

## Attachment II

## **5.11 Requirements Applicable to LSEs**

### **5.11.1 Allocation of the NYCA Minimum Unforced Capacity Requirement**

Each Transmission Owner must submit aggregate Adjusted Load data, coincident with the hour of the NYCA Peak Load Forecast, for all customers served by each LSE active within its Transmission District. The aggregate Load data may be derived from direct meters or Load profiles of the customers served. Each Transmission Owner shall be required to submit such forecasts and aggregate peak Load data in accordance with the ISO Procedures. Each municipal electric utility may choose to submit its peak Load forecast based on the Transmission District's peak Load forecast provided by a Transmission Owner or to provide its own. The ISO shall consider, in accordance with ISO Procedures, the effects of Demand Reductions by DER participating in the Installed Capacity Market to determine the Adjusted Actual Load to prevent double-counting the Demand Reduction in the LSE Unforced Capacity Obligation. Any disputes arising out of the submittals required in this paragraph shall be resolved through the Expedited Dispute Resolution Procedures set forth in Section 5.17 of this Tariff.

All aggregate Load data submitted by a Transmission Owner must be accompanied by documentation indicating that each affected LSE has been provided the data regarding the assignment of customers to the affected LSE. Any disputes between LSEs and Transmission Owners regarding such data or assignments shall be resolved through the Expedited Dispute Resolution Procedures set forth in Section 5.17 of this Tariff, or the Transmission Owner's retail access procedures, as applicable.

Subject to Section 5.11.7 of this ISO Services Tariff, the ISO shall allocate the NYCA Minimum Unforced Capacity Requirement among all LSEs serving Load in the NYCA prior to the beginning of each Capability Year. It shall then adjust the NYCA Minimum Unforced

Capacity Requirement and reallocate it among LSEs before each Winter Capability Period as necessary to reflect changes in the factors used to translate ICAP requirements into Unforced Capacity requirements. Each LSE's share of the NYCA Minimum Unforced Capacity Requirement will equal the product of: (i) the NYCA Minimum Installed Capacity Requirement as translated into a NYCA Minimum Unforced Capacity Requirement; and (ii) the ratio of the sum of the Load forecasts coincident with the NYCA Peak Load Forecast for that LSE's customers in each Transmission District to the NYCA Peak Load Forecast.

Each LSE Unforced Capacity Obligation will equal the product of (i) the ratio of that LSE's share of the NYCA Minimum Unforced Capacity Requirement to the total NYCA Minimum Unforced Capacity Requirement and (ii) the total of all of the LSE Unforced Capacity Obligations for the NYCA established by the ICAP Spot Market Auction. The LSE Unforced Capacity Obligation will be determined in each Obligation Procurement Period by the ICAP Spot Market Auction, in accordance with the ISO Procedures. Each LSE will be responsible for acquiring sufficient Unforced Capacity to satisfy its LSE Unforced Capacity Obligations. LSEs with Load in more than one Locality will have an LSE Unforced Capacity Obligation for each Locality.

Prior to the beginning of each Capability Period, Transmission Owners shall submit the required Load-shifting information to the ISO and to each LSE affected by the Load-shifting, in accordance with the ISO Procedures. In the event that there is a pending dispute regarding a Transmission Owner's forecast, the ISO shall nevertheless establish each LSE's portion of the NYCA Minimum Unforced Capacity Requirement applicable at the beginning of each Capability Period in accordance with the schedule established in the ISO Procedures, subject to possible

adjustments that may be required as a result of resolution of the dispute through the Expedited Dispute Resolution Procedures set forth in Section 5.17 of this Tariff.

Each month, as Transmission Owners report customers gained and lost by LSEs through Load-shifting, the ISO will adjust each LSE's portion of the NYCA Minimum Unforced Capacity Requirement such that (i) the total Transmission District Installed Capacity requirement remains constant and (ii) an individual LSE's allocated portion reflects the gains and losses. If an LSE loses a customer as a result of that customer leaving the Transmission District, the Load-losing LSE shall be relieved of its obligation to procure Unforced Capacity to cover the Load associated with the departing customer as of the date that the customer's departure is accepted by the ISO and shall be free to sell any excess Unforced Capacity. In addition, when a customer leaves the Transmission District, the ISO will adjust each LSE's portion of the NYCA Minimum Unforced Capacity Requirement so that the total Transmission District's share of the NYCA Minimum Unforced Capacity Requirement remains constant.

