO proposes certain changes to Attachment B to Appendix 4 to request information specific to the Load of BTM:NG Resources. The NYISO also proposes minor changes to Attachment 4-A to the LFIP, Facilities Study Agreement for External CRIS Rights. These changes are necessary to conform to existing and revised language contained in Attachments S and X of the OATT.

Finally, the NYISO proposes certain revisions to Appendix 5 to the LFIP, the Optional Interconnection Study Agreement. This agreement sets forth the rights and obligations of the NYISO and the Developer proposing to develop a Large Generating Facility or Merchant Transmission Facility, or seeking to add capacity to an existing Generating Facility or Merchant Transmission Facility, and where the Developer has requested that the NYISO prepare an Optional Interconnection Study concurrently with the SRIS. The NYISO’s proposed revisions are largely intended to conform the provisions of Appendix 5 to the remainder of Attachment X to the OATT, as well as to Attachment S. For instance, the NYISO proposes to revise several definitions contained in the Optional Interconnection Study Agreement to match those definitions contained in Section 30.1 of Attachment X to the OATT. The NYISO further proposes to make a small number of minor ministerial changes throughout the Optional Interconnection Study Agreement, but those revisions do not change the substantive rights or responsibilities of either party to the agreement (*i.e.*, the NYISO and the Developer).

4. Revisions to OATT Section 32, Attachment Z, to Incorporate BTM:NG Resources into the Small Generator Interconnection Procedures

Attachment Z, Section 32 to the OATT, establishes the interconnection procedures applicable to small Generators no larger than 20 MW. The NYISO's proposal includes several minor revisions to the SGIP, and several more to the Appendices to the SGIP.

a. *OATT Section 32.1 – Application*

Section 32.1 identifies that the SGIP are applicable to the interconnection of small Generators to the NYS Transmission System and interconnections to the Distribution System subject to FERC jurisdiction. The NYISO proposes minor revisions to Section 32.1.3, Interconnection Requests that are identical to revisions proposed for Section 30.3.1. Existing language explaining the exemptions to the NYISO's definition of "material increase" refers to a Small Generating Facility's "existing ERIS level." The NYISO has heard from Market Participants that this language has led to some confusion, and so the NYISO proposes to revise the term to say "baseline ERIS." The Small Generating Facility's baseline ERIS is the amount of ERIS as reflected in the Facility's interconnection agreement or other applicable documentation governing its interconnection.

The NYISO further proposes a BTM:NG Resource specific revision: "If the existing Small Generating Facility is a BTM:NG Resource, the increase in existing capacity will be measured based on the increase from the existing gross capability of the generator to the proposed gross capability." This revision mirrors the proposed revision in Section 30.3. Although the NYISO intends to measure the capacity of a BTM:NG Resource by its Net-ICAP, the NYISO proposes to apply Section 32.1.3 only to circumstances when the BTM:NG Resource's Generator undergoes a modification that increases the physical capability of the generator.

b. *OATT Section 32.4 – Provisions that Apply to All Interconnection Requests*

(i) Section 32.4.8 – Interconnection Agreement

The NYISO proposes a single revision to Section 32.4.8. Existing language provides that if an Interconnection Customer fails to sign an interconnection agreement or ask that it be filed unexecuted within six months after it tenders a draft agreement to the NYISO, the draft agreement will be deemed withdrawn. The NYISO proposes to provide flexibility to Interconnection Customers by revising the existing language to say: "Unless otherwise agreed by the Parties, if the Interconnection Customer does not sign the interconnection agreement, or ask that it be filed unexecuted within six (6) months after tender of the draft interconnection agreement, the Interconnection Request shall be deemed withdrawn."

(ii) Section 32.4.11 – Capacity of the Small Generating Facility

Section 32.4.11 provides that an Interconnection Request for an increase in capacity for an existing Small Generating Facility will be evaluated on the basis of the new total capacity of the facility. The NYISO proposes a minor revision clarifying that a Small Generating Facility that has been allocated CRIS may, over the lifetime of the facility, seek an increase of its capacity by up to 2 MW without requiring evaluation under the NYISO's Deliverability Interconnection Standard. This revision simply memorializes in Section 32.4.11 the rule that already exists in Section 32.4.10.1.

c. OATT Section 32.5 – Appendices

The NYISO's proposal includes revisions to the nine Appendices to the Small Generator Interconnection Procedures contained in Section 32 of the OATT. None of the changes materially change a Market Participant's existing rights or responsibilities. Instead the proposed changes to the Appendices are intended to clarify existing language and to add new language to integrate BTM:NG Resources where needed.

Appendix 1 contains a Glossary of Terms applicable to the SGIP and SGIA. The NYISO proposes to revise existing terms to mirror the proposed revisions to the definitions contained in Attachment S to the OATT.

Appendix 2 is the NYISO's Small Generator Interconnection Request application form. The NYISO proposes to add certain queries regarding the specific attributes of BTM:NG Resources to the existing questions on the form. The additional fields applicable to BTM:NG Resources include: (i) whether the Small Generating Facility will be used to supply power to a Host Load; (ii) what is the Resource's Summer peak load; and (iii) if the load is a new load, an estimated coincident Summer peak load.

Appendix 5 contains the application, procedures, and terms and conditions for the NYISO's 10 kW Inverter Process. The NYISO proposes to add an additional set of queries, similar to those added to Appendix 2, specific to BTM:NG Resources.

Finally, the NYISO proposes to revise Attachment 1 to Appendix 9, the Glossary of Terms applicable to the Small Generator Interconnection Agreement, to conform the definitions of the terms to the definitions contained in Attachment S and in Appendix 1 to Attachment Z.

