

June 25, 2026

Submitted Electronically

Honorable Debbie-Anne A. Reese, Secretary
Federal Energy Regulatory Commission
888 First Street N.E.
Washington, D.C. 20426

**Re: Docket No. ER26-____-000, *New York Independent System Operator, Inc.*;
Proposed Installed Capacity Market Parameter Enhancements for the 2026-
2027 Winter Capability Period**

Dear Secretary Reese:

In accordance with Section 205 of the Federal Power Act¹ and Part 35 of the regulations of the Federal Energy Regulatory Commission (“Commission”), the New York Independent System Operator, Inc. (“NYISO”) submits proposed revisions to its Market Administration and Control Area Services Tariff (“Services Tariff”) to improve the Installed Capacity (“ICAP”) market parameters for the upcoming 2026-2027 Winter Capability Period in response to potential misalignment that could otherwise arise from certain new resource entry.²

The NYISO respectfully requests that the proposed revisions become effective August 25, 2026 (*i.e.*, the day following the end of the statutory 60-day notice period). The NYISO will utilize the proposed enhancements for the upcoming 2026-2027 Winter Capability Period.

I. List of Documents Submitted

The NYISO submits the following with this filing letter:

1. A clean version of the proposed revisions to the Services Tariff (“Attachment I”);
2. A blacklined version of the proposed revisions to the Services Tariff (“Attachment II”); and
3. An Affidavit from Dylan A. Zhang of the NYISO (“Attachment III”).

II. Background

The NYISO recently implemented enhancements to its determination of ICAP market parameters for a Capability Year that includes certain impactful new entry that can materially

¹ 16 U.S.C. § 824d.

² Capitalized terms not otherwise defined herein shall have the meaning specified in the Services Tariff.

influence such parameters.³ A new ICAP market entrant subject to such rules is referred to as a Triggering Resource.

For a Capability Year that includes a Triggering Resource, the NYISO determines two sets of ICAP market parameters representing different ICAP market participation assumptions for the Triggering Resource.⁴ One set of parameters reflects the assumption that the Triggering Resource is participating in the ICAP market. The second set represents an assumption that the Triggering Resource is not participating in the ICAP market. The applicable ICAP market parameters for a given delivery month are primarily determined based on the status of the Triggering Resource's ICAP market participation.

The Triggering Resource's status is determined based on the requirement to submit a valid notice of intent to commence ICAP market participation. If the required notice is not timely submitted for the May delivery month (*i.e.*, the first month of the Summer Capability Period), the NYISO will initially use the ICAP market parameters that assume the Triggering Resource is not participating in the ICAP market. Such parameters remain in effect unless the Triggering Resource timely provides the required notice for a subsequent delivery month during the Summer Capability Period.

If the required notice is submitted for a subsequent delivery month of the Summer Capability Period, the NYISO will implement the ICAP market parameters that assume the Triggering Resource is participating in the ICAP market for the delivery month indicated in the required notice. Once implemented, the ICAP market parameters that assume the Triggering Resource is participating in the ICAP market remain in effect for the remainder of the Capability Year.

If the required notice is not submitted for a subsequent delivery month during the Summer Capability Period, the NYISO will retain the ICAP market parameters that assume the Triggering Resource is not participating in the ICAP market for the remainder of the Capability Year. The retention of such ICAP market parameters does not restrict the Triggering Resource's ability to provide the required notice and commence ICAP market participation during the Winter Capability Period. If the Triggering Resource does not provide the required notice until a delivery month during the Winter Capability Period, the Triggering Resource may still commence ICAP market participation. This design aligns with the current nature of the electric grid in New York as a summer peaking system with resource adequacy risks predominantly concentrated during the Summer Capability Period.

For the 2026-2027 Capability Year, the NYISO determined that the Unforced Capacity Deliverability Rights ("UDRs") awarded to the Champlain Hudson Power Express ("CHPE")

³ See Docket No. ER26-235-000, *New York Independent System Operator, Inc.*, Installed Capacity Market Parameter Enhancements for Certain New Entry (October 24, 2025); and *New York Independent System Operator, Inc.*, 193 FERC ¶ 61,233 (2025).

⁴ See, *e.g.*, Services Tariff § 5.11.7.

project constituted a Triggering Resource.⁵ Therefore, the NYISO developed two sets of ICAP market parameters reflecting different assumptions regarding the ICAP market participation of the CHPE UDRs.⁶

The required notice of intent to commence ICAP market participation for the CHPE UDRs was not provided in advance of the May 2026 delivery month. As a result, the NYISO commenced the 2026 Summer Capability Period using the ICAP market parameters assuming that the CHPE UDRs were not participating in the ICAP market. These parameters also applied for the June 2026 delivery month because the required notice for the CHPE UDRs was not submitted. The required notice was submitted indicating the intent for the CHPE UDRs to commence ICAP market participation for the July 2026 delivery month. Accordingly, beginning with the July 2026 delivery month, the NYISO will implement the ICAP market parameters that assume ICAP market participation by the CHPE UDRs.