#### **5.11.2 LSE Obligations**

Each LSE must procure Unforced Capacity in an amount equal to its LSE Unforced Capacity Obligation from any Installed Capacity Supplier through Bilateral Transactions with purchases in ISO-administered Installed Capacity auctions, by self-supply from qualified sources, or by a combination of these methods. Each LSE must certify the amount of Unforced Capacity it has or has obtained prior to the beginning of each Obligation Procurement Period by submitting completed Installed Capacity certification forms to the ISO by the date specified in the ISO Procedures. The Installed Capacity certification forms submitted by the LSEs shall be in the format and include all the information prescribed by the ISO Procedures.

All LSEs shall participate in the ICAP Spot Market Auction pursuant to Section 5.14.1 of this Tariff.

### **5.11.3 Load-Shifting Adjustments**

The ISO shall account for Load-shifting among LSEs each month using the best available information provided to it and the affected LSEs by the individual Transmission Owners. The ISO shall, upon notice of Load-shifting by a Transmission Owner and verification by the relevant Load-losing LSE, increase the Load-gaining LSE's LSE Unforced Capacity Obligation, as applicable, and decrease the Load-losing LSE's LSE Unforced Capacity Obligation, as applicable, to reflect the Load-shifting.

The Load-gaining LSE shall pay the Load-losing LSE an amount, pro-rated on a daily basis, based on the Market-Clearing Price of Unforced Capacity determined in the most recent previous applicable ICAP Spot Market Auction until the first day of the month after the nearest following Monthly Installed Capacity Auction is held. The amount paid by a Load-gaining LSE shall reflect any portion of the Load-losing LSE's LSE Unforced Capacity Obligation that is attributable to the shifting Load for the applicable Obligation Procurement Period, in accordance with the ISO Procedures. In addition, the amount paid by a Load-gaining LSE shall be reduced by the Load-losing LSE's share of any rebate associated with the lost Load paid pursuant to Section 5.15 of this Tariff.

Each Transmission Owner shall report to the ISO and to each LSE serving Load in its Transmission District the updated, aggregated LSE Loads with documentation in accordance with and by the date set forth in the ISO Procedures. The ISO shall reallocate a portion of the NYCA Minimum Unforced Capacity Requirement and the Locational Minimum Unforced Capacity Requirement, as applicable, to each LSE for the following Obligation Procurement

Period, which shall reflect all documented Load-shifts as of the end of the current Obligation Procurement Period. Any disputes among Market Participants concerning Load-shifting shall be resolved through the Expedited Dispute Resolution Procedures set forth in Section 5.17 of this Tariff, or the Transmission Owner's retail access procedures, as applicable. In the event of a pending dispute concerning a Load-shift, the ISO shall make its Obligation Procurement Period Installed Capacity adjustments as if the Load-shift reported by the Transmission Owners had occurred, or if the dispute pertains to the timing of a Load-shift, as if the Load-shift occurred on the effective date reported by the Transmission Owner, but will retroactively modify these allocations, as necessary, based on determinations made pursuant to the Expedited Dispute Resolution Procedures set forth in Section 5.17 of this Tariff, or the Transmission Owner's retail access procedures, as applicable.

#### **5.11.4 LSE Locational Minimum Installed Capacity Requirements**

Subject to Section 5.11.7 of this ISO Services Tariff, the ISO will determine the Locational Minimum Installed Capacity Requirements, stated as a percentage of the Locality's forecasted Capability Year peak Load and expressed in Unforced Capacity terms, that shall be uniformly applicable to each LSE serving Load within a Locality. In establishing Locational Minimum Installed Capacity Requirements, the ISO will take into account all relevant considerations, including the total NYCA Minimum Installed Capacity Requirement, the NYS Power System transmission Interface Transfer Capability, the election by the holder of rights to UDRs that can provide Capacity from an External Control Area with a capability year start date that is different than the corresponding ISO Capability Year start date ("dissimilar capability year"), the Reliability Rules and any other FERC-approved Locational Minimum Installed Capacity Requirements.

