Attachment III

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

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

AFFIDAVIT OF DYLAN A. ZHANG

Mr. Dylan A. Zhang declares:

1. I have personal knowledge of the facts and opinions in this affidavit, and if called to testify, could and would testify competently thereto.

I. Qualifications

2. I am Senior Manager, Capacity and New Resource Integration, Market Solutions at the New York Independent System Operator, Inc. ("NYISO"). In this role, I am responsible for developing enhancements to NYISO's market design to improve the economic efficiency and performance of the Installed Capacity ("ICAP") market. I have previously served as NYISO's Manager of Resource Adequacy and Manager of ICAP Market Operations, where I managed the reliability modeling and calculations used to determine the New York Control Area ("NYCA") Installed Reserve Margin ("IRM") and Locational Minimum Installed Capacity Requirements ("LCRs") and oversaw the operation of ICAP market auctions.[1] I hold a B.S. in Economics from the State University of New York at Albany and a M.S. in Applied Economics from Johns Hopkins University.

3. I have been directly involved in developing the proposed ICAP market enhancements that are the subject of the NYISO's filing in this proceeding. My professional experience in ICAP market operations and my direct participation in the analyses and stakeholder process leading to this proposal provide the expertise to support the facts and conclusions herein.

II. Purpose of this Affidavit

4. I submit this affidavit to support the NYISO's proposed tariff revisions addressing a potential ICAP market parameter misalignment for the upcoming 2026-2027 Winter Capability Period, arising from the Unforced Capacity Deliverability Rights ("UDRs") awarded to the Champlain Hudson Power Express ("CHPE") project commencing participation in the ICAP market.

5. This affidavit will describe the potential capacity market parameter misalignment that could occur during the 2026-2027 Winter Capability Period, present the NYISO's

[1] Capitalized terms that are not specifically defined in this Affidavit shall have the meaning set forth in the filing letter to which this Affidavit is attached or, if not defined therein, the meaning set forth in the NYISO's Market Administration and Control Area Services Tariff ("Services Tariff").

analysis of near-term seasonal capacity supply limitations applicable to the CHPE UDRs and their effect on ICAP market parameters, and detail the NYISO's proposed solution.

6. The NYISO's proposed revisions are necessary to align ICAP market parameters with expected capacity supply conditions during the 2026-2027 Winter Capability Period. Without these proposed adjustments, the ICAP market parameters would assume significantly more available capacity than is likely to materialize. This misalignment could lead to unwarranted outcomes, such as excessively high capacity prices and false indications of capacity shortages in the New York City Locality during the peak winter months of the 2026-2027 Winter Capability Period (*i.e.*, December 2026 through February 2027). The proposed enhancements avoid these results by making two key adjustments: first, reducing the LCR applicable to the New York City Locality during the peak winter months (from 86.4% to 82.6%); and second, adjusting the ICAP Demand Curves applicable during the 2026-2027 Winter Capability Period. The proposed enhancements are narrowly tailored to address market conditions for the 2026-2027 Winter Capability Period. Going forward, the NYISO has proposed broader seasonal market parameter reforms to take effect starting with the 2027-2028 Capability Year.[2]

III. Overview of Potential Alignment Concerns

7. In 2025, the NYISO implemented new Triggering Resource rules to address the potential impacts of certain impactful new resource entry on ICAP market parameters (Services Tariff Section 5.11.7).[3] Under these rules, a Capability Year that includes a Triggering Resource requires the NYISO to develop two sets of ICAP market parameters to account for different assumptions regarding the Triggering Resource's participation in the ICAP market.[4] The NYISO determined that the CHPE UDRs are a Triggering Resource for the 2026-2027 Capability Year. Accordingly, the NYISO developed two sets of ICAP market parameters: one assuming the CHPE UDRs are not participating in the ICAP market (commonly referred to as the "CHPE-Out" case) and another assuming the CHPE UDRs participate at full capability in the ICAP market (commonly referred to as the "CHPE-In" case). The applicable set of parameters depends on whether the Triggering Resource has provided a valid notice of intent to commence ICAP market participation. The CHPE UDRs did not submit the required notice for the start of the Capability Year (*i.e.*, May 2026) or the June 2026 delivery month. Accordingly, the NYISO applied the CHPE-Out ICAP market

[2] The longer-term solution proposed by the NYISO is commonly referred to as the "Winter Reliability Capacity Enhancements" proposal and is pending before the Commission in Docket No. ER26-1431. *See* Docket No. ER26-1431-000, *New York Independent System Operator, Inc.*, 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).