Under the existing market rules, absent the modifications proposed herein, the ICAP market parameters that assume the CHPE UDRs are participating in the ICAP market will remain in effect for the balance of the 2026-2027 Capability Year, including the upcoming 2026-2027 Winter Capability Period.

III. Description of Proposed Tariff Revisions

The participation of the CHPE UDRs in the ICAP market presents the potential for unique circumstances not adequately addressed by the current ICAP market rules for a Capability Year that includes a Triggering Resource. Specifically, the CHPE UDRs are expected to cause material seasonal (*i.e.*, summer versus winter) and intra-winter period (*i.e.*, peak winter months versus non-peak winter months) fluctuations in available capacity supply that are not fully contemplated by the existing rules.

If such conditions are not properly taken into account, capacity market outcomes may not accurately reflect expected capacity supply conditions during the peak winter months of the upcoming 2026-2027 Winter Capability Period (*i.e.*, December 2026 through February 2027).⁷ Failure to better align the ICAP market parameters with expected capacity supply conditions during the upcoming 2026-2027 Winter Capability Period could result in the use of parameters

⁵ The CHPE project is a 1,250 MW high-voltage direct current transmission project connecting Hydro Quebec to Load Zone J (*i.e.*, New York City). The project was awarded 1,250 MW of UDRs to facilitate use of the project's capability to supply capacity in New York City.

⁶ See, *e.g.*, NYISO, *Summer 2026 ICAP Market Parameters* available at: <https://www.nyiso.com/documents/20142/1401192/Summer-2026-ICAP-Market-Parameters.pdf>. The ICAP market parameters assuming that the CHPE UDRs are not participating in the ICAP market are commonly referred to as the "CHPE-Out" parameters. The ICAP market parameters assuming that the CHPE UDRs are participating in the ICAP market are commonly referred to as the "CHPE-In" parameters.

⁷ Affidavit of Dylan A. Zhang attached hereto as Attachment III, at ¶¶ 6-10, 22, 25 and 28-29 ("Zhang Affidavit").

that assume significantly greater capacity supply than may be available. Such divergence could result in excessive capacity prices and the potential to artificially produce capacity supply deficiencies in New York City during the peak winter months of the upcoming 2026-2027 Winter Capability Period.⁸

A. Winter Capacity Supply Availability Considerations and Proposal Overview

H.Q. Energy Services (U.S.) Inc. (“HQUS”) is the designated rightsholder for the CHPE UDRs.⁹ For the CHPE UDRs, the NYISO expects that HQUS will use the Control Area System Resource (“CASR”) construct used by HQUS for all other capacity supplied to the New York Control Area (“NYCA”).¹⁰ Unlike other capacity suppliers that must identify specific resource(s) as the source of capacity supplied in the ICAP market, a CASR represents a pool of resources without visibility into the individual resources supplying capacity. For HQUS, its CASR represents the net capacity available from Hydro Quebec’s portfolio of resources and supply arrangements after meeting its native load requirements.

Hydro Quebec is a winter peaking system, which significantly impacts the capacity available for export to the NYCA during the winter period, especially during the peak winter months of December, January and February when Hydro Quebec’s native load demands tend to be highest.¹¹ The nature of Hydro Quebec’s system and the constraints it poses for potential capacity supply availability to the NYCA during the winter result in unique circumstances that are not adequately addressed by the current rules regarding ICAP market parameters for a Capability Year that includes a Triggering Resource.

As explained above, consistent with its current rules, the NYISO will implement the ICAP market parameters that assume the CHPE UDRs are participating in the ICAP market starting with the July 2026 delivery month. These parameters would, absent the refinements proposed herein, persist for the remainder of the 2026-2027 Capability Year, including the 2026-2027 Winter Capability Period. Notably, the capacity supply availability assumptions underlying these parameters include an expectation of 1,250 MW of capacity supply available to New York City from the CHPE UDRs.¹²

Based on its review of relevant information, the NYISO has identified a potential material misalignment between capacity supply assumptions underlying the ICAP market

⁸ *Id.* at ¶ 6, 10 and 22.

⁹ See Docket No. ER26-1431-000, *New York Independent System Operator, Inc.*, Protest of H.Q. Energy Services (U.S.) Inc. at 8-9 (March 11, 2026) (“HQUS Filing”).

¹⁰ Zhang Affidavit at ¶ 9; and HQUS Filing at 8-9.

¹¹ Zhang Affidavit at ¶ 9; and HQUS Filing at 7. HQUS specifically notes that “[b]ecause Hydro Quebec is a strongly winter-peaking utility, supplies available for export are plentiful in the summer but much more limited in the winter, especially the peak winter months of December, January and February.” See HQUS Filing at 7.