The ISO shall compute the Locational Minimum Installed Capacity Requirements in accordance with ISO Procedures:

- (a) to minimize the total cost of capacity at the prescribed level of excess. For purposes of this computation, the ISO shall use the prescribed level of excess (as such term is defined in Section 5.14.1.2.2 of this Tariff,) and shall take into account the cost curves established with the results of net Energy and Ancillary Services revenue offset (as such term is defined in Section 5.14.1.2.2 of this Tariff,) that are (i) if for the first Capability Year covered by the applicable periodic review (as described in Section 5.14.1.2.2 of this Tariff,) the values utilized by the ISO in calculating the reference points for each ICAP Demand Curve as proposed by the ISO to be applicable for such first year in the ISO's filing referenced in Section 5.14.1.2.2.4.11 of this Tariff; and (ii) if for any subsequent Capability Year covered by such periodic review, the values utilized by the ISO in calculating the reference points for each ICAP Demand Curve for the respective Capability Year.
- (b) to maintain the loss of load expectation of no more than 0.1 days per year; and
- (c) so that the transmission security limits determined by the ISO in accordance with this paragraph and ISO Procedures, are respected. The ISO will determine these limits using inputs consistent with the NYSRC Installed Reserve Margin base case for the Capability Year to which the Locational Minimum Installed Capacity Requirements will apply except as provided in Section 5.11.7 of this ISO Services Tariff. The ISO will compute such limits by determining the bulk power system transmission capability into the Locality, the MW of generation within the Locality

accounting for capacity unavailability, the minimum MW of available capacity required for each Locality based on forecasted Load, and using the N-1-1 system planning criteria (*i.e.*, a sequence of a primary contingency event followed by a secondary contingency event) to analyze thermal limits affecting the Locality. The ISO will post on its web site a report of its determination.

In computing the Locational Minimum Installed Capacity Requirements, the ISO shall utilize results from probabilistic modeling of reliability simulations, recognizing system constraints.

The Installed Capacity Supplier holding rights to UDRs from an External Control Area with a dissimilar capability year shall have one opportunity for a Capability Year in which the Scheduled Line will first be used to offer Capacity associated with the UDRs, to elect that the ISO determine Locational Minimum Installed Capacity Requirements without a quantity of MW from the UDRs for the first month in the Capability Year, and with the same quantity of MW as Unforced Capacity for the remaining months, in each case (a) consistent with and as demonstrated by a contractual arrangement to utilize the UDRs to import the quantity of MW of Capacity into a Locality, and (b) in accordance with ISO Procedures (a “capability year adjustment election”). If there is more than one Installed Capacity Supplier holding rights to UDRs concurrently, an Installed Capacity Supplier’s election pursuant to the preceding sentence (x) shall be binding on the entity to which the NYISO granted the UDRs up to the quantity of MW to which the Installed Capacity Supplier holds rights, and a subsequent assignment of these UDRs to another rights holder will not create the option for another one-time election by the new UDR rights holder, and (y) shall not affect the right another Installed Capacity Supplier may have to make an election. The right to make an election shall remain unless and until an election

has been made by one or more holders of rights to the total quantity of MW corresponding to the UDRs. Absent this one-time election, the UDRs shall be modeled consistently for all months in each Capability Year as elected by the UDR rights holder in its notification to the ISO in accordance with ISO Procedures. Upon such an election, the ISO shall determine the Locational Minimum Unforced Capacity Requirement (i) for the first month of the Capability Year without the quantity of MW of Capacity associated with the UDRs, and (ii) for the remaining eleven months as Unforced Capacity. After the Installed Capacity Supplier has made its one-time election for a quantity of MW, the quantity of MW associated with the UDRs held by the Installed Capacity Supplier shall be modeled consistently for all months in any future Capability Period.

#### **5.11.5 The Locational Minimum Unforced Capacity Requirement**

The Locational Minimum Unforced Capacity Requirement represents a minimum level of Unforced Capacity that must be secured by LSEs in each Locality in which it has Load for each Obligation Procurement Period. For each Capability Period prior to the Capability Period starting May 1, 2024 the Locational Minimum Unforced Capacity Requirement for each Locality shall equal the product of the Locational Minimum Installed Capacity Requirement for a given Locality ((A) with or without the UDRs if there is a capability year adjustment election by a rights holder and (B) without the Locality Exchange MW) and the ratio of (1) the total amount of Unforced Capacity that the specified Resources are qualified to provide (with or without the UDRs associated with dissimilar capability periods, as so elected by the rights holder) during each month in the Capability Period, as of the time the Locational Minimum Unforced Capacity Requirement is determined as specified in ISO Procedures, to (2) the sum of the Adjusted Installed Capacity values used to determine the Unforced Capacities of such Resources for such

Capability Period (with or without the DMNCs associated with the UDRs, as so elected by the rights holder). Starting with the Capability Period that begins on May 1, 2024 and for each subsequent Capability Period, subject to Section 5.11.7 of this ISO Services Tariff, the Locational Minimum Unforced Capacity Requirement for each Locality shall equal the product of the Locational Minimum Installed Capacity Requirement for a given Locality ((A) with or without the UDRs if there is a capability year adjustment election by a rights holder and (B) without the Locality Exchange MW) and the ratio of (1) the total amount of Unforced Capacity that the specified Resources are qualified to provide (with or without the UDRs associated with dissimilar capability periods, as so elected by the rights holder) during each month in the Capability Period, as of the time the Locational Minimum Unforced Capacity Requirement is determined as specified in ISO Procedures, to (2) the sum of the Installed Capacity values used to determine the Unforced Capacities of such Resources for such Capability Period (with or without the DMNCs associated with the UDRs, as so elected by the rights holder).

