New York ISO
Independent System Operator

10 Krey Boulevard, Rensselaer, NY 12144
Ph: 518.356.6000 | **Fax:** 518.356.8899

May 24, 2024

By Electronic Delivery

Honorable Debbie-Anne A. Reese
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: New York Independent System Operator, Inc. Proposed Tariff Revisions Related to Modeling Improvements for Capacity Accreditation Gas Constraints and Correlated Derates, and to ICAP Supplier Bidding Requirements, Docket No. ER24-___-000

Dear Acting Secretary Reese:

In accordance with Section 205 of the Federal Power Act ("FPA"),[1] and Part 35 of the regulations of the Federal Energy Regulatory Commission ("the Commission" or "FERC"),[2] the New York Independent System Operator, Inc. ("NYISO")[3] respectfully submits proposed tariff revisions (the "NYISO Proposal") to its Market Administration and Control Area Services Tariff ("Services Tariff"). The NYISO Proposal: (i) introduces new rules to amend the Capacity Accreditation framework for Generators with gas constraints, (ii) modifies Installed Capacity ("ICAP") Supplier Day-Ahead Market bidding obligations, (iii) eliminates a category of Generators known as "Capacity Limited Resources," and (iv) adjusts certain rules related to the treatment of Energy Limited Resources in the Day-Ahead and Real-Time Energy Markets.

The New York State electric system is going through a period of transition. While historically a summer peaking system, the New York Control Area ("NYCA") is expected to become a winter peaking system within the next decade. The tariff modifications included in the NYISO Proposal are part of a larger effort to address winter reliability risks and will help to improve the capacity accreditation processes and resource adequacy analysis in NYCA. The NYISO has determined that the modeling used in the resource adequacy analysis conducted by the New York State Reliability Council ("NYSRC") can be improved upon by accounting for gas constraints and an ICAP Supplier's ability to store fuel on-site at a Generator. Accounting for these factors is expected to allow the NYISO to identify new Capacity Accreditation Resource Classes ("CARCs") and associated Capacity Accreditation Factors ("CAFs") for some Resource types. The tariff revisions proposed herein enhance the model's functionality and will result in

[1] 16 U.S.C. § 824d (2021).

[2] 18 C.F.R. § 35, *et seq*. (2023).

[3] Capitalized terms that are not otherwise defined herein shall have the meaning specified in Article 2 of the Services Tariff.

more accurate calculations of an affected Generator's marginal contribution to resource adequacy.

The NYISO Proposal is just, reasonable, and is not unduly discriminatory. It should be accepted under the Commission's precedent interpreting Section 205 of the FPA.[4] The NYISO Proposal enjoys broad stakeholder support and has been designed to reflect the NYISO's existing rules and practices.[5] The tariff revisions were unanimously approved by NYISO's Business Issues Committee and Management Committee with limited abstentions, and the NYISO Board of Directors approved their filing. Accordingly, all of the NYISO's proposed tariff revisions should be accepted without modification or condition.

The NYISO respectfully requests that all of the proposed tariff revisions become effective July 24, 2024, which the day immediately following the end of the standard statutory sixty-day notice period under Section 205 of the FPA, *i.e.*, the statutory deadline for Commission action.[6]

I. THE NYISO'S PROPOSED CAPACITY ACCREDITATION MODELING IMPROVEMENTS

Starting in 2022, the NYISO worked with its stakeholders and the independent Market Monitoring Unit ("MMU"), to identify beneficial enhancements to the current NYCA resource adequacy analysis. This effort was known as the "Improving Capacity Accreditation Project" ("Project"). The existing resource adequacy framework is used to establish New York State's Installed Reserve Margin ("IRM") which serves as the basis for determining CAFs. Accurate CAFs are vitally important as they reflect the actual marginal reliability contribution of ICAP Suppliers within each CARC. The analytical model does not currently model or account for certain Resource attributes such as fuel unavailability for non-renewable resources and non-fuel-related correlated outages. The NYISO expects that incorporating these characteristics in the applicable models will lead to the creation of new CARCs and associated CAFs for some resource types as well as better reflect resource adequacy risks due to these characteristics.

