

Attachment II

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

New York Independent System Operator, Inc. Docket No. ER26-1431-000

AFFIDAVIT OF ZACHARY T. SMITH

Mr. Zachary T. Smith declares:

1. I have personal knowledge of the facts and opinions herein and if called to testify could and would testify competently hereto.
2. The purpose of this affidavit is to provide further support for the New York Independent System Operator, Inc.'s ("NYISO") proposal to require holders of Unforced Capacity Deliverability Rights ("UDRs") and External-to-Rest of State Deliverability Rights ("EDRs") to submit two distinct seasonal elections for the upcoming Capability Year, one for the Summer Capability Period and one for the Winter Capability Period, with an accompanying must offer requirement ("Seasonal Election Requirement").¹ This affidavit provides (i) context for the Seasonal Election Requirement and (ii) clarifications of aspects of the proposed Seasonal Election Requirement in response to criticisms raised in the protest submitted by H.Q. Energy Services (U.S.) Inc. ("HQUS") in the above-referenced proceeding, including the affidavits of Simon Bergevin ("Bergevin Testimony") and Andrew Levitt ("Levitt Testimony") submitted as part of HQUS' protest.²

I. Qualifications

3. My name is Zachary T. Smith. I am currently the Director, Market Solutions for the NYISO. My business address is 10 Krey Boulevard, Rensselaer, New York 12144. I received a Bachelor's of Science degree in Computer Engineering from Union College, and a Master's of Science degree in Engineering and Management Science from Union Graduate College (now Clarkson University).
4. I originally joined the NYISO as a Price Validation Analyst in 2009. I joined the Installed Capacity ("ICAP") Market Operations department in 2013 and was promoted to Supervisor of ICAP Market Operations in 2015. I transitioned to the Manager of Capacity Market Design in 2017, was promoted to Senior Manager of Capacity and New Resource Integration Market Solutions in 2024, and then was promoted to Director of Market Solutions in 2025. As the Supervisor of the ICAP Market Operations department, I collaborated with the NYISO's Capacity Market

¹ Capitalized terms not otherwise defined herein shall have the meaning specified in the NYISO Market Administration and Control Area Services Tariff ("Services Tariff").

² HQUS March 11, 2026 Protest, Docket No. ER26-1431-000 ("HQUS Protest").

Design team on the development and implementation of the ICAP Demand Curves for the 2017-2018 through 2020-2021 Capability Years. Additionally, in my roles as the Manager of Capacity Market Design and Senior Manager of Capacity and New Resource Integration Market Solutions, I oversaw the internal team responsible for the development and implementation of the ICAP Demand Curves for the 2021-2022 through 2024-2025 Capability Years, the currently effective ICAP Demand Curves for the 2025-2026 through 2028-2029 Capability Years as well as the NYISO's capacity accreditation framework. In my roles as Senior Manager, Capacity and New Resource Integration Market Solutions and Director, Market Solutions, I oversaw the NYISO's internal team responsible for overseeing the development of capacity market designs and ensuring compliance with the NYISO Tariffs and Commission orders. As part of my current role, I oversee the Product Management and Market Design teams for the NYISO ICAP Market and New Resource Integration efforts, including the integration of market design and implementation functions.

5. I have been directly involved with the market design proposal that is the subject of the NYISO's filing in this proceeding.