¹² Zhang Affidavit at ¶ 8.

parameters and a reasonable expectation of the actual capacity supply likely to be available during the upcoming 2026-2027 Winter Capability Period. A potential misalignment between the basis of the ICAP market parameters and actual capacity supply availability is likely to result in suboptimal market outcomes.¹³ Such misalignment also poses a significant risk for producing market procurement deficiencies in meeting the Locational Minimum Installed Capacity Requirement (“LCR”) for the New York City Locality during the peak winter months due to the use of a minimum requirement that is not properly calibrated to reasonably expected capacity supply conditions.¹⁴ Any such deficiencies would result in unnecessarily excessive capacity price outcomes with detrimental impacts to electricity consumers, especially those located within New York City.

The NYISO has determined that an expectation of 1,250 MW of capacity supply from the CHPE UDRs is not reasonable for the peak winter months of the upcoming 2026-2027 Winter Capability Period (*i.e.*, December 2026 through February 2027).¹⁵ The NYISO’s assessment identified that it is more reasonable to assume 0 MW of capacity supply available from the CHPE UDRs to New York City during the peak winter months of the upcoming 2026-2027 Winter Capability Period.

For the past two winters, capacity supplied by HQUS to New York for each month of the respective peak winter periods (*i.e.*, December 2024-February 2025 and December 2025-February 2026) has been 0 MW.¹⁶ The constraints observed on available capacity supply from Hydro Quebec during the peak winter months are likely to persist for the upcoming 2026-2027 Winter Capability Period. Recent statements by HQUS underscore this observation. Specifically, HQUS has indicated its expectation that near-term capacity exports during peak winter months will remain significantly constrained.¹⁷ In fact, HQUS has stated that “[i]n the near future, the peak-month available capacity from all of [Hydro Quebec] may be zero MW, despite a shoulder month availability of potentially more than 1,000 MW.”¹⁸

Additionally, the annual study conducted by the New York State Reliability Council, L.L.C. (“NYSRC”) to help inform the NYCA Installed Reserve Margin (“IRM”) applicable for the 2026-2027 Capability Year adopted a modeling assumption of 0 MW of capacity supply from the CHPE UDRs during the winter season.¹⁹ This study assumption was informed by,

¹³ *Id.* at ¶ 6, 10, 18, 22 and 29.

¹⁴ *Id.* at ¶ 6 and 10.

¹⁵ Zhang Affidavit at ¶ 9.

¹⁶ *Id.*; and HQUS Filing at 11 (*see* Table 2).

¹⁷ HQUS Filing at *Prepared Testimony and Exhibits of Andrew Levitt*, p. 10, ll. 20-22.

¹⁸ *Id.*

¹⁹ Zhang Affidavit at ¶ 9; NYISO, *Champlain Hudson Power Express (CHPE): 2026-2027 IRM Study Modeling Assumptions* (presented at the June 4, 2025 NYSRC Installed Capacity Subcommittee meeting) at 9-10, available at: <https://www.nysrc.org/wp-content/uploads/2025/05/CHPE-Modeling-Assumptions-06042025-ICS.pdf>; NYISO, *Champlain Hudson Power Express (CPHE) and Fuel Availability Constraints: 2026-2027 Installed Reserve Margin (IRM) Preliminary Base Case (PBC)*

among other considerations, the anticipated tight winter operating margins of the Hydro Quebec system during peak winter load periods.

Given the information on expected capacity supply availability from the CHPE UDRs during the peak winter months of the upcoming 2026-2027 Winter Capability Period, the NYISO proposes to refine the ICAP market parameters to improve alignment between the capacity supply availability assumptions underlying such parameters and reasonable expectations of the actual supply conditions that may prevail.

As described below, to better align the applicable ICAP market parameters for the upcoming 2026-2027 Winter Capability Period with reasonable expectations of capacity supply availability, the NYISO proposes to modify the LCR applicable for New York City during the peak winter months (*i.e.* December 2026 through February 2027) as well as the applicable winter ICAP Demand Curves.²⁰ The NYISO has collaborated with its stakeholders and the Market Monitoring Unit to develop and refine this proposal. The stakeholder process included the assessment of various market design alternatives and adjustments in response to feedback.²¹ Notably, the proposed enhancements are a one-time set of adjustments that apply only for the 2026-2027 Winter Capability Period. The proposal is intended to address the unique circumstances presented by the commencement of ICAP market participation by the CHPE UDRs during the 2026-2027 Capability Year.

Considerations (presented at the July 10, 2025 NYSRC Installed Capacity Subcommittee meeting) at 3-5, available at: <https://www.nysrc.org/wp-content/uploads/2025/07/CHPE-and-Fuel-Constraints.pdf>; and NYSRC, *Technical Study Report: New York Control Area Installed Capacity Requirement for the Period May 2026 to April 2027* (December 5, 2025) at 3 and 24, available at: <https://www.nysrc.org/wp-content/uploads/2025/12/2026-IRM-Study-Technical-Report.pdf>.

²⁰ Zhang Affidavit at ¶ 5-6 and 16-18.