The modeling enhancements developed through the Project fall into two general categories: (i) modeling improvements related to gas constraints; and (ii) modeling improvements involving correlated derates. The tariff revisions proposed in this filing address

[4] *See, e.g., Petal Gas Storage, L.L.C. v. FERC*, 496 F.3d 695, 703 (D.C. Cir. 2007) ("FERC is not required to choose the best solution, only a reasonable one."). In addition, FERC plays a "passive and reactive' role when reviewing Section 205 filings. *NRG Power Marketing, LLC v. FERC*, 862 F.3d 108, 114 (D.C. Cir. 2017).

[5] The Commission has routinely allowed the NYISO and neighboring systems to develop different capacity market rules that reflect differing regional circumstances. *See, e.g., Calpine Corp. v PJM Interconnection, L.L.C.*, 171 FERC ¶ 61,035 at n754 (2020) ("Specifically, with regard to the NYISO capacity market rules, the Commission has repeatedly noted the differences between the PJM and NYISO capacity markets making different rules appropriate.").

[6] *See Electronic Tariff Filings*, Docket No. RM01-5-000 at n .1 (2020).

these two categories of modeling enhancements and further address revisions to ICAP Supplier Bidding requirements that would better align a Resource's capacity with the Energy it offers in the Day-Ahead Market.

A. Modeling Improvements for Capacity Accreditation Gas Constraints

1. Background

Winter electric system reliability has commanded increased attention and concern in recent years due to severe weather conditions. As part of the Project, the NYISO and its stakeholders explored questions regarding the potential unavailability of generation utilizing natural gas as a primary fuel source on a non-firm basis due to pipeline or other supply constraints.

Under the current procedures, the IRM base case, which is the starting point in the development of CARCs and CAFs, does not capture Generator characteristics related to natural gas constraints. The Project analyzed how to account for natural gas constraints and the availability of Resources with non-firm fuel arrangements in the IRM model. The Project identified past constraints that had impacted generator availability by identifying the times and duration, location, system conditions, and magnitude when they occurred. The Project also identified the impacted Resources to determine the individual characteristics to include in capacity accreditation. Specifically, individual unit characteristics affecting CARC designation were identified by considering whether units were fuel-secure or fuel-insecure. Those considerations included whether a gas-only unit has a firm fuel contract, whether all or part of the unit's fuel supply was firm, and whether a unit has and has demonstrated dual fuel capability. The NYISO, the NYSRC and stakeholders continue to work collaboratively to identify the appropriate way to incorporate these unit characteristics into the IRM and Locational Minimum Installed Capacity Requirement ("LCR") study models to reflect a Resource's marginal contribution to resource adequacy.

2. Market Design Considerations

To produce CAFs that more accurately reflect a Resource's ability to meet winter reliability needs, the NYISO assessed dual fuel considerations and firm fuel procurement considerations. These considerations helped determine whether a unit is fuel secure or fuel insecure and influenced reporting and verification requirements.

The NYISO and its stakeholders continue to refine the specific criteria that will constitute a unit meeting the fuel secure designation. Examples of these criteria include, but are not limited to: (i) the level of on-site liquid fuel storage needed to meet reliability needs, (ii) the contractual provisions needed for units that rely on natural gas deliveries for the winter period, and (iii) dual fuel testing and operational requirements for units that can utilize both natural gas and on-site alternative fuel.

Once implemented, the IRM and LCR modeling enhancements, combined with the tariff revisions proposed in the instant filing, will more accurately represent the reliability value of Resources with firm and non-firm fuel procurement arrangements.

3. Fuel Characteristic Election

Under the NYISO Proposal, ICAP Suppliers would make a "fuel characteristic election" based on a Resource's ability to satisfy, in part or in full, the requirements for entry into a firm fuel CARC. ICAP Suppliers will inform the NYISO of Resources' MW levels covered by firm fuel supply and any remaining MWs covered under the non-firm CARC. ICAP Suppliers' units may use "additive" arrangements or contracts to satisfy the applicable requirements if they are not able to do so with a single fuel arrangement. That is, a Resource will be able to present the NYISO with a combination of fuel arrangements (both on the primary and secondary fuel type, where applicable) to meet the applicable requirements for the firm-fuel CARC.