[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] One set of ICAP market parameters is based on an assumption that the Triggering Resource is participating in the ICAP market, while the other set of parameters assumes that the Triggering Resource is not participating in the ICAP market.

parameters for the May 2026 and June 2026 delivery months. The CHPE UDRs subsequently provided the required notice for the July 2026 delivery month. As a result, beginning with the July 2026 delivery month, the CHPE-In ICAP market parameters will take effect and, under current rules, would remain in effect through the end of the 2026-2027 Capability Year.

8. The CHPE-In ICAP market parameters include an embedded assumption of 1,250 MW of capacity available from the CHPE UDRs for each delivery month. This assumption is reflected most clearly in the New York City LCR value. Specifically, when the CHPE UDRs are assumed to be participating at 1,250 MW, the transmission security-based transfer limit into New York City is decreased by 400 MW because CHPE becomes the largest single contingency used to determine New York City's import capability. This reduced import capability results in a higher LCR for the New York City Locality. Consequently, the New York City LCR associated with CHPE-In parameters is 86.4%, which is 3.8% higher than the New York City LCR associated with the CHPE-Out parameters (*i.e.*, 82.6%). Upon implementation of the CHPE-In parameters starting with the July 2026 delivery month, the higher 86.4% LCR will apply for the New York City Locality. Absent the enhancements proposed in this proceeding, this higher LCR value would remain in effect for all months of the 2026-2027 Winter Capability Period.

9. The CHPE-In parameters assume a consistent 1,250 MW capacity supply contribution from the CHPE UDRs. However, the NYISO determined that it is unreasonable to expect that full 1,250 MW during the peak winter months of the 2026-2027 Winter Capability Period (*i.e.*, December 2026 through February 2027). The CHPE UDRs are expected to participate in the ICAP market as a Control Area System Resource ("CASR") representing Hydro-Québec's surplus capacity after serving its own load requirements. Hydro-Québec is a winter-peaking system. Because Hydro-Québec's native load peaks in December, January, and February, Hydro-Québec has historically had little or no surplus capacity available for export to the NYCA during these months. In fact, for each of the past two winter periods, the capacity delivered from Hydro-Québec to the NYCA was 0 MW in every peak winter month (December 2024-February 2025 and December 2025-February 2026). Moreover, H.Q. Energy Services (U.S.) Inc., the current holder of the CHPE UDRs, confirmed that, for the near term, it expects little to no capacity will be available to export from Hydro-Québec to New York during those peak winter months, even though the CHPE UDRs could deliver over 1,000 MW in milder "shoulder" winter months.[5] Notably, consistent with this information, the New York State Reliability Council's IRM study for the 2026-2027 Capability Year assumed 0 MW of capacity from the CHPE UDRs during winter months. In short, the evidence shows that counting on 1,250 MW of capacity from the CHPE UDRs during the peak winter months of the 2026-2027 Winter Capability Period is not warranted or realistic.

10. If this misalignment between assumed and reasonable expectations of actual winter capacity availability were left unaddressed, it would distort the ICAP market outcomes during 2026-2027 Winter Capability Period, especially during the peak winter months. Under current rules, the New York City LCR would remain at the

[5] *See* Docket No. ER26-1431-000, *supra*, Protest of H.Q. Energy Services (U.S.) Inc. at 11 and *Prepared Testimony and Exhibits of Andrew Levitt*, p. 10, ll 20-22 (March 11, 2026).

higher 86.4% value, assuming the CHPE UDRs are contributing 1,250 MW of capacity supply, even during months when the CHPE UDRs are expected to supply 0 MW of capacity to New York City. Use of the higher LCR would effectively require far more capacity in New York City than is expected to be available, leading to artificially tight supply-demand conditions and unwarrantedly high capacity prices in the peak winter months. The New York City ICAP Spot Market Auctions during the peak winter months could even clear below the minimum requirement because the ICAP market parameters would be targeting a capacity level that is unattainable without capacity supply from the CHPE UDRs. Notably, the New York City spot auctions for May 2026 and June 2026, which used the lower CHPE-Out LCR (*i.e.*, 82.6%), cleared with only a few MW of surplus above the minimum requirement.[6] Had the higher 86.4% LCR been in effect during those months without participation of the CHPE UDRs, the market would have shown a significant deficiency for each month. Applying the CHPE-In LCR of 86.4% during the peak winter months, when the CHPE UDRs are reasonably expected to supply 0 MW of capacity to New York City, would likely cause the ICAP market to erroneously signal a significant capacity shortage. Such conditions would result in prices far above efficient levels and burden consumers with excessive capacity costs that do not reflect actual system conditions. Such an outcome would undermine the accurate, efficient operation of the ICAP market during the peak winter months of the 2026-2027 Winter Capability Period.

