

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**New York Independent System Operator, Inc. )      Docket No. ER26-\_\_\_-000**

**REQUEST OF THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC. FOR  
LIMITED AND PROSPECTIVE TARIFF WAIVER AND REQUEST FOR  
COMMISSION ACTION BY MARCH 31, 2026**

In accordance with Rule 207(a)(5) of the Federal Energy Regulatory Commission’s (“Commission” or “FERC”) Rules of Practice and Procedure,<sup>1</sup> the New York Independent System Operator Inc. (“NYISO”) hereby respectfully requests a temporary, limited and prospective waiver of Section 26.4.2.2.1(1) and (2) of its Market Administration and Control Area Services Tariff (“Services Tariff”), which address the calculation of Import Credit Requirements<sup>2</sup> for Day-Ahead Bids. The requested waiver would enable the NYISO to calculate an Import Credit Requirement for Day-Ahead Bids to import Energy on the new Champlain Hudson Power Express Merchant Transmission Facility (the “MTF”) expected to come into commercial operation in May after regulatory requirements have been addressed. The requested waiver is necessary because Section 26.4.2.2.1(1) and (2) do not address how credit requirements will be developed when the NYISO implements a new Proxy Generator Bus,<sup>3</sup> as the NYISO must do as part of the MTF’s implementation. The MTF cannot commence operations if the NYISO cannot determine appropriate credit support requirements. Granting the waiver will allow the NYISO to apply Sections 26.4.2.2.1(1) and (2) using the best Proxy Generator Bus data available to calculate the

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<sup>1</sup> 18 C.F.R. § 385.207(a)(5) (2024).

<sup>2</sup> Capitalized terms that are not otherwise defined herein shall have the meaning specified in the Services Tariff.

<sup>3</sup> A Proxy Generator Bus is “A proxy bus located outside the NYCA that is selected by the ISO to represent a typical bus in an adjacent Control Area and at which LBMP prices are calculated. The ISO may establish more than one Proxy Generator Bus at a particular Interface with a neighboring Control Area to enable the NYISO to distinguish the bidding, treatment and pricing of products and services available at the Interface.” Services Tariff Section 2.16.

Import Credit Requirement for Day-Ahead Bids on the MTF. The waiver would avoid delaying the economic and reliability benefits that the MTF is expected to bring to New York. As explained below, the requested waiver is fully justified under the Commission’s waiver precedent.

CHPE LLC (“CHPE”) owns the MTF and will turn over operational control of the MTF to the NYISO. All of the initial transmission capacity on the MTF has been allocated to H.Q. Energy Services (U.S.) Inc. (“HQUS”).<sup>4</sup> The NYISO is authorized to state that HQUS and CHPE have no objection to this waiver request.

The NYISO asks that the Commission issue an order granting the requested waiver no later than March 31, 2026, i.e., sixty calendar days after the date of this filing, so that credit calculation issues will not delay the implementation of the MTF. As discussed below, the NYISO respectfully notifies the Commission that if no order is issued by that date, then the NYISO intends to calculate the Import Credit Requirement for Day-Ahead Bids in the manner described herein unless the NYISO is directed to do otherwise by the Commission or its Staff.

## **II. Background**

In 2013, the Commission accepted revisions to the Services Tariff to establish a credit requirement for External Transactions that aligned with the market risk that they present.<sup>5</sup> In 2023, the Commission accepted enhancements to the NYISO’s credit requirement calculations for

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<sup>4</sup> See *CHPE, LLC*, Docket Nos. ER20-1214-001, 002, Letter Order (Feb. 8, 2022).

<sup>5</sup> Docket No. ER13-1199, *New York Independent System Operator, Inc.*, Letter Order (June 11, 2013).