²¹ See, e.g., NYISO, *2026-2027 Winter Capability Period: Potential ICAP Market Parameter Misalignment* (presented at the January 12, 2026 NYISO Installed Capacity Working Group (“ICAPWG”) meeting) at 9-16, available at: <https://www.nyiso.com/documents/20142/56339181/2026-2027%20Winter%20Capability%20Period%20-%20Potential%20ICAP%20Market%20Parameter%20Misalignment%20-01122026%20ICAPWG%20Final.pdf>; NYISO, *2026-2027 Winter Capability Period: Potential ICAP Market Parameter Misalignment* (presented at the February 24, 2026 NYISO ICAPWG meeting) at 4-11 and 22-25, available at: <https://www.nyiso.com/documents/20142/57218179/2026-2027%20Winter%20Potential%20Misalignment%20-%20002.24.2026%20ICAPWG%20Final.pdf>; NYISO, *2026-2027 Winter Capability Period: Potential ICAP Market Parameter Misalignment* (presented at the March 16, 2026 NYISO ICAPWG meeting) at 7-11, available at: <https://www.nyiso.com/documents/20142/57396654/6%202026-2027%20Winter%20Potential%20Misalignment%20-%20003162026%20ICAPWG%20Final.pdf>; and NYISO, *2026-2027 Winter Capability Period: Potential ICAP Market Parameter Misalignment* (presented at the April 8, 2026 NYISO ICAPWG meeting) at 7-8, available at: <https://www.nyiso.com/documents/20142/57614757/2026-2027%20Winter%20Potential%20Misalignment%20-%20004082026%20ICAPWG%20Final%20-%20Reposted.pdf>.

The longer-term, durable solution to the misalignment concerns addressed by this proposal is the ICAP market enhancements currently pending in Docket No. ER26-1431.²² These pending enhancements are proposed for implementation starting with the 2027-2028 Capability Year. Among other components, the pending enhancements would: (1) implement seasonal elections for UDRs and subject such elections to a must offer requirement; (2) establish seasonal minimum capacity requirements that account for such seasonal UDR elections; and (3) derive seasonal ICAP Demand Curves that account for such seasonal requirements and elections. The pending enhancements leverage actual capacity supply commitments by market participants (including seasonal UDR elections) to calibrate the seasonal ICAP market parameters for each Capability Year.²³

B. New York City LCR

The current capacity market rules that apply to a Capability Year with a Triggering Resource include the development of two sets of LCRs that reflect differing assumptions regarding the ICAP market participation status of the Triggering Resource. One set assumes that the Triggering Resource is not participating in the ICAP market, and the other set assumes that the Triggering Resource is participating.

For the 2026-2027 Capability Year, the NYISO developed two sets of LCRs reflecting the different potential ICAP market participation status assumptions for the CHPE UDRs.²⁴ The entry of the CHPE UDRs into the capacity market changes the contingencies evaluated in assessing the transfer capability to flow power into Load Zone J. With entry of the CHPE UDRs, the potential loss of the 1,250 MW of maximum supply capability of the CHPE project becomes the largest of the two contingencies evaluated in that assessment. This change in the contingencies reduces the transfer capability into Load Zone J by 400 MW.²⁵ The reduction in transfer capability into Load Zone J places upward pressure on the resulting LCR for New York City associated with the ICAP market parameters that assume the CHPE UDRs are participating

²² Zhang Affidavit at ¶ 6; Docket No. ER26-1431-000, *supra*, Winter Reliability Capacity Enhancements (February 18, 2026); Docket No. ER26-1431-000, *supra*, Request for Leave to Answer and Answer of New York Independent System Operator, Inc. (April 1, 2026); and Docket No. ER26-1431-001, *supra*, Response to Request for Additional Information (April 28, 2026).

²³ Because the NYISO's proposal herein is narrowly tailored to address the 2026-2027 Winter Capability Period, it is neither contingent on nor impacted by the Commission's ultimate disposition of the pending enhancements in Docket No. ER26-1431.

²⁴ See, e.g., NYISO, *Locational Minimum Installed Capacity Requirements Study for the 2026-2027 Capability Year* at 2, available at: <https://www.nyiso.com/documents/20142/56538572/2026-2027-LCR-Report-Final.pdf>; and NYISO, *Summer 2026 ICAP Market Parameters* available at: <https://www.nyiso.com/documents/20142/1401192/Summer-2026-ICAP-Market-Parameters.pdf>.

²⁵ See, e.g., NYISO, *2026-2027 Locality Bulk Power Transmission Capability Report* at 7-8, available at: <https://www.nyiso.com/documents/20142/56538572/2026-Locality-Bulk-Power-Transmission-Capability-Report.pdf>; and NYISO, *Locational Minimum Installed Capacity Requirements Study for the 2026-2027 Capability Year* at 5-6, available at: <https://www.nyiso.com/documents/20142/56538572/2026-2027-LCR-Report-Final.pdf>.

in the ICAP market.²⁶ In fact, the New York City LCR is 3.8% higher for the ICAP market parameters that assume the CHPE UDRs are participating in the ICAP market compared to the alternative parameters that do not assume such participation.²⁷

Based on the NYISO's receipt of the required notice of intent for the CHPE UDRs to commence ICAP market participation, the NYISO will implement the ICAP market parameters reflecting such participation starting with the July 2026 delivery month. This includes implementing the higher LCR for New York City that assumes the full 1,250 MW of capacity supply from the CHPE UDRs will be available in all remaining months of the 2026-2027 Capability Year.²⁸ This includes the peak winter months of the 2026-2027 Winter Capability Period when such availability is reasonably expected to be 0 MW. Absent the modifications proposed herein, the NYISO will be required to maintain this higher LCR for the remainder of the 2026-2027 Capability Year, including all months of the upcoming 2026-2027 Winter Capability Period.