The foregoing calculation shall be determined using the Resources in the given Locality in the most recent final version of the ISO's annual Load and Capacity Data Report, with the addition of Resources commencing commercial operation since completion of that report and the deletion of Resources with scheduled or planned retirement dates before or during such Capability Period. The ISO will apply the Locality Exchange Factor for the applicable External Control Area to the MW of Locational Export Capacity that are the lesser of (i) the lesser of the Generator's CRIS and its most recent DMNC, and (ii) the MW pursuant to the notice provided pursuant to Section 5.9.2.2.1 of this Services Tariff.

Under the provisions of this Services Tariff and the ISO Procedures, each LSE will be obligated to procure its LSE Unforced Capacity Obligation. The LSE Unforced Capacity

Obligation will be determined for each Obligation Procurement Period by the ICAP Spot Market Auction, in accordance with the ISO Procedures.

Installed Capacity Suppliers will have the opportunity to supply amounts of Unforced Capacity to meet the LSE Unforced Capacity Obligation as established by the ICAP Spot Market Auction.

To be counted towards the locational component of the LSE Unforced Capacity Obligation, Unforced Capacity owned by the holder of UDRs or contractually combined with UDRs must be deliverable to the NYCA interface with the UDR transmission facility pursuant to NYISO requirements and consistent with the election of the holder of the rights to the UDRs set forth in this Section.

The ISO shall have the right to audit all executed Installed Capacity contracts and related documentation of arrangements by an LSE to use its own generation to meet its Locational Minimum Installed Capacity Requirement for an upcoming Obligation Procurement Period.

#### **5.11.6 Determination of Locality Exchange Factor:**

No later than January 31 each year, the ISO shall determine the Locality Exchange Factor for each Import Constrained Locality relative to each neighboring Control Area.

The ISO shall make each such determination by performing a power flow based analysis according to applicable transmission system planning practices for the determination of interface transfer limits used for the resource adequacy topology. Base case data from the most recent Reliability Planning Process will be incorporated. The Locality Exchange Factor is the ratio of the shift factor on the applicable NYCA interface of a transfer from the Import Constrained Locality to the respective neighboring Control Area, to the shift factor of a transfer from Rest of State to the Import Constrained Locality, calculated in accordance with ISO Procedures. Only

the AC circuits comprising the respective neighboring Control Area's interface with the NYCA will participate in the shift. The ISO shall post its Locality Exchange Factors on its website prior to the opening of the Summer Capability Period Auction, and notify the New York State Reliability Council.

#### **5.11.7 ICAP Market Parameters for Triggering Resources**

The ISO shall identify whether the upcoming Capability Year includes a Triggering Resource prior to determining the Locational Minimum Installed Capacity Requirements for such Capability Year.

If more than one potential new Installed Capacity Supplier would otherwise qualify as a Triggering Resource for a given Capability Year, one of such potential new Installed Capacity Supplier shall be designated as the Triggering Resource for such Capability Year based on consideration of each such potential new Installed Capacity Supplier's respective impact on the transfer capability into a Locality, their respective potential impact on ICAP market parameters, and their respective potential timing to commence participation in the ICAP market. The ISO shall review with Market Participants its proposed designation and obtain Operating Committee approval of the potential new Installed Capacity Supplier designated as the Triggering Resource for such Capability Year.

If the ISO has identified that a Triggering Resource exists for the upcoming Capability Year, the ISO shall determine two sets of ICAP market parameters for such Capability Year. For each set of ICAP market parameters, the ISO shall determine the NYCA Minimum Unforced Capacity Requirement pursuant to Section 5.10 of this ISO Services Tariff, Locational Minimum Installed Capacity Requirements pursuant to Section 5.11.4 of this ISO Services Tariff, LSE Unforced Capacity Requirements pursuant to Section 5.11 of this ISO Services Tariff, Capacity

Accreditation Factors pursuant to Section 5.12.14.3 of this ISO Services Tariff, the amount of Unforced Capacity each Resource is qualified to supply in the NYCA pursuant to Section 5.12.6 of this ISO Services Tariff, and Unforced Capacity demand curves pursuant to Section 5.14.1.2 of this ISO Services Tariff. The ISO shall determine the respective ICAP market parameters for each set consistent with the timing requirements set forth in this ISO Services Tariff and ISO Procedures.