II. Context for the Seasonal Election Requirement

6. In preparation for each upcoming Capability Year, annual election information is submitted to the NYISO by August 1 preceding the Capability Year. For example, the annual election deadline for the upcoming 2026-2027 Capability Year was August 1, 2025.
7. UDRs and EDRs are rights associated with either new incremental transmission projects that establish a new transmission interface with the New York Control Area ("NYCA") or increased transfer capability over an existing transmission interface. A qualifying transmission project must submit a formal request to the NYISO to be awarded UDRs or EDRs. Annually, by August 1, the holders of existing UDRs and EDRs may return a quantity of their awarded UDRs or EDRs for the upcoming Capability Year.³ These elections effectively represent a decision by a rights holder to forego use of all or a portion of its available rights for the upcoming Capability Year. The elections made by UDR and EDR rights holders are used to inform assumptions regarding capacity supply from UDRs and EDRs used in the annual NYCA Installed Reserve Margin ("IRM") study conducted by the New York State Reliability Council, L.L.C. ("NYSRC"). The election assumptions from the IRM study are also used in the NYISO's annual Locational Minimum Installed Capacity Requirement ("LCR") determination process.
8. The NYISO currently assumes that the UDR and EDR elections (i.e., the MW quantity not returned to the NYCA) are available capacity that impacts minimum

³ See proposed Services Tariff Section 5.12.2.5.

capacity procurement requirements (“minimum capacity requirements”).⁴ For example, if a UDR rights holder elects to use 400 MW of awarded UDRs into New York City, the NYISO will assume the 400 MW is available capacity when determining the New York City LCR. Conversely, if a rights holder elects to return all or a portion of its awarded UDR or EDR MW, this transfer capability may be considered as available to support emergency assistance from neighboring regions in the IRM and LCR studies for the applicable Capability Year. For example, if a UDR rights holder elects to return 400 MW of awarded UDRs into New York City, such election would be expected to place downward pressure on the New York City LCR due to an increase in the level of available emergency assistance resulting from such return. Because UDR and EDR rights holders currently submit one election annually, the IRM study and LCR determination process assume that the available capacity from UDR and EDR elections is constant across the Capability Year.⁵

9. Currently, unless existing ICAP market power mitigation rules require otherwise, UDR and EDR rights holders may, at times, not offer capacity consistent with their annual elections. As a result, UDR and EDR rights holders that elect to participate in the ICAP market, but do not offer capacity consistent with their elections, can create a misalignment between minimum capacity requirements and available supply in a capacity delivery month.⁶ This misalignment can result in suboptimal market outcomes that may not accurately reflect system conditions, resource adequacy needs, and the resulting value of capacity in consideration of such conditions and needs.⁷
10. To better reflect the potential for seasonal availability differences of UDRs and EDRs and the corresponding impact that such differences may have on the seasonal availability of capacity supply and the resource adequacy risks faced by the system, the NYISO proposes that, at the time of the annual election deadline (by August 1 prior to the subject Capability Year), UDR and EDR rights holders must submit two distinct seasonal elections for the upcoming Capability Year: one for the Summer Capability Period and one for the Winter Capability Period.⁸

⁴ For additional information regarding the process for setting the minimum capacity requirements, see Affidavit of Yan Huang that is also submitted with this Answer (“Huang Affidavit”) at PP 7-41.

⁵ Note that, for the 2026-2027 IRM study, due to the lack of historical operating data and tight winter operating margins in Hydro Quebec, the NYSRC modeled the UDRs awarded to the Champlain Hudson Power Express project (“CHPE”) with a 0 MW transfer capability assumption during the winter months to align with expected operating conditions and available emergency assistance across all Hydro Quebec interfaces (Chateauguay-Massena, Cedars-Dennison, and CHPE) during the winter months (November – April). See Huang Affidavit at P 20.

⁶ For additional information regarding this misalignment and its impact on market outcomes, see Huang Affidavit at PP 42-47.

⁷*Id.*

⁸ See NYISO Feb. 18, 2026 Filing, Docket No. ER26-1431-000, at 6 (“Winter Reliability Capacity Enhancements Filing”).