As detailed above, the NYISO has determined that assuming 1,250 MW of capacity supply availability from the CHPE UDRs is not a reasonable expectation for the peak winter months of the upcoming 2026-2027 Winter Capability Period (*i.e.*, December 2026 through February 2027).²⁹ Instead, the NYISO's assessment identifies that 0 MW of capacity supply available from the CHPE UDRs during such peak winter months is a more reasonable assumption for the upcoming winter period.³⁰ To address this misalignment, the NYISO proposes to utilize the LCR for New York City associated with the ICAP market parameters that assume the CHPE UDRs are not participating in the ICAP market for the December 2026 through February 2027 delivery months.³¹ Using this alternative LCR for New York City during the peak winter months of the upcoming 2026-2027 Winter Capability Period is intended to provide for improved alignment between the applicable minimum ICAP requirement and reasonable expectations of capacity supply availability.³²

As explained above, using an LCR premised on significantly greater levels of capacity supply than is reasonably likely to materialize could result in capacity market outcomes that fail

²⁶ See, e.g., NYISO, *Locational Minimum Installed Capacity Requirements Study for the 2026-2027 Capability Year* at 2 and 6-7, available at: <https://www.nyiso.com/documents/20142/56538572/2026-2027-LCR-Report-Final.pdf>.

²⁷ *Id.*

²⁸ Zhang Affidavit at ¶ 7-8.

²⁹ *Id.* at ¶ 9-10.

³⁰ *Id.*

³¹ *Id.* at ¶ 19-22. The LCR for New York City associated with the ICAP market parameters that assume the CHPE UDRs are not participating in the ICAP market essentially assumes 0 MW of capacity supply available from the CHPE UDRs.

³² Zhang Affidavit at ¶ 6, 17, and 20-22.

to accurately reflect the resource adequacy risks faced by New York City.³³ The ICAP Spot Market Auction results from the May 2026 and June 2026 delivery months demonstrate the extremely tight capacity supply conditions currently present in New York City absent the additional capacity supply available from the CHPE UDRs. In fact, using the lower LCR that assumes the CHPE UDRs are not participating in the ICAP market (*i.e.* the equivalent of assuming 0 MW of capacity supply from the CHPE UDRs), the ICAP Spot Market Auctions cleared with less than 10 MW of excess capacity above the minimum requirement for New York City each month.³⁴ Use of an LCR for New York City that is 3.8% higher and assumes 1,250 MW of capacity supply available from the CHPE UDRs during the peak winter months of the upcoming 2026-2027 Winter Capability Period is likely to produce excessive capacity market clearing prices that do not appropriately reflect capacity supply conditions.³⁵ Based on the ICAP Spot Market Auction results from the May 2026 and June 2026 delivery months, the use of an excessively high LCR for New York City during the peak winter months of December 2026 through February 2027 poses a material risk of producing artificial deficiencies in meeting the minimum capacity requirement for New York City.³⁶ Such an outcome would not only impose unnecessarily high costs on consumers but also produce signals that incorrectly indicate potential severe capacity shortages in New York City.

To avoid the potential for such adverse market outcomes, the NYISO proposes use of an LCR for New York City that is properly calibrated with reasonable expectations of capacity supply availability.³⁷ For these reasons, the NYISO proposes revisions to Section 5.11.7.1 of the Services Tariff to modify the LCR applicable to New York City during the peak winter months of the upcoming 2026-2027 Winter Capability Period. The proposed modifications address the unique circumstances caused by the CHPE UDRs commencing ICAP market participation during the 2026-2027 Capability Year.

Specifically, the NYISO proposes to proceed with implementing the ICAP market parameters that assume the CHPE UDRs are participating in the ICAP market beginning with the July 2026 delivery month and retaining those parameters for the balance of the 2026-2027 Capability Year, except for the LCR applicable to New York City during the peak winter months

³³ *Id.* at ¶ 6, 10, 22 and 29.

³⁴ See, NYISO, *ICAP Market Report: June 2026* available at: <https://www.nyiso.com/installed-capacity-market> (from this page, the report can be accessed by navigating through the following content sections: “Monthly Reports” → “Monthly UCAP Reports”). New York City cleared with 5.2 MW and 8.0 MW of capacity above the minimum requirement for May 2026 and June 2026, respectively.

³⁵ Zhang Affidavit at ¶ 6, 10, 21-22 and 29.

³⁶ *Id.* at ¶ 10.