The proposed tariff revisions would require ICAP Suppliers to make an election of a unit's fuel characteristic by August 1 of the calendar year prior to the start of the subject Capability Year, *e.g.*, August 1, 2025, for the 2026-2027 Capability Year. Additionally, the proposed changes include data submission requirements, which ensure that an ICAP Supplier can substantiate its election. ICAP Suppliers must comply with the data requirements by December 1 of the subject Capability Year, *i.e.*, the election made by August 1, 2025, must be substantiated by December 1, 2026.

The NYISO is proposing that the fuel characteristic elections and related market rules become effective beginning on May 1, 2025, for the 2025-2026 Capability Year. However, at the time of this filing, the NYSRC, NYISO, and stakeholders have not finalized modeling changes needed to differentiate firm versus non-firm fuel in the IRM and LCR study models. Therefore, rather than reflecting firm and non-firm fuel characteristics in the IRM base case for the 2025-2026 Capability Year, the NYSRC may reflect those characteristics as part of a sensitivity study.

The NYISO does not expect the NYSRC to finalize the modeling refinements by August 1, 2024, which is the date upon which an ICAP Supplier making a firm fuel election for the 2025-2026 Capability Year must notify the NYISO. As a result, ICAP Suppliers are not likely to have sufficient information available prior to August 1, 2024 to make a firm election for the 2025-2026 Capability Year.

Due to the uncertainty surrounding when the IRM base case model will include firm and non-firm fuel characteristics, the NYISO will not create separate CARCs for Generators based on firm and non-firm fuel contracts for the 2025-2026 Capability Year. Therefore, CAFs for firm and non-firm fuel generators will be the same during that Capability Year. The NYISO has informed Market Participants of this change in approach and will revise the Installed Capacity Manual to describe its gas constraints implementation plan. No tariff revisions are necessary to allow the NYISO to delay creating separate CARCs for Generators with firm and non-firm fuel contracts.

Once the IRM and LCR models incorporate the resource adequacy impacts of firm versus non-firm fuel procurement, and ICAP Suppliers are able to use that information to inform their fuel procurement decisions, the NYISO will establish CARCs and CAFs recognizing those differences. Based on discussions with the NYSRC and stakeholders, the NYISO expects to be able to generate fuel procurement specific CARCs and related CAFs for the 2026-2027 Capability Year.

The NYISO took a similar approach in 2022 with respect to establishing a CARC for Special Case Resources ("SCR"). At that time NYISO advised Market Participants through presentations made in the stakeholder governance process that SCRs would be assigned to the 4-hour Energy Duration Limited CARC for the initial implementation of capacity accreditation. Then, as modeling of SCRs in the IRM and LCR study models change to reflect the expected operations of SCRs, the NYISO proposed to establish a separate CARC reflecting the resource adequacy contribution of SCRs. That SCR modeling work remains ongoing.

The NYISO has discussed the incorporation of gas constraints modeling with its stakeholders in Working Group meetings, and at meetings of the NYSRC. The NYISO will also document (i) the status of incorporating gas constraints in the IRM and LCR study models, (ii) how it will treat firm fuel elections prior to the inclusion of gas constraints in the IRM and LCR study models, and (iii) when appropriate, reflect the creation of firm and non-firm Generator CARCs, applicable CAFs, and other pertinent information in the Installed Capacity Manual.