These separate election values aim to provide more accurate data on available capacity to inform the assumptions used in the IRM and LCR studies and the resulting establishment of appropriate seasonal minimum capacity requirements.⁹

11. In addition, to address the potential misalignment between the proposed seasonal election requirements for UDR and EDR rights holders and actual supply conditions, the NYISO proposes an accompanying must offer requirement. It would require a UDR or EDR rights holder that makes an election to use all or a portion of its rights for a given Capability Period to offer or certify the elected quantity in each ICAP Spot Market Auction for that Capability Period.¹⁰ A UDR or EDR rights holder may meet the must offer requirement by offering its Unforced Capacity (“UCAP”) in the applicable ICAP Spot Market Auctions or certifying the UCAP for use in meeting an LSE’s minimum capacity requirements for the applicable Obligation Procurement Periods.¹¹
12. Under this proposal, if the UDR or EDR rights holder fails to offer or certify UCAP associated with a UDR or EDR that has not been returned to the NYCA in any ICAP Spot Market Auction during the subject Capability Period, it shall pay the NYISO an amount for all months of the subject Capability Period equal to the product of (i) 1.5 times the applicable ICAP Spot Market Auction price and (ii) the quantity by which the UCAP associated with the given UDR or EDR that has not been returned to the NYCA exceeds the minimum amount of UCAP associated with the given UDR or EDR that has not been returned to the NYCA that is offered or certified during any month of the subject Capability Period.¹² Further, if the NYISO determines that the UDR or EDR rights holder is subject to a penalty for (1) the failure to offer or certify the UCAP associated with a UDR or EDR as described in Services Tariff Section 5.12.12.4 as well as (2) the failure to offer or sell Mitigated UCAP or External Sale UCAP as described in Services Tariff Section 23.4.5.4.2, the NYISO proposes that the applicable UDR or EDR rights holder shall pay the larger of these two sanction amounts.¹³

III. Responses to HQUS Protest

A. August 1 Election Deadline

⁹ For more information on the IRM and LCR studies and establishment of minimum capacity requirements, see Huang Affidavit at PP 10-41.

¹⁰ *See id.*; *see also* proposed Services Tariff Section 5.12.12.4.

¹¹ *See* proposed Services Tariff Section 5.12.2.5.

¹² *See* proposed Services Tariff Section 5.12.12.4.

¹³ The penalty that may be assessed under Services Tariff Section 23.4.5.4.2 differs in that it considers the impact of withholding on the resulting market clearing price and includes the total portfolio of MW in the Locality under the control of the Pivotal Supplier and its affiliates. *See* Winter Reliability Capacity Enhancements Filing at n.18. For more information on the compatibility of the Seasonal Election Requirement and the NYISO’s supply-side market power mitigation measures, *see* Affidavit of Jonathan Newton that is also submitted with this Answer at PP 9-14.

13. HQUS contends that the proposed deadline to submit elections by August 1 preceding the subject Capability Year should be changed due to special circumstances that apply to the Hydro-Québec (“HQ”) system and the system-backed resources that HQUS utilizes for participation in the NYISO-administered markets.¹⁴ HQUS claims that it is unable to enter into a binding physical commitment to supply capacity fifteen months before the beginning of the winter because its process for determining internal needs for the winter is not completed until October, immediately prior to the commencement of the Winter Capability Period.¹⁵ It also claims that, at the time of the August 1 deadline, HQUS will only have long-range assessments of HQ’s capacity needs that are not sufficiently certain to make a physical capacity commitment.¹⁶ HQUS states that the capability of a system such as HQ to export capacity to New York is uncertain due to many factors, including changes in planned resource availability, unexpected extended outages, updated load forecasts, and changes in demand response enrollment or performance expectations.¹⁷ HQUS contends that the excess capacity available for sale from HQ varies monthly primarily because demand for capacity is heavily dependent on weather and its impacts on resource capability and the load requirements of the HQ system.¹⁸

14. Contrary to HQUS’ assertion, it is not uniquely situated in that many other capacity suppliers are also required to submit elections by the August 1 deadline. As explained in the Huang Affidavit, the August 1 election deadline also applies to the following:

- Duration limit elections for Resources with a limited daily run-time less than 24 hours that qualify to participate as ICAP Suppliers with an Energy Duration Limitation;
- Resources that seek to switch from a retail load modifier to NYISO wholesale market participation or vice versa at the beginning of the upcoming Capability Year;
- Resources that plan to engage in dual participation in the ICAP market and retail programs operated to meet the needs of local distributions systems during the upcoming Capability Year;
- An existing Distributed Energy Resource seeking to change from an Aggregation with a specific participation model to an Aggregation using a different participation model;

¹⁴ See HQUS Protest at 3, 16-19; Bergevin Testimony at 5-7, 17-20; Levitt Testimony at 21-23.