11. In calibrating the ICAP Demand Curve reference point prices to ensure revenue sufficiency for the reference technology,[7] a winter-to-summer ratio ("WSR") metric is used. The WSR represents the ratio of expected available capacity in the winter season relative to the summer season. Currently, the WSR is a calculation based on historical data over a three year period. The WSR reflects historical data and does not rely on forward projections of capacity supply availability.

12. When greater capacity is expected to be available in the winter relative to the summer (*i.e.*, a WSR value greater than 1.0), the reference point prices for the winter season are scaled up to account for the greater supply available in winter ICAP auctions. This adjustment ensures that the hypothetical reference technology can still achieve its annual revenue requirement over the course of the Capability Year, recognizing that greater supply is expected to clear in winter than summer, which results in lower capacity prices during the winter months.

13. Historically, for all NYCA capacity regions, the WSR has been greater than 1.0, meaning more capacity has been available in winter than in summer. This higher capacity supply in winter is largely due to thermal generators' ability to perform better in colder weather. However, entry of the CHPE UDRs into the ICAP market changes the seasonal supply availability posture of the NYCA. This change is due to the expectation that the CHPE UDRs will provide substantially more capacity throughout the summer months and far less in the winter. When the NYISO re-calculated the expected seasonal capacity availability for the 2026-2027 Capability

[6] Each spot auction procured less than 10 MW of surplus above the applicable requirement for the New York City Locality.

[7] The Services Tariff refers to this hypothetical reference resource as a "peaking unit" or "peaking plant."

Year factoring in reasonable expectations of the seasonal contribution of the CHPE UDRs, New York City's WSR drops below 1.0. In other words, with the expected participation of the CHPE UDRs, New York City could see slightly more capacity available in the summer than in winter. Accounting for the reasonable expectations of capacity supply from the CHPE UDRs also placed downward pressure of the WSR values for the NYCA capacity region and the G-J Locality.[8]

14. Use of the existing ICAP Demand Curve parameter formulas with the revised WSR value for New York City would have detrimental, unintended consequences. When the WSR value is less than 1.0, the current demand curve calculations would increase the summer demand curve reference point price and maximum clear price for the New York City ICAP Demand Curve. Seeking to implement a mid-season change to the summer ICAP Demand Curve for New York City would be unnecessarily disruptive and unwarranted, since the 2026 Summer Capability Period is already underway and a series of capacity auctions for several months have occurred. Therefore, the NYISO proposes to adjust the 2026-2027 Capability Year ICAP Demand Curve parameter formulas for the New York City. The proposed adjustments account for the expected impact of the CHPE UDRs without affecting the already established and in-effect summer demand curves. The revised formulas permit the capacity price signals to properly reflect the impact of the CHPE UDRs on the seasonal capacity supply availability pattern in New York City.

15. Recognizing the above concerns, the NYISO, in collaboration with its stakeholders and the Market Monitoring Unit, developed targeted revisions to the ICAP market parameters for the 2026-2027 Winter Capability Period. The proposed modifications align the ICAP market parameters with reasonable expectations of the winter supply conditions that are likely to occur during the 2026-2027 Winter Capability Period.

IV. Overview of NYISO's Proposal

16. NYISO's proposal is a two-part solution designed to mitigate the potential ICAP market parameter misalignment that could otherwise occur during the 2026-2027 Winter Capability Period. This solution was developed through an extensive stakeholder process, including multiple ICAP Working Group meetings (January 12, February 24, March 16, and April 8, 2026) where the misalignment issue and potential remedies were examined. Stakeholders generally acknowledged the need for a solution specific to the 2026-2027 Winter Capability Period and recognized that accelerating the pending Winter Reliability Capacity Enhancements proposal (currently proposed for implementation beginning with the 2027-2028 Capability Year) was not feasible on the required timeline.