³⁷ *Id.* at ¶ 6-10, 16-22 and 29. Changes to the Capacity Accreditation Factors (“CAFs”) applicable for the upcoming 2026-2027 Winter Capability Period are not required. The annual IRM study that serves as the starting point for determining CAF values already assumes 0 MW of capacity supply available from the CHPE UDRs during the winter period. Accordingly, use of the CAFs associated with the ICAP market parameters that assume the CHPE UDRs are participating in the ICAP market appropriately reflects the expected winter capacity supply conditions reflected in the resource adequacy study modeling for the 2026-2027 Capability Year and resulting loss of load risk associated therewith.

of December 2026 through February 2027. For the peak winter months of the upcoming 2026-2027 Winter Capability Period, the NYISO proposes to use the LCR for New York City that assumes the CHPE UDRs are not participating in the ICAP market because that LCR better aligns with reasonable expectations of capacity supply available from the CHPE UDRs during these months.³⁸ For the other months of the 2026-2027 Winter Capability Period (*i.e.*, November 2026, March 2027, and April 2027) when export constraints from Hydro Quebec are expected to be less impactful, the NYISO proposes to use the higher LCR for New York City that assumes the CHPE UDRs are participating in the capacity market.³⁹

C. 2026-2027 Winter Capability Period ICAP Demand Curves

Among other considerations, the reference point prices and maximum allowable clearing prices of the seasonal ICAP Demand Curves account for the tariff-prescribed level of excess conditions⁴⁰ as well as expected differences in seasonal availability of the capacity supply.⁴¹ To better account for the potential capacity supply availability from the CHPE UDRs during the upcoming 2026-2027 Winter Capability Period, the NYISO also proposes to adjust the parameters of the ICAP Demand Curves applicable for that Capability Period.

As further described herein, the NYISO proposes revisions to Section 5.14.1.2 of the Services Tariff to establish adjusted ICAP Demand Curves for the 2026-2027 Winter Capability Period that account for reasonably expected changes in capacity supply availability resulting from the participation of the CHPE UDRs in the ICAP market. Specifically, the NYISO proposes to specify the parameters of the revised ICAP Demand Curves for the 2026-2027 Winter Capability Period in Section 5.14.1.2.1. The NYISO also proposes clarifying revisions in Sections 5.14.1.2, 5.14.1.2.2, and 5.14.1.2.2.3 to acknowledge that the revised winter curves: (1) were not developed as part of the annual update process for the 2026-2027 Capability Year; and (2) contain unique elements specific to this proposal.

³⁸ *Id.* at ¶¶ 6 and 19-22.

³⁹ *Id.*

⁴⁰ Section 5.14.1.2.2 of the Services Tariff requires that the ICAP Demand Curves reflect conditions that presume a certain level of excess capacity above the applicable minimum requirements. Specifically, the ICAP Demand Curves are determined under conditions that reflect a level of capacity supply equal to the applicable minimum capacity requirement plus the MW size of the hypothetical resource used in determining each curve (*i.e.*, this hypothetical resource is referred to as “peaking unit” or “peaking plant”). This requirement is designed to ensure that the ICAP Demand Curves are established at a level that should provide sufficient revenues to cover the costs of a peaking plant when market entry by such facility is required to maintain resource adequacy.

⁴¹ Because the NYISO operates a capacity market with two distinct six-month Capability Periods, the ICAP Demand Curves account for seasonal differences in capacity availability. This seasonal adjustment is intended to reflect the fact that differences in capacity availability between the Summer Capability Period and Winter Capability Period contribute to differences in capacity prices throughout the year. To provide for revenue adequacy for the peaking plant when needed to maintain the applicable minimum capacity requirements, these seasonal differences must be considered when determining the parameters for each ICAP Demand Curve.

Notably, the NYISO's proposal does not impact the 2026 Summer Capability Period ICAP Demand Curves that were determined as part of the annual update for the 2026-2027 Capability Year.⁴² The previously determined summer ICAP Demand Curves will remain in effect for all months of the ongoing 2026 Summer Capability Period.

1. Seasonal Capacity Availability Considerations

The NYISO typically determines seasonal capacity availability estimates using three years of historical data.⁴³ For the 2026-2027 Capability Year, the applicable three-year period is September 1, 2022 through August 31, 2025. This historical period does not account for the expected changes in seasonal capacity availability resulting from the commencement of ICAP market participation by the CHPE UDRs.

The magnitude of the CHPE UDRs combined with the anticipated seasonal and intra-winter period variability of capacity supply from the CHPE UDRs are expected to materially alter the seasonal availability of capacity.⁴⁴ The CHPE UDRs will be most impactful on the seasonal capacity availability profile of the New York City Locality where the full MW value of the CHPE UDRs represents greater than 10% of the Load Zone J forecasted peak load for the 2026 Summer Capability Period.