¹⁵ See HQUS Protest at 3, 7, 16; Bergevin Testimony at 6-7, 14-15, 19-20.

¹⁶ See HQUS Protest at 16.

¹⁷ See Levitt Testimony at 9.

¹⁸ See *id.*

- A Behind-the-Meter Net Generation (“BTM:NG”) Resource electing not to participate in the NYISO-administered markets as a BTM:NG Resource for the upcoming Capability Year; and
 - An ICAP Supplier that elects to enter the firm fuel Capacity Accreditation Resource Class (“CARC”) for the upcoming Capability Year.¹⁹
15. All these Resources, like HQUS, must make long-term assessments of available capacity based on forecasts of uncertain factors including changes in planned resource availability, load forecasts, capacity requirements, and the overall balance of supply and demand in making their respective annual elections by the August 1 deadline.
16. HQUS’s claim of unique circumstances is further diminished when one considers the business decision posture of an ICAP Supplier that elects to enter a firm fuel CARC that is also subject to the August 1 election deadline. All such ICAP Suppliers must make business decisions 15 months prior to the winter period for which their elections apply. Such elections are subject to not only the uncertainties enumerated by HQUS, but also the documentation and notification requirements that are accompanied by the potential assessment of penalties and referral to the Commission for violations of the performance obligations attendant to such elections.²⁰
17. As explained in the Huang Affidavit,²¹ during the development of the enhancements proposed in this proceeding, the NYISO in collaboration with its stakeholders evaluated the potential for collecting elections on a semi-annual basis (i.e., having separate timelines for elections made for the summer and winter seasons).²² Ultimately, such a construct was not included in the NYISO’s proposal because it would have required changes to the NYSRC process for determining the IRM, which is outside of the NYISO’s purview. To support the timeline of the annual IRM study, the NYISO proposed to maintain the current August 1 deadline for submitting elections prior to the subject Capability Year, including elections by UDR and EDR rights holders.²³

¹⁹ See Huang Affidavit at P 36.

²⁰ See Services Tariff, §§ 5.12.6.2.2, 5.12.12.3, 5.12.15; see also ICAP Manual, §§ 5.8.1, 5.8.2, 5.8.3, 7.2.1. See also *N.Y. Indep. Sys. Operator, Inc.*, 192 FERC ¶ 61,049 (2025).

²¹ See Huang Affidavit at P 37.

²² See NYISO, *Winter Reliability Capacity Enhancements: Seasonal Elections* (presented at Apr. 9, 2025 Installed Capacity Working Group (“ICAPWG”) meeting), at Slide 15, <https://www.nyiso.com/documents/20142/50769536/2025%20Winter%20Reliability%20-%20Seasonal%20Elections%204.9.25%20Final.pdf>.

²³ See NYISO, *Winter Reliability Capacity Enhancements: Concept Proposal* (presented July 29, 2026 ICAPWG meeting), at Slide 8, https://www.nyiso.com/documents/20142/52778669/2025%20Winter%20Reliability%20-%20July%2029%20ICAPWG%20MDC_Final.1.pdf