17. The two components of the proposal are: (1) adjusting the LCR applicable for New York City during the peak winter months of 2026-2027 Winter Capability Period to reflect more realistic capacity supply assumptions for the CHPE UDRs; and (2) updating the 2026-2027 Winter Capability Period ICAP Demand Curve parameters to account for the impact of the CHPE UDRs on seasonal capacity availability and the

[8] Notably, the CHPE UDRs do not impact capacity supply available in the Long Island Locality. As a result, accounting for reasonable expectations of the capacity supply from the CHPE UDRs did not impact the WSR for the Long Island Locality.

use of two LCRs for New York City (*i.e.*, the CHPE-In LCR during non-peak winter months and the CHPE-Out LCR during peak winter months).

18. Both measures leverage the existing Triggering Resource framework to implement refined parameters, while seeking to minimize disruption to the ICAP market beyond what is necessary to resolve the potential misalignment issue. The combination of these complementary adjustments is essential. Altering only the LCR applicable to New York City during peak winter months or only the winter demand curves would not fully resolve the misalignment concern and may not yield efficient market outcomes aligned with system needs. By applying both changes, the NYISO's proposed solution comprehensively aligns the minimum capacity requirements and the pricing parameters with reasonable expectations of system conditions during the 2026-2027 Winter Capability Period.

V. New York City LCR Adjustments

19. The first component of the proposal is to adjust the LCR applicable to New York City during the 2026-2027 Winter Capability Period to distinguish between the peak winter months (December 2026, January 2027, and February 2027) and non-peak winter months (November 2026, March 2027, and April 2027). Under current rules, without any change, New York City's LCR would remain at 86.4% for all months of the 2026-2027 Winter Capability Period – a value derived from the CHPE-In scenario that assumes 1,250 MW of capacity supply from the CHPE UDRs is available in all affected months. The NYISO proposes that for the peak winter months of the 2026-2027 Winter Capability Period, the 82.6% LCR associated with the CHPE-Out parameters will apply for New York City (*i.e.*, the LCR that assumes 0 MW of capacity supply from the CHPE UDRs). The non-peak winter months would retain use of the 86.4% LCR associated with the CHPE-In parameters. In effect, the NYISO will revert to the CHPE-Out LCR for New York City during December 2026 through February 2027, while preserving the CHPE-In parameters for all other aspects and months of the 2026-2027 Winter Capability Period.

20. This targeted adjustment modifies the minimum capacity requirement for New York City during the peak winter months to align with reasonable expectations of capacity supply availability from the CHPE UDRs. It prevents the capacity market from being forced into an artificial shortage due to a parameter assumption that does not hold true in practice. By using the CHPE-Out LCR of 82.6% during the peak winter months, the market demand will reflect system conditions and contingencies expected with the CHPE UDRs providing 0 MW of capacity supply, thereby avoiding unwarranted pricing and market volatility.

21. The proposed LCR modification provides an appropriate and narrowly tailored adjustment to the current Triggering Resource rules in response to the unique circumstances presented by the entry of the CHPE UDRs into the ICAP market during the 2026-2027 Capability Year. In this case, the current rules do not adequately address the seasonal and intra-season capacity supply fluctuations expected to arise from the participation of the CHPE UDRs in the ICAP market. The NYISO's proposal leverages the ICAP market parameter sets developed for the 2026-2027 Capability Year to align the minimum capacity requirement for New York City with reasonable expectations of the capacity to be provided by the CHPE UDRs. This one-

time change, tailored for 2026-2027 Winter Capability Period, will allow for use of the 82.6% LCR associated with CHPE-Out scenario for New York City for the December 2026 through February 2027 delivery months, while keeping all other CHPE-In parameters unchanged.

22. By calibrating the New York City LCR to reasonable expectations of winter supply conditions, this measure ensures that the capacity auctions during the 2026-2027 Winter Capability Period produce prices and outcomes that accurately reflect system conditions. The proposal mitigates the risk of overstating the minimum capacity requirement for New York City and signaling false capacity supply shortage conditions during the peak winter months. Aligning minimum capacity requirements with expected supply is critical to prevent the potential for extreme price spikes and possible capacity shortfalls that do not correspond to actual capacity supply conditions.