External Transactions that improved the protection of the NYISO-administered markets in the event of a default.<sup>6</sup>

The NYISO External Transaction credit requirement calculation for Import Credit Requirements is based on the applicable Proxy Generator Bus associated with each Bid.<sup>7</sup> Under the existing Import Credit Requirement formulas in Section 26.4.2.2.1(1) and (2), until the Real-Time Market completes for the relevant hour, the NYISO calculates the amount of credit support required based on the difference between Real-Time Market and Day-Ahead Market prices using *historical price data* “for the location associated with the Import Bid.”<sup>8</sup>

In its work to test and implement a new Proxy Generator Bus at the Astoria Annex Substation for the MTF, the NYISO discovered that the formulas in Section 26.4.2.2.1(1) and (2) do not address how Import Credit Requirements will be developed when the NYISO implements a new Proxy Generator Bus that lacks historical price data. Specifically, the relevant formulas require the NYISO to use five years of historical data at or for “the location associated with the Import Bid” to perform the calculation. The NYISO cannot satisfy the requirement to determine the amount of credit support required for an Import Bid “for the location associated with the Import Bid” when a Proxy Generator Bus is brand new, as no historical Real-Time Market and Day-Ahead Market price data exists at or for its location.

Because there is no such data for a new Proxy Generator Bus, the NYISO cannot calculate a credit requirement for Day-Ahead Bids on the MTF under the existing Services Tariff provisions.

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<sup>6</sup> Docket No. ER23-1307-001, *New York Independent System Operator, Inc.*, Letter Order (July 25, 2023).

<sup>7</sup> Services Tariff 26.4.2.2.1(1).

<sup>8</sup> The Import Price Differential component of the Import Credit Requirement is “calculated by applying a weight of 1/3 to the previous one (1) year ending on the last day of the calendar month preceding the month to which the Import Bid applies and a weight of 2/3 to the previous five (5) years ending on the last day of the calendar month preceding the month to which the Import Bid applies.” Services Tariff Section 26.4.2.2.1(1).

The NYISO must be able to calculate credit requirements to enable the MTF to commence operation in a timely manner.

Consequently, the NYISO is submitting this request for a waiver of the obligation to determine the amount of credit support required at or for “the location associated with the Import Bid” in Section 26.4.2.2.1(1) and (2) to ensure the NYISO can determine an appropriate credit support requirement for Import transactions on the MTF. Granting the requested waiver would allow the NYISO to use appropriate, comparable data to determine the required credit support until such time as the NYISO can establish a permanent methodology in its tariff.

### **III. Request for Limited and Prospective Tariff Waiver**

The NYISO respectfully requests a limited and prospective waiver of the obligation to calculate the amount of credit support required for an Import Bid using historical price data at or for “the location associated with the Import Bid” under Section 26.4.2.2.1(1) and (2) to the extent that those provisions would prevent the NYISO from calculating the Import Credit Requirement for the new Proxy Generator Bus for the MTF. If the requested waiver is granted, the NYISO will calculate the Import Credit Requirement for Day-Ahead Bids to import Energy on the MTF using substitute price data from the most similar Proxy Generator Bus for which necessary data exists. The NYISO has determined that the most appropriate substitute Proxy Generator Bus is the bus associated with imports on the Hudson Transmission Partners Scheduled Line (“HTP Line”).<sup>9</sup> Of the 22 proxy buses listed in MST 4.4.4 (excluding the new proxy buses associated with the MTF), only two represent imports that sink into Load Zone J NYC: HTP (PTID 323602) and VFT (PTID 323633). The HTP Proxy Generator Bus is a superior substitute due to the VFT Proxy Generator

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<sup>9</sup> For Imports, the associated proxy generator bus (source proxy bus) for the HTP Line is the PJM\_HTP\_GEN (323702).

Bus being subject to unique transmission constraints that create more frequent price separation from, and a lower correlation with, Load Zone J prices.

The limited waiver requested by the NYISO will enable the NYISO to use substitute data to calculate an Import Credit Requirement for Day-Ahead Bids to import Energy on the MTF despite the absence of historical data as a result of the implementation of the Proxy Generator Bus for the MTF, which is consistent with Commission precedent.<sup>10</sup> Previously, the Commission granted a waiver request that permitted the Midcontinent Independent System Operator, Inc. (“MISO”) to use substitute data due to the lack of required historical data for the then-recently integrated MISO southern region.<sup>11</sup> As is the case here, the absence of required historical data prevented MISO from making necessary determinations.<sup>12</sup> The NYISO faces a similar situation, and granting the requested waiver would allow it to make the necessary calculations, as MISO was previously permitted to do.

Furthermore, the NYISO tariffs currently contain provisions that allow for similar substitutions in the context of transmission congestion contracts (“TCCs”). The Services Tariff already authorizes the NYISO to use substitute data in credit calculations involving TCCs when actual data is unavailable.<sup>13</sup> The NYISO would be adopting essentially the same approach here.