18. Of note, during the development of the firm fuel election market design, the NYISO and stakeholder also evaluated moving the election deadline for winter period commitments closer to the commencement of the Winter Capability Period, but concluded that it was necessary to maintain the current August 1 deadline for submitting elections prior to the subject Capability Year to support the timeline of the annual IRM study given that such study is the responsibility of the NYSRC and the NYISO lacks authority to change the NYSRC's processes and requirements.²⁴
19. In its protest, HQUS argues that it should be able to change its elected MW amount on a monthly basis, rather than committing to a firm elected MW amount for the entire winter season, so that it can provide additional capacity in the winter shoulder months (November, March and April).²⁵ The NYISO is not able to incorporate monthly elections in its proposed market design for the same reason it could not adopt semi-annual elections: it would conflict with the timeline for the annual IRM study, which is the responsibility of the NYSRC, and the NYISO lacks authority to change the NYSRC's processes and requirements.²⁶ Additionally, as further described herein, the NYISO's overall capacity market design seeks to incent the availability of capacity supply during the periods when loss of load risks are most prominent (i.e., the peak period months of each season). Seeking to accommodate additional capacity supply that is solely available during less critical periods, as viewed from the perspective of loss of load risk, would adversely impact the alignment of price signals with the value of capacity in helping to maintain resource adequacy.

B. Accommodation of Seasonal Variability in the Capacity Market and Related Penalty Structure

20. The NYISO's capacity market is designed to reflect system resource adequacy needs and the general loss of load risk profile of the NYCA system. For example, Generator are qualified to participate in the capacity market based on Demonstrated Maximum Net Capability ("DMNC") testing that is conducted under or adjusted to peak seasonal conditions. For both the Summer and Winter Capability Periods, these DMNCs are established at performance under ambient temperature and humidity conditions aligned with the forecasted seasonal peak demand. For example, for the Summer Capability Period, the test condition for water-cooled fossil and nuclear steam units is restricted to the months of July and August.²⁷ For those resources, demonstrated performance

²⁴ See *N.Y. Indep. Sys. Operator, Inc.*, 192 FERC ¶ 61,049.

²⁵ See HQUS Protest at 3, 13, 19-20; Bergevin Testimony at 5, 7, 15-17, 19; Levitt Testimony at 25.

²⁶ See *supra* P 17.

²⁷ See ICAP Manual, § 4.2 (DMNC and DMGC Procedures).

during the two summer peak months sets a limit on the amount of UCAP that may be sold for all six months of the Summer Capability Period.

21. For winter, this includes performance under cold ambient temperatures and potential fuel availability stress, as captured within the firm fuel market design and capacity accreditation rules. The NYISO has implemented firm fuel capacity accreditation rules that distinguish between firm and non-firm resources based on their ability to perform during the peak winter months of December, January, and February. These rules ensure that capacity is available when needed during the Winter Capability Period. The Seasonal Election Requirement extends this principle to External Resources by requiring a firm seasonal commitment from UDR and EDR rights holders, consistent with the treatment of internal Resources.
22. Under the NYISO's proposal, if a UDR or EDR rights holder fails to offer or certify UCAP associated with a UDR or EDR that has not been returned to the NYCA in any ICAP Spot Market Auction during the subject Capability Period, it shall pay the NYISO an amount for all months of the subject Capability Period equal to the product of (i) 1.5 times the applicable ICAP Spot Market Auction price and (ii) the quantity by which the UCAP associated with the given UDR or EDR that has not been returned to the NYCA exceeds the minimum amount of UCAP associated with the given UDR or EDR that has not been returned to the NYCA that is offered or certified during any month of the subject Capability Period.²⁸
23. HQUS disputes that it must pay "the NYISO a penalty *for all six months of the season* equal to 1.5 times the applicable spot price multiplied by the shortfall between the amount of retained UDRs/EDRs that should have been offered and the amount that was offered during that month."²⁹ HQUS' concern represents a misunderstanding of the proposed penalty. While HQUS correctly states that the penalty spans the six-month Capability Period, it misstates the MW quantity subject to penalty. The MW quantity will be determined by the largest shortfall in the Capability Period. The proposed penalty is structured to address the scenario in which a UDR or EDR rights holder may have a financial incentive to elect a higher MW amount than it intends to offer if the ICAP Supplier expects it would still have a net gain in revenue even with a penalty of 1.5 times the market clearing price in only certain months in which it fails to meet its performance obligations.³⁰ Specifically, a month-by-month penalty structure may not provide an adequate disincentive because, if the capacity supplier has adequate supply in

²⁸ See proposed Services Tariff Section 5.12.12.4

²⁹ See HQUS Protest at 14.