4. Firm Fuel Requirements

ICAP Suppliers seeking to enter a firm fuel CARC will be required to document their winter fuel supply arrangements to the NYISO and provide a description of how a unit's fuel procurement and operational characteristics allow it to meet the applicable requirements at the relevant MW level. The documentation an ICAP Supplier must provide to satisfy the firm fuel CARC will be described in the ISO's Installed Capacity Manual.[7]

The proposed tariff revisions would require ICAP Suppliers with dual fuel units that elect to demonstrate their firm fuel capability through an alternative fuel to undertake and submit the results of two separate tests. The first test will be a Dependable Maximum Net Capability ("DMNC") test on the primary fuel (which is the same requirement as for non-intermittent Generators), and the additional test will be on the alternative fuel. The DMNC test will follow the existing requirements for the applicable Generator type. The Resource's alternate fuel test will need to demonstrate the maximum output for one (1) hour by December 1 of the subject

[7] The NYISO expects that the requirements and documentation necessary to substantiate a firm fuel election will evolve over time as the needs of the system change. As highlighted in the 2023 report entitled "Fuel and Energy Security in New York State" prepared by the Analysis Group, the necessary duration of firm fuel availability will evolve, and the associated NYISO requirements will also evolve. *See* Paul Hibbard, *et al.*, *Fuel and Energy Security in New York State*, ANALYSIS GROUP (Nov. 2023), *available at*: https://www.nyiso.com/documents/20142/41258685/Analysis-Group-2023-Fuel-Security-Study-Final.pdf. The NYISO proposed a preliminary duration requirement and has committed to working with stakeholders to refine the requirements for inclusion in the firm-fuel CARC.

Capability Year. The proposed changes require that the test must occur during the immediately prior Winter DMNC Test Period or with an out-of-period test confirmed in November of the applicable Winter Capability Period. However, the proposed changes permit operational data to be used in lieu of either test.

The proposed tariff revisions would allow a dual fuel capable unit that cannot meet the firm requirements based solely on a single fuel arrangement to have multiple arrangements or contracts assessed additively, including firm transportation contracts on multiple pipelines. If any combination of fuel arrangements or multiple contracts of any single fuel arrangement brings the unit to greater than or equal to 100% of the applicable requirement(s), then the unit will be eligible for the firm fuel CARC.

5. Shortfall Penalty

Under the NYISO Proposal, any Resource that made an election to demonstrate any amount of firm fuel capability based on its firm supply but then is unable to substantiate or validate firm supply level by the December 1 deadline discussed above or is unable to maintain firm status would be subject to an ICAP shortfall penalty. The penalty amount will be equal to 1.5 times the applicable Market-Clearing Price of Unforced Capacity ("UCAP") multiplied by the amount of the shortfall for each month of the shortfall. The 1.5 times penalty amount is the same as other shortfall charges specified in Section 5.14 of the Services Tariff. However, if the NYISO determines that the loss of firm status is due to the acts of other parties outside the control of the ICAP Supplier then the shortfall penalty will be reduced to the applicable Market-Clearing Price of UCAP multiplied by the amount of the shortfall for each month of the shortfall (*i.e.*, 1.0 times the applicable Market-Clearing Price of UCAP times the amount of the shortfall). This exception avoids imposing an unreasonable penalty on ICAP Suppliers, while still (i) limiting the NYISO's discretion and (ii) allowing the NYISO to recover ICAP market payments when the unit is unable to meet the requirements for the firm fuel CARC. Additionally, the proposed changes would require a unit that experiences a reduction in firm supply to have its UCAP adjusted based on the new proportion of the applicable requirement that is satisfied.

B. Correlated Derates in the IRM/LCR Model

1. Background

The independent MMU's State of the Market Report for the third quarter of 2022 ("Q3 2022 SOM")[8] identified categories of conventional generating capacity potentially receiving "excessive accreditation" and noted that, on certain days, MW from certain categories of units were "functionally unavailable to the market."[9] The Q3 2022 SOM concluded that several

[8] David B. Patton, Ph.D. *et al.*, *Quarterly Report on the New York ISO Electricity Markets Third Quarter of 2022*, POTOMAC ECONOMICS (Nov. 2022) (available at: https://www.potomaceconomics.com/documents/quarterly-report-2022-q3/attachment/nyiso-quarterly-report_2022q3__11-21-2022/).