IV. Effective Date

The NYISO respectfully requests Commission action within sixty (60) days of the date of this filing; *i.e.*, by May 17, 2016, accepting the tariff revisions proposed in this filing. The NYISO is requesting an effective date of May 19, 2016 for the proposed revisions to OATT Sections 25, 30, and 32 (Attachments S, X, and Z). Under the NYISO's proposal, a potential BTM:NG Resource must, as a precursor to participation as an ICAP Supplier, obtain CRIS. Although the NYISO is proposing a flexible effective date for implementation of the

mechanisms by which a BTM:NG would participate in the market, it will be highly beneficial for potential Market Participants as well as the NYISO to begin the CRIS evaluation and interconnection process at a prompt and early stage.

The proposal specifies that all resources that seek CRIS via the proposed Transition Rule discussed in part III(B)(2)(h)(2) of this filing letter must do so within 60 days of the effective date of these revisions. If the Commission were to grant the NYISO an effective date of May 19, 2016, the 60-day period for the Transition Rule would expire before the potential start date for the next Class Year Study (September 2016). Closing the Transition Rule period prior to the start of the upcoming Class Year would provide certainty to Market Participants as to the rules to which they will be subject, will allow the NYISO to reflect CRIS awarded under the Transition Rule in the base case for its next Class Year Study, and will allow potential BTM:NG Resources that are not subject to the Transition Rule to enter the upcoming Class Year.

The NYISO is also requesting a proposed effective date of May 19, 2016, for the revisions to Services Tariff Section 23.4.5.7.3 (and Sections 23.4.5.7.3.2, 23.4.5.7.3.3, 23.4.5.7.3.4, and 23.4.5.7.3.5) and the corresponding change to the definition of NCZ Examined Facility in Services Tariff Section 23.2.1. As described in part III(A)(5)(b) of this filing letter, these revisions eliminate antiquated language and will add clarity to the Services Tariff. Given the NYISO's on-going application of the Buyer-Side Mitigation Rules, a certain effective date will avoid any risk of confusion on the specific tariff language.

For all of the other Tariff revisions, the NYISO requests a flexible effective date no earlier than October 1, 2016. The NYISO currently anticipates such revisions becoming effective on or before October 15, 2016. The NYISO, however, will be unable to propose a precise effective date until the testing of software changes necessary to allow participation of Behind-the-Meter Net Generation Resources is completed and the software is ready for deployment. The NYISO proposes to submit a compliance filing at least two weeks prior to the proposed effective date that will specify the date on which the revisions will take effect. Consistent with Commission precedent, the compliance filing will provide adequate notice to the Commission and Market Participants of the implementation date for integration of Behind-the-Meter Net Generation Resources.²³

The NYISO respectfully requests Commission action on all of the Tariff changes proposed in this filing within sixty days from the date of this filing (*i.e.*, May 17, 2016) in order to provide the NYISO and all stakeholders with timely notice that the changes proposed herein have been accepted, and the timing of potential Market Participants' necessary action pursuant to those changes. Such timely action by the Commission will: (a) allow the NYISO to confidently proceed with developing and deploying the software changes necessary to implement the

²³ See, e.g., *New York Indep. Sys. Operator, Inc.*, 106 FERC ¶ 61,111 at P 10 (2004); Docket No. ER 11-2544-000, *New York Indep. Sys. Operator, Inc.*, Letter Order at 1 (February 10, 2011); Docket No. ER15-485-000, *New York Indep. Sys. Operator, Inc.*, Letter Order at 2 (January 15, 2015); *New York Indep. Sys. Operator, Inc.*, 151 FERC ¶ 61,057 at P 20 (2015).

Behind-the-Meter Net Generation project; and (b) enable the NYISO to achieve the desired effective date for all aspects of this proposal.

As to those tariff revisions for which the NYISO is requesting a flexible effective date, to the extent necessary, the NYISO requests a waiver of the Commission's regulations to allow the NYISO to make this filing more than 120 days prior to the date on which some aspects of the proposed service are to become operational.²⁴ No Market Participant will be prejudiced by this request because the proposed implementation time frame was developed in consultation with the NYISO's Market Participants. As such, Market Participants have known for some time that the rules applicable to Behind-the-Meter Net Generation Resources are not likely to become effective until October 2016. Furthermore, as noted above, the NYISO will provide at least two weeks prior notice before implementation of the rules applicable to Behind-the-Meter Net Generation Resources.

For ease of reference, the NYISO specifically sets forth the proposed modifications with a requested effective date of May 19, 2016:

- OATT Sections S, X and Z;
- Services Tariff Section 23.2.1 at definition of NCZ Examined Project; and
- Services Tariff Section 23.4.5.7.3 and specifically:
 - 23.4.5.7.3.2
 - 23.4.5.7.3.3
 - 23.4.5.7.3.4
 - 23.4.5.7.3.5

V. Requisite Stakeholder Approval

The proposed amendments were approved by the NYISO Management Committee on December 17, 2015 by a show of hands vote with one vote in opposition. The NYISO's Board of Directors approved the proposed revisions on January 11, 2016.

VI. Communications and Correspondence

All communications and service in this proceeding should be directed to:

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²⁴ See 18 C.F.R. § 35.3(a)(1).

*Person designated for receipt of service.

VII. Service

The NYISO will send an electronic link to this filing to the official representative of each of its customers, to each participant on its stakeholder committees, to the New York State Public Service Commission, and to the New Jersey Board of Public Utilities. In addition, the complete filing will be posted on the NYISO's website at www.nyiso.com.

VIII. Conclusion

For the foregoing reasons, the NYISO respectfully requests that the Commission accept for filing the proposed revisions to the Services Tariff and the OATT that are attached hereto within sixty days of the date of this filing, with the changes becoming effective on the dates specified in part IV of this filing letter.

Respectfully submitted,

/s/ Gregory J. Campbell

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