³⁰ See NYISO, *Winter Reliability Capacity Enhancements: Market Design Update and Review of Additional Proposed Tariff Revisions* (presented at Oct. 14, 2025 ICAPWG meeting), at Slide 7, <https://www.nyiso.com/documents/20142/54406317/2025%20Winter%20Reliability%20-%20October%2014%20ICAPWG.pdf>

certain months (e.g., shoulder periods), it may only face a penalty in a limited number of months (e.g., peak months). The proposed penalty structure that applies the penalty across all months based on the largest MW insufficiency is intended to address this potential perverse incentive.

C. NYISO Capacity Market Flexibility for Control Area System Resources

24. HQUS contends that the Seasonal Election Requirement is flawed because the NYISO ICAP market does not provide HQUS an opportunity to buy back capacity commitments at the cost of replacement capacity (a reconfiguration buy-back option) like ISO-New England.³¹ This claim is unfounded given the flexibility afforded to HQUS through its participation in the NYISO capacity market as a Control Area System Resource (“CASR”).³² As HQUS explains, unlike conventional generators that sell capacity from specific assets, as a CASR, HQUS’ capacity sales are backed by the entire HQ system and its capacity supply portfolio.³³
25. Because HQUS participates in the NYISO capacity market as a CASR, unlike other ICAP Suppliers that must identify the specific Resources that supply the UCAP being sold, HQUS does not designate particular Resources as the suppliers of UCAP. A CASR is treated as a single pool of Resources, without visibility into the individual Resources supplying the UCAP. In addition to the fleet of resources internal to the HQ system, this construct also accounts for any contracted capacity that can be firmly delivered to HQ’s system from neighboring external control areas.³⁴ For HQUS, this includes capacity purchased through bilateral contracts with any ICAP Supplier in the NYCA, imports from its direct neighboring systems in Canada to serve HQ load, and any forward capacity obligations that are shed in other neighboring ISO/RTO reconfiguration auctions, including ISO-New England. Therefore, while the NYISO capacity market does not include a capacity buy-back option as in ISO-New England, the NYISO ICAP market design provides HQUS comparable, if not greater, flexibility than other capacity supply resources given that the CASR design affords HQUS the ability to rely on an entire pool of resources and capacity supply arrangements. Reliance on a pool of assets facilitates HQUS’ ability to

³¹ See HQUS Protest at 9-10, 18-19; Bergevin Testimony at 7, 15-16, 21; Levitt Testimony at 4.

³² A CASR is a “set of Resources owned or controlled by an entity within a Control Area that also is the operator of such Control Area. Entities supplying [UCAP] using [CASRs] will not designate particular Resources as the suppliers of [UCAP].” Services Tariff, § 2.3 (Definitions – C).

³³ See HQUS Protest at 8; Levitt Testimony at 8.

³⁴ See ICAP Manual, § 4.11.3. On March 18, 2026, the NYISO Business Committee (“BIC”) voted unanimously approved further enhancements to the requirements of capacity supply by CASRs to allow a CASR’s pool of capacity to include capacity purchased through bilateral contracts with any ICAP Supplier in Rest of State capacity region. See BIC 3/18/2026 Final Motions, <https://www.nyiso.com/documents/20142/57399123/031826%20bic%20final%20motions.pdf>

optimize its capacity supply portfolio to meet its commitments to supply capacity to the NYCA, including the ability to leverage its external supply arrangements.