[9] When load surpassed 28 GW, an average of approximately 1060 MW of ICAP were functionally unavailable to the market from the following Resources, specifically, 470 MW offered as

factors were not adequately addressed in the current DMNC test requirements and led to a significant amount of ICAP from fossil fuel and nuclear generators being qualified but unavailable during peak conditions.[10]

The issues that the MMU identified as not properly modeled in the IRM/LCR were (1) ambient water-related deratings for steam units, specifically units with once-through water-cooling; (2) humidity adjustments for combined and simple cycle combustion turbines, specifically units with inlet cooling systems; and (3) emergency-only capacity that may not be reliably available in real-time.

2. Ambient Air and Humidity

The current practice for ambient air derating requires that all DMNC tests on internal combustion, combustion turbine, and combined cycle units be temperature adjusted. In the IRM/LCR model, combustion turbines and combined cycles are further adjusted to load levels close to or surpassing the 50-50 peak load forecast.

Under the current Services Tariff, there is no adjustment for the impact of humidity on Generator output, although high relative humidity reduces the air's ability to accept water vapor, thus reducing the effectiveness of evaporative cooling systems. The NYISO assessed the correlation of humidity to peak periods and performance of combustion turbines to determine whether a statistically significant correlation exists, warranting a humidity adjustment in the IRM model and/or ICAP Market.

The NYISO proposes that units with inlet cooling systems adjust DMNC to output curves based on both temperature and humidity. Such units can use dry bulb temperature and wet bulb temperature to obtain relative humidity, specific humidity or any other variable they require to obtain the performance of their units at actual and design conditions. Further, NYISO proposes that ambient air-temperature dependent units and air temperature and humidity-dependent units will be required to adjust DMNC MW to a reference point based on the temperature and humidity, as applicable, used for the ICAP forecast. The NYISO obtains dry bulb and wet bulb values for weather stations throughout New York State, and each affected Generator will be assigned a specific weather station that will used to determine the DMNC MW adjustment for each unit.

3. Ambient Water Adjustment

Certain steam units pass cooling water through a condenser to reduce output temperatures. When water temperatures increase, the cooling water loses capacity to extract

---

emergency capacity with extremely limited availability, 210 MW derated related to ambient water temperate, and 370 MW derated related to humidity or mechanical issues reported as ambient. *Id.* at 5.

[10] *Id.* at 22.

heat, which may reduce the output of water-cooled steam generators. The NYISO's current procedures do not account for ambient water temperatures in a Generator's output.

The NYISO performed a statistical analysis of the impact of ambient water temperature on steam units and any related reduction in capacity during peak periods to determine whether there are units or classes of units that should be adjusted in the IRM model or in the ICAP Market.

Under the NYISO Proposal, DMNC will be based on actual operation data for the Summer Capability Period. There will be no need to provide output curves, flow rates or inlet water temperatures. DMNC test data will be based on valid operation, which may occur from July 1 to August 31 with a start time of 10 a.m. or later and an end time of 10 p.m. or earlier. A Resource's DMNC rating will be based on the observed sustained maximum net output of the unit during the applicable time period.

4. Proposed Sunset of "Capacity Limited Resources"

Under the current Services Tariff, a Capacity Limited Resource ("CLR") is defined as an ICAP Supplier that is able to take extraordinary measures to increase its output above its Normal Upper Operating Limit ("UOLn") and can sell UCAP based on taking those extraordinary measures. The NYISO evaluated past performance of CLRs on peak days to assess whether the operating procedures or DMNCs should be updated to reflect resource adequacy values more accurately.

Based on that review, the NYISO now proposes to sunset CLRs as a defined resource category after April 30, 2025. CLR status will no longer be necessary in light of the enhancements proposed in this filing. Resources would no longer be able to test by taking "extraordinary measures" to increase output. In the energy market, these units would be expected to offer their ICAP equivalent of UCAP sold at UOLn. Removing the CLR designation will enable to the NYISO to more closely align the amount of capacity affected Generators can supply to the amount of Energy they can reliably supply.