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<sup>10</sup> See *Midcontinent Indep. Sys. Operator, Inc.*, 146 FERC ¶ 61,132 (2014). See also *New York Indep. Sys. Operator, Inc.*, 145 FERC ¶ 61,019 (2013).

<sup>11</sup> *Midcontinent Indep. Sys. Operator, Inc.*, 146 FERC ¶ 61,132 at P 9.

<sup>12</sup> *Id.* at ¶¶ 3-5.

<sup>13</sup> Specifically, Section 26.4.2.1.5 of the Services Tariff states that when the NYISO is computing a market-clearing price value used in TCC credit calculations, “in the event there is no market clearing price for a two-year, one-year, or six-month TCC in the appropriate prior Capability Period Centralized TCC Auction with the same POI and POW combination as the awarded two- year, one-year, or six-month TCC, as appropriate, then the market clearing price shall equal a proxy price, assigned by the ISO, for a TCC with like characteristics.”

The requested waiver is prospective in nature because the MTF has not entered service yet and the NYISO would only use substitute data to calculate the amount of credit required under Section 26.4.2.2.1(1) and (2) for future periods.

The Commission's evaluation of waiver requests depends on the specific facts of particular cases.<sup>14</sup> The Commission traditionally grants prospective waivers of tariff provisions where: (1) the applicant acted in good faith; (2) the waiver is of limited scope; (3) the waiver addresses a concrete problem; and (4) the waiver does not have undesirable consequences, such as harming third parties.<sup>15</sup> The NYISO respectfully submits that its limited prospective waiver request is fully consistent with these four criteria.

The NYISO has acted in good faith. The NYISO has not established a new Proxy Generator Bus since 2013, and the issue was not considered when the NYISO established the credit rules at issue here in 2023. Promptly after recognizing that Sections 26.4.2.2.1 (1) and (2) do not adequately address how credit requirements are to be developed for a new Proxy Generator Bus, the NYISO began to develop a solution. The NYISO quickly determined, as discussed below, that using substitute data from a similar Proxy Generator Bus would be the best practicable option and that the bus associated with the HTP Line was the best available analogue to the new MTF bus. The NYISO moved rapidly to develop and file this waiver request. As explained below, the NYISO is also taking steps to develop prospective tariff revisions to ensure the Services Tariff will fully address the calculation of credit requirements for new Proxy Generator Buses in the future.

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<sup>14</sup> See *PJM Interconnection, L.L.C. and Trans-Allegheny Interstate Line Company*, 144 FERC ¶ 61,060 at P 17 (2013) (noting that the granting of the requested waiver “is based on the specific facts and circumstances of the request”); see also *Air Energy TCI, Inc.*, 143 FERC ¶ 61,172 at P 16 (2013) (noting that “our grant of waiver is limited to the facts and circumstances of the case before us”).

<sup>15</sup> See, e.g., *New York Independent System Operator, Inc.*, 171 FERC ¶ 61,042 (2020); *Citizens Sycamore-Pensacuitos Transmission LLC*, 169 FERC ¶ 61,263 at P 14 (2019).

The requested waiver is of limited scope because it would apply only to the NYISO's calculation of credit requirements for Day-Ahead Bids supporting Import transactions that sink at the new Proxy Generator Bus.<sup>16</sup> The requested waiver impacts just three Services Tariff references to the obligation to calculate the amount of credit support required for an Import Bid at "the location associated with the Import Bid" in Section 26.4.2.2.1 (1) (in two places) and (2).<sup>17</sup>

The NYISO also anticipates that the requested waiver will be limited in duration. The NYISO commits to working with its Market Participants to develop a Federal Power Act Section 205 filing to revise the Services Tariff to expressly address the calculation of credit requirements for new Proxy Generator Buses. The NYISO commits to submit that filing by the end of 2026 or to submit an informational filing explaining why, despite its efforts to develop appropriate language for filing, the NYISO was unable to do so. The NYISO proposes that the requested waiver end on the earlier of August 1, 2027, or two weeks after the Commission issues an order accepting the NYISO's proposed tariff revisions addressing credit requirements for new Proxy Generator Buses.