D. Winter Capacity Supply Impacts and Considerations

26. HQUS claims that the Seasonal Election Requirement would prevent HQUS from offering at least an additional 300 MW of capacity in the winter shoulder months (November, March, and April).³⁵ HQUS contends that the loss of this additional capacity supply will increase capacity costs to New York consumers during the Winter Capability Period.³⁶ Accordingly, HQUS advocates for the Commission to direct revisions to the NYISO's proposal to accommodate additional capacity supply opportunities for HQUS during the shoulder months of the winter season and suggests certain potential alternatives for the Commission's consideration.³⁷
27. HQUS's analysis includes inaccuracies and fails to properly account for actual operation of NYISO's capacity market. These flaws undermine the results of HQUS' analysis and produce an overestimation of any alleged impacts. For example, the analysis fails to appropriately account for the clearing price rules for "nested" capacity regions. These rules prevent the clearing price within nested capacity regions from reducing below the clearing price in the broader region(s) into which it is nested. As a result, the clearing price in a Locality cannot be less than the clearing price in the NYCA. However, contrary to the clearing price rules in NYISO's capacity market, the Levitt analysis presumes that the clearing price in a Locality can be less than the NYCA, resulting in an unrealistic and exaggerated estimate of any potential impacts.
28. It is important to note that the NYISO's proposal is designed to align capacity market price signals with the resource adequacy risks faced by the system and provide incentives for capacity availability during the critical periods in which such risks are most prominent.³⁸ The adverse impacts to consumers alleged by

³⁵ See HQUS Protest at 20-21; Levitt Testimony at 23-24.

³⁶ See HQUS Protest at 3, 20-21; Levitt Testimony at 4, 24-25, 38-43; Bergevin Testimony at 7-8.

³⁷ HQUS recommends not only (1) allowing UDR and EDR rights holders to elect a MW amount on a monthly basis, discussed above in paragraph 19, but also (2) allowing monthly variability by applying NYISO's proposed must-offer obligation only for UDR/EDR elections and capacity offers above a proposed MW threshold and (3) allowing monthly offers above the elected quantity (but below a specified threshold) under certain circumstances, discussed herein in paragraphs 26-29. See HQUS Protest at 5, 25-26; Levitt Testimony at 4-5, 27-37; Bergevin Testimony at 8-11.

³⁸ Notably, the ICAP Demand Curves are designed to provide annual revenue adequacy for the hypothetical proxy unit used to set each curve under the assumed system excess conditions required in determining the reference point price for each curve. "The cost and revenues of the peaking plant used to set the reference point and maximum value for each ICAP Demand Curve shall be determined under conditions in which the available capacity is equal to the sum of (a) the minimum [ICAP] requirement and (b) the peaking plant's capacity equal to the number of MW specified in the periodic review and used to determine all costs and revenues (for purposes of this Section 5.14.1.2.2 hereinafter referred to as the "prescribed level of excess")." Services Tariff, § 5.14.1.2.2.

HQUS (e.g., by allowing HQUS to sell excess capacity in shoulder months that is not incorporated into the NYISO's minimum capacity requirement setting process) could only be realized if no other adjustments to the requirements or ICAP Demand Curves are made, resulting in demand curves that may fail to ensure revenue adequacy for the hypothetical proxy unit used to establish each curve under the tariff-prescribed level of excess conditions used in setting such curves. Any changes that would permit capacity sales at levels different from the UDR or EDR elections would require additional changes to ensure revenue adequacy of the proxy unit at the tariff-prescribed level of excess conditions.