VI. 2026-2027 Winter Capability Period ICAP Demand Curves

23. The second component of the proposal is to modify the ICAP Demand Curve parameters, specifically the reference point prices and maximum clearing prices, for the 2026-2027 Winter Capability Period. These demand curve values were initially set through the annual update process completed in November 2025 for the 2026-2027 Capability Year. Such annual update relied on historical data from September 2022 through August 2025 in updating the net energy and ancillary services market revenue offset values and the WSR values. Notably, this historical data period does not include ICAP market participation by the CHPE UDRs. As a result, the 2026-2027 Winter Capability Period ICAP Demand Curves produced as part of the annual update for the 2026-2027 Capability Year were based on seasonal capacity supply availability patterns that do not account for the expected changes resulting from entry of the CHPE UDRs into the ICAP market.[9] Historically, winter capacity availability has exceeded summer availability in all capacity regions, resulting in lower capacity prices during the winter and the need to account for these seasonal differences in capacity value when establishing the ICAP Demand Curve parameters. However, with the expectation that the CHPE UDRs are likely to provide substantially greater levels of capacity during the summer months than across the winter months, the seasonal availability profile for 2026-2027 Capability Year will differ markedly from the past. This is particularly true for New York City where the CHPE UDRs represents a significant portion of total available capacity. In fact, the full capability of the CHPE UDRs represents more than 10% of the forecasted peak load for New York City during the 2026-2027 Capability Year.

24. The NYISO updated the winter demand curve parameters to account for the expected changes in seasonal capacity availability resulting from the entry of the CHPE UDRs into the ICAP market. In calculating updated WSR values for each capacity region, the NYISO incorporated reasonable assumptions regarding the expected capacity supply from the CHPE UDRs during the 2026-2027 Capability Year. As a result, the NYISO revised the historical dataset to include assumptions that the CHPE UDRs

[9] The commencement of ICAP market participation by the CHPE UDRs impacts capacity supply availability in the following capacity regions: the NYCA, the G-J Locality, and New York City. The Long Island Locality is not impacted by the entry of the CHPE UDRs into the ICAP market.

provide 1,250 MW of capacity for each summer month (May through October) and each non-peak winter month (November, March, and April), and 0 MW for each peak winter month (December, January, and February). As depicted in the table below, the updated assessment produced WSR values that are lower than originally calculated for all capacity regions other than the Long Island Locality.

	2026-2027 WSR Values	
Capacity Region	Initial (without CHPE UDRs)	Updated (with CHPE UDRs)
NYCA	1.052	1.017
G-J Locality	1.047	1.003
New York City	1.050	0.986
Long Island	1.070	1.070

For New York City, the updated WSR value falls below 1.0, meaning that when the seasonal impacts of expected capacity supply from the CHPE UDRs is included, the winter supply in New York City is expected to be slightly less than the summer supply. For NYCA and the G-J Locality, both of which New York City is nested within, the WSRs remain above 1.0 but are reduced compared to their initially calculated values that did not account for the anticipated impacts of the CHPE UDRs. Long Island is unaffected by CHPE UDRs and thus its WSR remains unchanged.

25. With these updated seasonal availability values, the NYISO calculated revised winter demand curve parameters for the 2026-2027 Winter Capability Period. For NYCA and the G-J Locality, the NYISO used the existing demand curve parameter formulas set forth in Section 5.5 of the NYISO ICAP Manual (reproduced below). The reduction in the WSR values for NYCA and the G-J Locality placed downward pressure on the reference point prices and maximum clearing prices for each winter curve. These adjustments ensure the winter demand curves appropriately reflect the expected impact of the CHPE UDRs on seasonal supply availability and maintain the correct economic signals.

Existing ICAP Demand Curve Parameter Formulas

$$SMaxCP_z = \frac{1.5 * Gross\ CONE_z * AssmdCap_z * max[min(CPMax, SLOLE), CPMin]}{6 * (SDMNC_z * (1 - \frac{SLOE_z - 1 + max(0, SWR_z - 1)}{ZCPR_z - 1}}$$

$$WMaxCP_z = \frac{1.5 * Gross\ CONE_z * AssmdCap_z * max[min(CPMax, WLOLE), CPMin]}{6 * (WDMNC_z * (1 - \frac{WLOE_z - 1 + max(0, WSR_z - 1)}{ZCPR_z - 1}}$$

$$SRP_z = \frac{ARV_z * AssmdCap_z * max[min(CPMax, SLOLE), CPMin]}{6 * (SDMNC_z * (1 - \frac{SLOE_z - 1 + max(0, SWR_z - 1)}{ZCPR_z - 1}}$$

$$WRP_z = \frac{ARV_z * AssmdCap_z * max[min(CPMax, WLOLE), CPMin]}{6 * (WDMNC_z * (1 - \frac{WLOE_z - 1 + max(0, WSR_z - 1)}{ZCPR_z - 1}}$$