The NYISO has determined that the ICAP Demand Curves for the 2026-2027 Winter Capability Period may be suboptimal if they fail to account for the expected shift in available capacity resulting from the introduction of the CHPE UDRs.⁴⁵ The near-term expectation that the CHPE UDRs will likely supply more capacity across the months of the Summer Capability Period than the Winter Capability Period offsets the broader seasonal capacity availability exhibited by the existing resource fleet in the NYCA. In part, due to the prevalence of a substantial amount of fossil-fired thermal generators, the resource fleet has historically exhibited higher availability of capacity supply in the winter compared to the summer. The countervailing capacity supply profile of the CHPE UDRs is expected to reduce the historical difference in capacity supply available in the winter compared to the summer. For the New York City Locality, the impact of the CHPE UDRs could shift the historical dynamic such that more

⁴² See NYISO, *Demand Curve Parameters: 2026-2027 Capability Year* (November 14, 2025), available at: <https://www.nyiso.com/documents/20142/54740429/Demand-Curve-Parameters-CY-2026-2027.pdf>; and NYISO, *Annual Update for 2026-2027 ICAP Demand Curves* (presented at the November 17, 2025 NYISO ICAPWG meeting), available at: https://www.nyiso.com/documents/20142/55171321/4%20Annual%20Update%20for%202026-2027%20ICAP%20Demand%20Curves_V5_2025-11-11.pdf.

⁴³ Zhang Affidavit at ¶ 23. The three-year period is the same as the period used for determining estimates of net energy and ancillary services revenues that could be earned by each peaking plant from participation in the NYISO-administered markets. These revenues serve as an offset to the gross cost of new entry for each peaking plant to determine an annual net cost of new entry value used in establishing the reference point price for each ICAP Demand Curve.

⁴⁴ Zhang Affidavit at ¶ 11-13 and 23-24.

⁴⁵ *Id.* at ¶ 11-14 and 23-29.

capacity is expected to be available in the summer than the winter.

To account for the impact of the CHPE UDRs commencing participation in the ICAP market, the NYISO adjusted the dataset that is used to determine the seasonal capacity availability ratios for the 2026-2027 Capability Year.⁴⁶ Specifically, the NYISO adjusted each month of the dataset to include the addition of a reasonable estimate of the potential capacity supply availability for the CHPE UDRs during the 2026-2027 Capability Year. For all summer months (*i.e.*, May through October) and non-peak winter months (*i.e.* November, March, and April), the NYISO added an assumed 1,250 MW of capacity supply available from the CHPE UDRs.⁴⁷ For all peak winter months (*i.e.* December, January, and February), the NYISO assumed 0 MW of capacity supply available from the CHPE UDRs.⁴⁸ The NYISO then recalculated the seasonal capacity supply availability ratios for all capacity regions.⁴⁹

The recalculated winter-to-summer ratio values were lower for the NYCA, the G-J Locality, and the New York City Locality than the initial values that did not account for the potential impact of the CHPE UDRs.⁵⁰ A reduction in the winter-to-summer ratio value resulted in downward pressure on both the winter reference point prices and winter maximum allowable clearing prices of the affected ICAP Demand Curves. For the New York City Locality, the recalculated winter-to-summer ratio value was less than 1.0, indicating that the revised capacity supply portfolio for the Locality exhibited an expectation of greater capacity supply available during the summer versus the winter.⁵¹ As further described below, this result required an additional refinement to the determination of the updated winter ICAP Demand Curve for New York City.

The NYISO used the existing ICAP Demand Curve parameter formulas with the updated ratio values to derive adjusted parameters for the NYCA and the G-J Locality ICAP Demand Curves.⁵² To properly isolate the impacts of the adjustments to the winter period, the NYISO was required to modify the existing parameter formulas to derive the adjusted winter ICAP

⁴⁶ *Id.* at ¶ 13 and 24.

⁴⁷ *Id.*

⁴⁸ *Id.*

⁴⁹ *Id.* Notably, capacity supply availability for the CHPE UDRs does not impact the capacity supply portfolio for Load Zone K (*i.e.*, Long Island). As a result, the seasonal capacity availability ratios for Long Island did not change and the resulting ICAP Demand Curves for Long Island are the same as previously determined during the annual update for the 2026-2027 Capability Year. Although the Long Island ICAP Demand Curves were unchanged, the NYISO has specified the winter parameter values in Section 5.14.1.2.1 to provide ready access to all ICAP Demand Curve parameter values for the 2026-2027 Winter Capability Period.

⁵⁰ Zhang Affidavit at ¶ 13 and 24.

⁵¹ *Id.*

⁵² *Id.* at ¶ 25 and 28.

Demand Curve for New York City.⁵³ For all three affected capacity regions, the reduction in the winter-to-summer ratio values resulted in updated winter reference point prices and winter maximum clearing prices that were lower than previously calculated as part of the annual update for the 2026-2027 Capability Year.⁵⁴ The reduction in these pricing values reflects the shrinking difference in the expected seasonal availability of capacity supply following the introduction of the CHPE UDRs.