29. Additionally, HQUS's analysis and suggested alternatives fail to account for the broader market impacts. While it is true that additional capacity supply by HQUS would be expected to increase the revenues that it receives from participation in the NYISO's capacity market, such increased supply also impacts the price signals to the market. As explained in the Huang Affidavit, under current system conditions, winter loss of load risk is limited to the peak winter months.³⁹ Accordingly, the NYISO's capacity market should seek to provide incentives for capacity supply availability during such peak periods. If certain quantities of capacity supply are available only during the shoulder periods, such supply provides comparatively lower value from the perspective of addressing the system's resource adequacy needs because it is not available to mitigate loss of load risk during peak periods. Additionally, such supply may adversely impact price signals and capacity revenues for supply that is available during the critical peak periods when loss of load risk currently occurs as well as the availability of such capacity in all months to assist with providing operational flexibility to meet system needs. Persistence of such adverse impacts may ultimately undermine the alignment of price signals with resource adequacy needs and incentives for resource availability to serve such needs. Such adverse impacts may place increased risk on consumers for potential loss of load events to arise during critical risk periods.
30. The suggested alternatives would not only adversely impact the alignment of capacity market price signals with the value of capacity in addressing the resource adequacy needs and loss of load risks faced by the system. Adoption of the proposed alternatives without full consideration of any necessary corollary or complementary rule changes could potentially provide revenues to UDRs or EDRs above and beyond the reliability benefits they are providing to the NYCA system.

E. Inclusion of EDRs

31. Similar to its concerns expressed with UDRs, HQUS also contends that the Seasonal Election Requirement is unnecessary for EDRs or that the NYISO has

³⁹ See Huang Affidavit at PP 13-15, 21.

not fully supported the rationale for applying such requirement to EDRs.⁴⁰ HQUS' position is unfounded. Both UDRs and EDRs can produce the same misalignment between actual supply conditions and the modeling of UDR and EDR elections in the resource adequacy studies that inform the establishment of minimum capacity requirements and other ICAP market parameters.⁴¹ The same misalignment concerns presented by UDR elections apply equally to EDR elections. Accordingly, comparable treatment of both resource types is necessary to address misalignment risks and facilitate continued alignment between capacity market price signals and the resource adequacy risks faced by the electric grid.

F. Investment in Inter-Regional Transmission

32. HQUS contends that the proposal will deprive HQUS of a valuable source of capacity revenues for its investment in new transmission capacity, which allegedly undermines the purpose of UDRs and EDRs to promote the development of new inter-regional transmission facilities.⁴² The Seasonal Election Requirement is a market design mechanism intended to ensure that capacity counted toward minimum capacity requirements reflects the level of capacity that market participants can reasonably and credibly commit to provide during peak conditions when reliability risks are most prominent. The Seasonal Election Requirement also supports the establishment of appropriate seasonal minimum capacity requirements and alignment of capacity market price signals with resource adequacy needs. The NYISO's proposal seeks to facilitate comparability among capacity suppliers and align the valuation of capacity with the evolving reliability risks faced by the system. Contrary to HQUS' claim, this proposed design facilitates signals for capacity supply to meet New York's resource adequacy needs. As such, the NYISO's proposed enhancements are intended to facilitate incentives and price signals for capacity supply availability to meet the resource adequacy risks faced by the system, including supply facilitated by investment in facilities that support the award of UDRs and EDRs.

33. This concludes my affidavit.

⁴⁰ See Bergevin Testimony at 27-28.

⁴¹ See Huang Affidavit at PP 16-21, 24, 38-47.

⁴² See HQUS Protest at 4, 21-23; Bergevin Testimony at 8, 28.

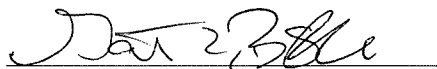
ATTESTATION

I am the witness identified in the foregoing affidavit. I have read the affidavit and am familiar with its contents. The facts set forth therein are true to the best of my knowledge, information, and belief.



Zachary T. Smith
April 1, 2026

Subscribed and sworn to before me
this 1~~st~~ day of April 2026



Notary Public

My commission expires: 9/19/2029

GARRETT E. BISSELL
NOTARY PUBLIC-STATE OF NEW YORK
No. 02BI6133400
Qualified in Albany County
My Commission Expires 09-19-20~~28~~²⁹