Where:

- $SMaxCP_z$= Summer Capability Period maximum clearing price for location z
- Gross $CONE_z$ = the localized levelized embedded cost of the peaking plant (also referred to as the "peaking plant gross cost" in Section 5.14.1.2.2 of the Services Tariff) for location z
- $AssmdCap_z$ = the average degraded net plant capacity of the peaking plant for location z
- CPMax= the maximum percentage of the annual reference value (ARV_z) to be recovered by the peaking plant for location z in one Capability Period
- SLOLE = the percentage of the annual loss of load expectation expected to occur in the Summer Capability Period based on the preliminary base case, as approved by the NYSRC, for the NYCA Installed Reserve Margin study covering the Capability Year for which the seasonal ICAP Demand Curve is calculated
- CPMin= the minimum percentage of the annual reference value (ARV_z) to be recovered by the peaking plant for location z in one Capability Period (equal to 1 minus CPMax)
- $SDMNC_z$ = the Summer Capability Period DMNC assumed for the peaking plant at the temperature used to establish the Summer Capability Period ICAP Demand Curve for location z
- $SLOE_z$ = the ratio of the level of excess (*i.e.*, the applicable minimum ICAP requirement, plus $SDMNC_z$) to the applicable minimum ICAP requirement for the Summer Capability Period for location z
- SWR_z = the ratio of the amount of ICAP available in the ICAP Spot Market Auctions in the Summer Capability Period to the amount of ICAP available in the ICAP Spot Market Auctions for the Winter Capability Period for location z calculated in accordance with Section 5.14.1.2.2.3 of Services Tariff and rounded to 4 decimal places (equal to 1 divided by WSR_z)
- $ZCPR_z$ = the ratio of the zero crossing point to the applicable minimum ICAP requirement for location z
- $WMaxCP_z$= Winter Capability Period maximum clearing price for location z
- WLOLE = the percentage of the annual loss of load expectation expected to occur in the Winter Capability Period based on the preliminary base case, as approved by the NYSRC, for the NYCA Installed Reserve Margin study covering the Capability Year for which the seasonal ICAP Demand Curve is calculated (equal to 1 minus SLOLE)
- $WDMNC_z$ = the Winter Capability Period DMNC assumed for the peaking plant at the temperature used to establish the Winter Capability Period ICAP Demand Curve for location z
- $WLOE_z$ = the ratio of the level of excess (*i.e.*, the applicable minimum ICAP requirement, plus $WDMNC_z$) to the applicable minimum ICAP requirement for the Winter Capability Period for location z
- WSR_z = the ratio of the amount of ICAP available in the ICAP Spot Market Auctions in the Winter Capability Period to the amount of ICAP available in the ICAP Spot Market Auctions for the Summer Capability Period for location z calculated in accordance with Section 5.14.1.2.2.3 of the Services Tariff and rounded to 4 decimal places
- SRP_z = the Summer Capability Period monthly ICAP reference point price for location z
- WRP_z= the Winter Capability Period monthly ICAP reference point price for location z
- ARV_z = the annual reference value for location z

26. Because the updated WSR for New York City falls below 1.0, use of the existing demand curve formulas would have produced unwarranted disruptions to the ongoing administration of the ICAP market for the 2026 Summer Capability Period. Under the current formulas, a WSR value below 1.0 for a capacity region would result in a need to increase the reference point price and maximum clearing price of the summer demand curve for such capacity region. To avoid the unwarranted disruption and uncertainty that could arise from pursuing a mid-season change to the summer demand curve parameters, the NYISO developed a refined approach. The proposed adjustments isolate the expected impacts of the CHPE UDRs to the winter demand curve parameters. This approach permits the 2026 Summer Capability Period demand curves to remain unchanged. Specifically, the NYISO adjusted the demand curve parameter formulas for New York City to remove the upward adjustment to the summer demand curve parameters that would otherwise arise due to a WSR value below 1.0.