The requested waiver addresses a concrete problem, namely, the fact that there is no historical data at the location associated with Import Bids for the new Proxy Generator Bus the NYISO is implementing for the MTF at the Astoria Annex Substation. Thus, the NYISO cannot calculate a credit requirement for the new Proxy Generator Bus under the currently effective Services Tariff. The MTF cannot enter commercial operation before credit requirements are established. Delaying the MTF's implementation would delay many economic and reliability

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<sup>16</sup> Power will not be exported from New York to Quebec over the MTF because it is a unidirectional facility.

<sup>17</sup> The NYISO is not seeking a waiver of the "for the location associated with the Import Bid" language found in Section 26.4.2.2.1(3) because at that point in the calculation the NYISO is authorized to use "actual" LBMP and Bid data, which will be available to the NYISO, and not historic data, which is not currently available for the MTF.

benefits that the MTF is expected to bring to New York. In particular, the NYISO's *Short Term Assessment of Reliability* for the Fourth Quarter of 2025 recently reiterated that the MTF is necessary to address identified near-term reliability needs in New York City.<sup>18</sup>

Using substitute data from a different, but similar, Proxy Generator Bus is a practicable and effective solution to the concrete problem. As noted above, the NYISO has determined that using substitute data from the most similar existing Proxy Generator Bus is the best way to calculate reasonable credit requirements for the MTF.

Finally, the requested waiver will not have undesirable consequences. Granting the waiver would not cause any material, legally cognizable, harm to third parties. Affected Market Participants will be aware of the data set the NYISO is using to calculate credit obligations before they begin submitting Day-Ahead Bids to schedule Import transactions.<sup>19</sup> The NYISO already has the necessary historical price data to use as a substitute in its determination of the amount of credit required under Section 26.4.2.2.1 (1) and (2). Using this historical price data would allow the MTF to move forward and achieve operational status without delay. There would only be undesirable consequences if credit issues impeded the timely implementation of the MTF.

#### **IV. Request for Commission Order by March 31, 2026**

The NYISO respectfully requests the Commission issue an order granting the requested prospective waiver of Section 26.4.2.2.1 (1) and (2) of the Services Tariff no later than March 31, 2026, i.e., sixty calendar days from the date of this filing. To prevent any delay of the implementation of the MTF in the NYISO's Energy market, the NYISO must be able to calculate

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<sup>18</sup> Short-Term Assessment of Reliability: 2025 Quarter 4 (Jan. 13, 2026), <https://www.nyiso.com/documents/20142/16004172/2025-Q4-STAR-Report-Final.pdf/7ee427bd-df7f-2808-ad58-2cac68daa90d>.

<sup>19</sup> Market Participants that regularly schedule Imports to New York may be exempt from the credit requirement that the NYISO is requesting a limited waiver of based on the rules in Section 26.4.2.2.1 of the Services Tariff.

the Import Credit Requirement for Day-Ahead Bids to import Energy on the MTF. Granting the requested limited and prospective waiver by March 31, 2026 should allow the NYISO to make the required calculations without delaying the commencement of MTF operations.

The NYISO respectfully gives notice that if no order is issued by March 31, 2026, and the Commission or its Staff has not directed the NYISO otherwise, that the NYISO intends to calculate the Import Credit Requirement for Day-Ahead Bids to import Energy on the MTF Imports using substitute data from the HTP Line. The NYISO would only take this step because of the importance of timely MTF implementation and the impossibility of calculating the credit requirement under the letter of the currently effective versions of Section 26.4.2.2.1 (1) and (2). The NYISO would potentially seek remedial relief as appropriate if it moves forward before an order is issued.

## **V. Communications and Correspondence**

All communications and service with regard to this filing should be directed to:<sup>20</sup>

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<sup>20</sup> To the extent necessary, the NYISO respectfully requests waiver of 18 C.F.R. § 385.203(b)(3) (2025) to permit service on counsel in multiple locations.

\* Persons designated for receipt of service.

## **VI. Conclusion**

WHEREFORE, for the foregoing reasons, the NYISO respectfully requests that the Commission issue an order granting the NYISO's request for a limited prospective waiver of Section 26.4.2.2.1(1) and (2) of the Services Tariff, by March 31, 2026.

Respectfully submitted,

*/s/ Ted J. Murphy*

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Date January 30, 2026

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