2. New York City ICAP Demand Curve

The introduction of the CHPE UDRs to the ICAP market is most impactful to the New York City Locality. The impact of the CHPE UDRs required the NYISO to modify the existing ICAP Demand Curve parameter formulas to appropriately determine a revised winter ICAP Demand Curve for New York City. Specifically, the NYISO modified the formulas to account for: (1) the resulting impact of potential capacity supply from the CHPE UDRs on the winter-to-summer ratio for New York City; and (2) the proposed use of a different LCR during the peak winter months of the 2026-2027 Winter Capability Period.⁵⁵

As described above, the updated winter-to-summer ratio after adjustment to account for the CHPE UDRs was below 1.0 for New York City. Absent an adjustment to the existing ICAP Demand Curve formulas, such a result would require an upward adjustment to the summer reference point price and summer maximum clearing price of the New York City ICAP Demand Curve.⁵⁶ To avoid unwarranted market disruption and uncertainty that could result from introducing intra-Capability Period adjustments to the 2026 Summer Capability Period that has already commenced and is ongoing, the NYISO proposes to revise the ICAP Demand Curve parameter formulas for New York City to isolate the impact of the CHPE UDRs to the upcoming 2026-2027 Winter Capability Period. The proposed adjustment continues to provide revenue sufficiency for investment in the hypothetical peaking plant under the tariff-prescribed level of excess conditions over the duration of the 2026-2027 Capability Year.⁵⁷

The NYISO's proposal to apply a different LCR for New York City during the peak winter months of the upcoming 2026-2027 Winter Capability Period presents conditions not adequately addressed by the existing ICAP Demand Curve parameter formulas.⁵⁸ The existing formulas are premised on the historical use of an equal minimum ICAP requirement for each

⁵³ *Id.* at ¶ 13-14, 26 and 28.

⁵⁴ *Id.* at ¶ 24-28.

⁵⁵ *Id.* at ¶ 13-14 and 26-27.

⁵⁶ *Id.* at ¶ 14 and 26.

⁵⁷ *Id.* at ¶ 26-28.

⁵⁸ *Id.* at ¶ 27. Similar conditions are not applicable for the other capacity regions because the proposal retains use of the applicable minimum ICAP requirement from the summer for the winter for each such capacity region. As a result, the remaining capacity regions retain use of the existing ICAP Demand Curve parameter formulas to derive the adjusted curves applicable for the 2026-2027 Winter Capability Period.

capacity region throughout the Capability Year. The proposal to use two LCRs for New York City during the upcoming 2026-2027 Winter Capability Period effectively results in the creation of two distinct prescribed level of excess conditions that must be accounted for in developing a single ICAP Demand Curve to apply throughout such Capability Period.⁵⁹ The NYISO proposes an alternative winter reference point price formula to address the unique conditions presented by this proposal for the New York City Locality.⁶⁰ The proposed alternative winter reference point price formula for the New York City ICAP Demand Curve provides revenue sufficiency for the peaking plant under the resulting prescribed level of excess conditions across the duration of the 2026-2027 Capability Year.⁶¹

IV. Effective Date

The NYISO respectfully requests that the proposed tariff revisions become effective on August 25, 2026 (*i.e.*, the day following the end of the statutory 60-day notice period). The NYISO will utilize the proposed enhancements for the upcoming 2026-2027 Winter Capability Period.

The proposed effective date seeks to ensure that the proposed enhancements are effective prior to development of final ICAP market parameters for 2026-2027 Winter Capability Period. The Services Tariff requires the NYISO to conduct the Capability Period Auction for the 2026-2027 Winter Capability Period no later than 30 days prior to November 1, 2026 (*i.e.*, the first day of the 2026-2027 Winter Capability Period).⁶² The NYISO is currently scheduled to begin the Capability Period Auction for the 2026-2027 Winter Capability Period on September 29, 2026. The NYISO typically provides all necessary information to the marketplace related to administration of the capacity market for a particular Capability Period approximately two weeks prior to the conduct of the Capability Period Auction. This includes, among other parameters, the applicable LCRs, minimum capacity procurement requirements for each Load Serving Entity, and the translation of the ICAP Demand Curves to an Unforced Capacity basis.

V. Requisite Approvals

Stakeholders approved the proposal without opposition at the Management Committee on April 29, 2026. The NYISO Board of Directors approved the proposed enhancements on May 7, 2026.

⁵⁹ Zhang Affidavit at ¶ 27-28.

⁶⁰ *Id.* at ¶ 14 and 26-28.

⁶¹ *Id.* at ¶ 28.

⁶² See Services Tariff § 2.3 (definition of “Capability Period Auction”).

VI. Correspondence

Please direct all communications and service in this proceeding to:

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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 each participant on its stakeholder committees. The NYISO will also send an electronic copy of this filing to the New York State Public Service Commission and the New Jersey Board of Public Utilities.

VIII. Conclusion

The NYISO respectfully requests that the Commission accept the proposed revisions to the Services Tariff attached hereto with an effective date of August 25, 2026.

Respectfully submitted,

/s/ Garrett E. Bissell

Garrett E. Bissell, Assistant General Counsel
New York Independent System Operator, Inc.

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