C. ICAP Bidding Requirements

The NYISO's existing market rules do not explicitly prohibit ICAP Suppliers from fulfilling their availability requirements under Services Tariff Section 5.12.7 by offering a portion of their capacity in the Day-Ahead Market ("DAM") at their Emergency Upper Operating Limit ("UOLe").[11] The independent MMU has previously advised the NYISO that this is sub-optimal because, in practice, emergency capacity is frequently unavailable.[12]

[11] *See* Services Tariff § 5.12.7.

[12] *See* David B. Patton, Ph.D. et al., *Quarterly Report on the New York ISO Electricity Markets Third Quarter of 2023*, POTOMAC ECONOMICS (Nov. 2022) (available at:

NYISO proposes to require each ICAP Supplier, unless exempted, to schedule a bilateral transaction or to bid energy in the DAM with a UOLn at a level equal to or greater than its Installed Capacity Equivalent of UCAP supplied or to notify the ISO of any outages. Under the proposed revisions, combined cycle units qualified to offer reserves in their duct-firing range and block loaded combustion turbines that can be committed in either peak firing or normal firing mode will be exempted from the requirement. The proposed exemptions are appropriate because these Resource types have physical limitations that currently cannot be reflected in the NYISO's bidding systems.

II. DESCRIPTION OF PROPOSED TARIFF REVISIONS

The tariff revisions proposed in this section would be applicable beginning with the 2025-2026 Capability Year, which begins on May 1, 2025.

A. Natural Gas Constraints – ICAP Supplier Requirements

1. CARC Characteristic Elections

i. December 1st Data Submission Requirement

The NYISO's proposed tariff revisions would require an ICAP Supplier that elects to demonstrate any amount of firm fuel capability based on its expected ability to meet specified fuel requirements to notify the NYISO of its election by August 1 of the calendar year preceding a subject Capability Year. The ICAP Supplier will be required to provide supporting documentation, which must include (i) firm fuel contracts or liquid fuel inventory documentation and (ii) a description of how the fuel procurement and operational characteristics allow the unit to meet the applicable requirements at the relevant MW level.[13] The proposed changes include required submission dates: ICAP Suppliers must submit their supporting documentation after August 1 and by December 1 in the subject Capability Year.[14] The NYISO will then notify an ICAP Supplier if the submitted documentation does not support its firm fuel election.

ii. Optional Review

The proposed tariff language would provide ICAP Suppliers an opportunity to submit supporting documentation for a subject Capability Year either prior to or after making an election beginning on January 1 of the calendar year preceding the subject Capability Year.[15] If an ICAP Supplier does submit such documentation between January 1 of the calendar year preceding the subject Capability Year and August 1 of the subject Capability Year, the NYISO

---

https://www.potomaceconomics.com/wp-content/uploads/2023/11/NYISO-Quarterly-Report_2023Q3-final.pdf).

[13] *See* Services Tariff § 5.12.15.

[14] *See* Services Tariff § 5.12.15.

[15] *See* Services Tariff § 5.12.15.

will take reasonable efforts to review it and notify the ICAP Supplier in a timely manner whether the documentation is sufficient. However, only information submitted after August 1 of the subject Capability Year will meet the December 1 data submission requirement.[16]

2. Dual Fuel Testing Requirement

The proposed tariff revisions establish a dual fuel testing requirement.[17] Installed Capacity Suppliers with dual fuel capability that elect to demonstrate firm fuel capability through the use of their alternative fuel will be required to demonstrate operability before December 1 of the applicable Capability Period.[18] ICAP Suppliers will be required to submit two separate tests to the NYISO.[19] The first test will be a DMNC test on the primary fuel, and the second test will be performed on the alternate fuel to demonstrate the unit's maximum output using the alternate fuel for at least one (1) hour.[20] ICAP Suppliers that elect to demonstrate firm fuel capability based on partial satisfaction of alternate fuel requirements will be subject to these testing requirements, and their ICAP value will be set by the maximum of the two test values, with any MW difference being treated as non-firm.