27. The NYISO was also required to develop additional modifications to the winter demand curve reference point price formula for New York City to account for the proposal to use two LCRs values during the 2026-2027 Winter Capability Period (*i.e.*, 86.4% for non-peak winter months and 82.6% for peak winter months). The current demand curve reference point price formulas are based on the historical practice of maintaining a single minimum capacity requirement for each capacity region throughout the Capability Year. In other words, the minimum requirements in the winter are the same as those that applied for the summer. However, as described above, the NYISO proposes to use two LCRs for New York City during the 2026-2027 Winter Capability Period. This proposal is designed to properly align the minimum requirement with reasonable expectations of capacity supply from the CHPE UDRs during the 2026-2027 Winter Capability Period. This presents conditions that are not adequately addressed by the existing reference point price formula. The proposal essentially presents two sets of system excess conditions (*i.e.*, one set of conditions during the three non-peak winter months and different set of conditions during the three peak winter months) that must be taken into account. To account for both the impacts of the CHPE UDRs on the WSR value for New York City, as well as the proposal to apply a different LCR value during the peak winter months of the 2026-2027 Winter Capability Period, the NYISO developed a revised winter reference point formula for New York City. The revised parameters formulas used to determine the updated demand curve parameters for the 2026-2027 Winter Capability Period applicable to New York City are set forth below.

Revised New York City ICAP Demand Curve Parameter Formulas

$$SMaxCP_z = \frac{1.5 * Gross\ CONE_z * AssmdCap_z * max[min(CPMax, SLOLE), CPMin]}{6 * (SDMNC_z * (1 - \frac{SLOE_z - 1}{ZCPR_z - 1})}$$

$$WMaxCP_z = \frac{1.5 * Gross\ CONE_z * AssmdCap_z * max[min(CPMax, WLOLE), CPMin]}{6 * (WDMNC_z * (1 - \frac{(WLOE_z - 1 + WSR_z - 1)}{ZCPR_z - 1}}$$

$$SRP_z = \frac{ARV_z * AssmdCap_z * max[min(CPMax, SLOLE), CPMin]}{6 * (SDMNC_z * (1 - \frac{SLOE_z - 1}{ZCPR_z - 1})}$$

$$WRP_z = \frac{ARV_z * AssmdCap_z * max[min(CPMax, WLOLE), CPMin]}{WDMNC_z * \left[3 * \left(1 - \frac{(WLOE_z - 1 + WSR_z - 1)}{ZCPR_z - 1}\right) + 3 * \frac{(1 - ((WLOE_z - 1 + WSR_z) * \left(\frac{LCR_{ws}}{LCR_{wp}}\right) - 1)}{ZCPR_z - 1}\right]}$$

Where:

- LCR_{ws} = the minimum capacity requirement for the New York City Locality for the winter shoulder months (*i.e.*, November 2026, March 2027, and April 2027)
- LCR_{wp} = the minimum capacity requirement for the New York City Locality for the winter peak months (*i.e.*, December 2026, January 2027, and February 2027)
- All other variables are as defined in formulas set forth in paragraph 25 above

28. Using: (1) the existing demand curve parameter formulas for NYCA, the G-J Locality, and Long Island; (2) the revised demand curve parameters formulas for New York City; (3) the updated inputs resulting from this proposal (*i.e.*, updated WSR values and use of the CHPE-Out LCR for New York City during the peak winter months); and (4) the remaining inputs determined as part of the annual update for the 2026-2027 Capability Year, the NYISO determined revised winter demand curve values for the 2026-2027 Winter Capability Period. The updated winter demand curve parameter values are shown in the table below. The revised parameter values include lower winter reference point prices and maximum clearing prices for the winter demand curves applicable to the NYCA, G-J Locality, and New York City compared to the initial values produced as part of the annual update for the 2026-2027 Capability Year. As previously noted, Long Island is not impacted by the entry of the CHPE UDRs into the ICAP market. Accordingly, the demand curves developed for Long Island as part of the annual update for the 2026-2027 Capability Year are unchanged. Additionally, the demand curves applicable to all capacity regions for the 2026 Summer Capability Period remain unchanged from the results of the annual update for the 2026-2027 Capability Year.