3. UCAP Adjustment for Partial Firm Units

The proposed tariff revisions include a UCAP adjustment for partial firm units. ICAP Suppliers would be able to receive a CAF comprised of multiple CAFs derived from multiple corresponding CARCs.[21] It will be calculated as MW weighted average of the different levels of firm fuel supply for each portion satisfying the requirements and characteristics of the respective CARC.[22]

4. Shortfall Penalty

The proposed tariff changes provide for a shortfall penalty.[23] A shortfall will occur when the total amount of UCAP that an ICAP Supplier sold in a Capability Period Auction, Monthly Auction, ICAP Spot Market Auction, or certified as sold through one or more Bilateral

[16] *See* Services Tariff § 5.12.15.

[17] *See* Services Tariff §§ 5.12.1.15, 5.12.8.

[18] *See* Services Tariff § 5.12.1.15.

[19] *See* Services Tariff § 5.12.8.

[20] *See* Services Tariff § 5.12.8.

[21] *See* Services Tariff § 5.12.6.2.2.

[22] *See* Services Tariff § 5.12.6.2.2.

[23] *See* Services Tariff §§ 5.12.15, 5.14.2.3.5.

Transactions in any month is greater than the UCAP that the ICAP Supplier would have been qualified to supply based upon the firm fuel capability validated or maintained.[24]

A Shortfall Penalty will be assessed to any ICAP Supplier that elects to demonstrate any amount of firm fuel capability, receives a CAF, and (i) does not satisfy the applicable requirements to validate its unit's fuel supply by December 1 of the subject Capability Year or (ii) is unable to maintain the confirmed level of firm fuel supply during December, January, and February of the Winter Capability Period in the subject Capability Year.[25] If a unit's fuel supply is not validated by December 1 of the subject Capability Year, the ICAP Supplier will be evaluated for a shortfall for the entire subject Capability Year. If the unit's fuel supply is validated by December 1 of the subject Capability Year, but subsequently some or all of the firm fuel supply cannot be maintained, the ICAP Supplier will be evaluated for a shortfall for the months in the Capability Year for which some or all of the supply was not maintained and the ICAP Supplier was unable to reestablish its firm fuel supply.

A shortfall deficiency charge will be calculated as equal to one and one-half times the applicable Market-Clearing Price of UCAP determined using the applicable ICAP Demand Curve for that ICAP Spot Market Auction times the amount of shortfall for each month deemed a shortfall.[26]

If a shortfall is the result of the actions of a third party outside the control of an ICAP Supplier, and the NYISO confirms as such, then the shortfall deficiency charge will be calculated as equal to the applicable Market-Clearing Price of UCAP determined using the applicable ICAP Demand Curve for that ICAP Spot Market Auction times the amount of shortfall for each month deemed a shortfall.[27]

5. Exemption from Must Offer Requirements

Under the NYISO's market power mitigation tariff provisions, "Mitigated UCAP," *i.e.*, UCAP controlled by "Pivotal Suppliers" must be offered in each ICAP Spot Market Auction.[28] However, Section 23.4.5 of the Services Tariff currently provides for an exception to the must-offer requirement for certain types of Mitigated UCAP. The NYISO proposes here to add a new exception so that ICAP Suppliers that are found to no longer be qualified to supply a quantity of capacity under the terms of the NYISO Proposal will no longer be required to offer that capacity. The change is necessary to prevent over-mitigation.[29]

---

[24] *See* Services Tariff § 5.14.2.3.5.

[25] *See* Services Tariff § 5.14.2.3.5.

[26] *See* Services Tariff § 5.14.2.3.5.

[27] *See* Services Tariff § 5.14.2.3.5.

[28] "Mitigated UCAP" and "Pivotal Suppliers" are defined in Services Tariff § 23.2.1.

[29] *See* Services Tariff § 23.4.5.4.

B. Correlated Derates

The proposed changes will revise the definition of a Capacity Limited Resource to reflect that it will no longer be applicable after April 30, 2025.[30] To reflect the sunset of CLRs, the NYISO is proposing to revise the tariff provisions pertaining to reliability forecast for the dispatch day for the day-ahead markets and schedules;[31] in-day scheduling changes;[32] real-time market settlements;[33] and persistent undergeneration charges[34] to prospectively eliminate their references to CLRs.

C. Adjusting ICAP Supplier Bidding Requirements and Exemptions

Revised Section 5.12.7 would require that starting on May 1, 2025, the total amount of Energy that ICAP Suppliers must schedule, Bid at a Normal Upper Operating Limit, or declare unavailable each day must equal or exceed the ICAP Equivalent of the UCAP that it supplies.[35]

The proposed revisions include Upper Operating Limit Bidding exemptions under which an ICAP Supplier can comply with the Day-Ahead Market Bidding rules using its Emergency Upper Operating Limit when the limited circumstances specified in proposed Section 5.12.7.2.1 and 5.12.7.2.2 are met.[36] The exemptions are available, for the reason set forth above, to combined cycle generators qualified to sell Operating Reserves using duct-firing technology and to block loaded combustion turbines that can be committed in either peak-firing or normal mode.

III. REQUESTED EFFECTIVE DATE

The NYISO requests that the Commission accept the proposed tariff revisions with an effective date of July 24, 2024, *i.e.*, the day after the end of the standard statutory notice period under FPA Section 205. For the avoidance of any doubt, the NYISO is requesting the same statutory action date for all of the tariff revisions proposed in this filing, notwithstanding the delay in modeling firm and non-firm fuel characteristics in the IRM model.

[30] *See* Services Tariff § 2.3.

[31] *See* Services Tariff § 4.2.

[32] *See* Services Tariff § 4.3.

[33] *See* Services Tariff § 4.5.

[34] *See* Services Tariff § 15.3A.1.

[35] *See* Services Tariff § 5.12.7.

[36] *See* Services Tariff § 5.12.7.2.

IV. LIST OF DOCUMENTS SUBMITTED

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

1. A clean version of the NYISO's proposed Services Tariff revisions ("Attachment I"); and

2. A blacklined version of the NYISO's proposed Services Tariff revisions ("Attachment II").

V. COMMUNICATIONS AND CORRESPONDENCE

Robert E. Fernandez, Executive Vice President & General Counsel Karen Georgenson Gach, Deputy General Counsel Raymond Stalter, Director of Regulatory Affairs *Gregory J. Campbell, Senior Attorney New York Independent System Operator, Inc. 10 Krey Boulevard Rensselaer, NY 12144 Tel: (518) 356-6000 Fax: (518) 356-8825 gcampbell@nyiso.com *Persons designated to receive service	*Ted J. Murphy MacKinlee Rogers Hunton Andrews Kurth LLP 2200 Pennsylvania Avenue, NW Washington, D.C. 20037 Tel: (202) 955-1500 Fax: (202) 778-2201 tmurphy@huntonak.com RogersM@huntonak.com

VI. STAKEHOLDER APPROVAL

The tariff revisions proposed in this filing were discussed with stakeholders at multiple meetings of the Business Issues Committee, Management Committee and the Installed Capacity Working Group from January 2023 to March 2024. The revisions were approved at a meeting of Management Committee on March 27, 2024. Subsequently, the NYISO Board of Directors approved filing the proposed tariff revisions with the Commission pursuant to Section 205 of the FPA.

VII. SERVICE

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

VIII. CONCLUSION

The NYISO respectfully requests that the Commission accept the NYISO Proposal without imposing conditions or initiating any further procedures. The Commission should make all of the NYISO Proposal's proposed revisions effective the day after the end of the standard statutory notice period, *i.e.*, on July 24, 2024.

/s/ Ted J. Murphy
Ted J. Murphy
Hunton Andrews Kurth LLP

Counsel for the
New York Independent System Operator, Inc.

cc: Janel Burdick
Emily Chen
Matthew Christiansen
Jignasa Gadani
Jette Gebhart
Leanne Khammal
Jaime Knepper
Kurt Longo
David Morenoff
Jason Rhee
Douglas Roe
Eric Vandenberg