		Current Year (2026-2027)			
Parameter	**Source**	**F - Capital**	**G - Hudson Valley (Dutchess)**	**J - New York City**	**K - Long Island**
Gross Cost of New Entry ($/kW-Year)	[1]	$131.94	$131.80	$230.10	$141.57
Net EAS Revenues ($/kW-Year)	[2]	$74.24	$76.62	$86.03	$83.99
Annual Reference Value ($/kW-Year)	[3]=[1]-[2]	$57.70	$55.18	$144.08	$57.58
ICAP DMNC (MW)	[4]	200	200	200	200
Annual Reference Value	[5]=[3]*[4]	$11,539	$11,036	$28,815	$11,516
Level of Excess (%)	[6]	100.52%	101.62%	102.23%	103.77%
Ratio of Winter to Summer DMNCs	[7]	101.70%	100.30%	98.60%	107.00%
Summer DMNC (MW)	[8]	200	200	200	200
Winter DMNC (MW)	[9]	200	200	200	200
Assumed Capacity Prices at Tariff Prescribed Level of Excess Conditions					
Summer ($/kW-Month)	[10]	$6.25	$5.98	$15.61	$6.24
Winter Shoulder ($/kW-Month)	[11a]	$3.37	$3.22	$9.72	$3.36
Winter Peak ($/kW-Month)	[11b]	$3.37	$3.22	$7.09	$3.36
Monthly Revenue (Summer)	[12]=[10]*[8]	$1,250	$1,196	$3,122	$1,248
Monthly Revenue (Winter Shoulder)	[13]=[11a]*[9]	$673	$644	$1,944	$672
Monthly Revenue (Winter Peak)	[17]=[11b]*[9]	$673	$644	$1,418	$672
Seasonal Revenue (Summer)	[14]=6*[12]	$7,501	$7,173	$18,730	$7,485
Seasonal Revenue (Winter)	[15]=3*[13] + 3*[17]	$4,039	$3,863	$10,086	$4,030
Total Annual Reference Value	[16]=[14]+[15]	$11,539	$11,036	$28,816	$11,516
ICAP Demand Curve Parameters					
Summer ICAP Monthly Reference Point Price ($/kW-Month)		$6.53	$6.70	$17.81	$7.89
Winter ICAP Monthly Reference Point Price ($/kW-Month)		$4.13	$3.69	$10.18	$8.36
Summer ICAP Maximum Clearing Price ($/kW-Month)		$22.41	$24.02	$42.67	$29.09
Winter ICAP Maximum Clearing Price ($/kW-Month)		$14.16	$13.23	$21.10	$30.82
Demand Curve Length		12%	15%	18%	18%

By adjusting the winter demand curves while holding the previously determined summer demand curves constant, the NYISO's approach ensures annual revenue sufficiency for the hypothetical reference technology in each capacity region without any disruption to 2026 Summer Capability Period ICAP market outcomes. The NYISO's proposal seeks to avoid unnecessary disruption of market participant decisions from earlier in the 2026-2027 Capability Year, thereby preserving market confidence. The proposal also properly updates the winter price signals to align with reasonable expectations of capacity supply conditions that are likely to occur during the 2026-2027 Winter Capability Period. In short, the demand curve adjustments are designed to produce efficient prices aligned with expected seasonal capacity supply differences resulting from the entry of the CHPE UDRs into the ICAP market.

29. The two components of the proposed solution work in tandem to mitigate the identified potential for misalignment during the 2026-2027 Winter Capability Period. Using the lower LCR (82.6%) for New York City in December 2026 through February 2027 aligns the New York City minimum capacity requirement with expected capacity supply during the peak winter months, thus preventing an artificial shortfall. Adjusting the winter demand curves seeks to ensure that capacity price levels reflect the expected capacity supply conditions while providing revenue sufficiency for the hypothetical reference technology underlying each demand curve. Both components are required to ensure market efficiency. Revising only the winter demand curves but not the LCR applicable to New York City during the peak winter months would leave an excessive requirement in effect causing the potential for artificial shortfalls. Alternatively, reducing the New York City LCR during peak winter months without updating the demand curves would yield curves that do not reflect expected supply conditions, resulting in the potential for excessive capacity prices. By implementing both components, the proposal provides a balanced solution that addresses the identified misalignment concerns without unnecessary complexity or market disruption.

30. This concludes my affidavit.

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.

Dylan A. Zhang
June 23, 2026

Subscribed and sworn to before me
this 23 day of June, 2026

Notary Public - State of Nevada
COUNTY OF CLARK
BRYAN GARCIA
My Appointment Expires
April 13, 2030
No. 26-4447-01

Notary Public

My commission expires: April 13, 2030