The starting database for each set of ICAP market parameters and procedures for determining the applicable set of ICAP market parameters is further described herein. Section 5.11.7.1 of this ISO Services Tariff addresses circumstances when a Triggering Resource is included as supplying ICAP in the final base case model approved by the NYSRC for determining the NYCA Installed Reserve Margin applicable to the Capability Year during which such Triggering Resource first seeks to commence participation in the ICAP market. Section 5.11.7.2 of this ISO Services Tariff addresses circumstances when a Triggering Resource has not been included as supplying ICAP in the final base case model approved by the NYSRC for determining the NYCA Installed Reserve Margin applicable to the Capability Year during which such Triggering Resource first seeks to commence participation in the ICAP market.

#### **5.11.7.1 Triggering Resources Included in the IRM Study Final Base Case**

For a Capability Year with a Triggering Resource that has been included and is assumed to supply ICAP in the final base case model approved by the NYSRC for determining the NYCA Installed Reserve Margin applicable to such Capability Year, the following procedures shall apply for the two sets of ICAP market parameters that the ISO is required to develop for such Capability Year.

One set of ICAP market parameters shall be determined using the case resulting from the NYCA Installed Reserve Margin approved by the NYSRC for such Capability Year as the starting database (for purposes of this Section 5.11.7.1 hereinafter referred to as “Case 1A”). Except for the determination of import limits for External Installed Capacity and the Peak Load Window, the starting database for determining the second set of ICAP market parameters shall be Case 1A adjusted to remove the Triggering Resource while not exceeding the loss of load expectation associated with Case 1A and maintaining the NYCA Installed Reserve Margin approved by the NYSRC (for purposes of this Section 5.11.7.1 hereinafter referred to as “Case 1B”). The import limits for External Installed Capacity established pursuant to Section 5.12.2.2 of this ISO Services Tariff and the Peak Load Window established pursuant to Section 5.12.14.3 of this ISO Services Tariff shall be the same for each set of ICAP market parameters and shall be determined using Case 1A as the starting database.

The ISO shall identify the ICAP market parameters that will apply beginning with the May Obligation Procurement Period in a notice prior to the start of the Capability Period Auction for the Summer Capability Period encompassed by such Capability Year. If, in accordance with Section 5.11.7.3 of this ISO Services Tariff and ISO Procedures, the Triggering Resource provides the required notice of intent to commence participation in the ICAP market for the May Obligation Procurement Period of such Capability Year, the ISO shall, within five (5) business days after receipt of the Triggering Resource’s required notice of intent to commence ICAP market participation, provide notice that ICAP market parameters determined using Case 1A shall apply for the entire Capability Year.

If the Triggering Resource does not provide such required notice of intent to commence ICAP market participation for the May Obligation Procurement Period of such Capability Year,

the ISO shall provide notice that ICAP market parameters determined using Case 1B shall be implemented starting with the May Obligation Procurement Period. ICAP market parameters determined using Case 1B shall remain in effect until the Obligation Procurement Period during such Capability Year for which the Triggering Resource, in accordance with Section 5.11.7.3 of this ISO Services Tariff and ISO Procedures, provides the required notice of intent to commence ICAP market participation; provided, however, if the Triggering Resource does not provide such required notice of intent to commence ICAP market participation for an Obligation Procurement Period prior to the November Obligation Procurement Period of such Capability Year, the ISO shall provide notice prior to the start of the Capability Period Auction for the Winter Capability Period encompassed by such Capability Year confirming that ICAP market parameters determined using Case 1B shall remain in effect for the balance of the Capability Year.

If, in accordance with Section 5.11.7.3 of this ISO Services Tariff and ISO Procedures, the Triggering Resource does not provide the required notice of intent to commence ICAP market participation for the May Obligation Procurement Period of such Capability Year but provides such required notice of its intent to commence ICAP market participation for an Obligation Procurement Period prior to the November Obligation Procurement Period of such Capability Year, the ISO shall provide notice within five (5) business days after receipt of the Triggering Resource's notice of intent to commence ICAP market participation to indicate that the ISO will implement ICAP market parameters determined using Case 1A beginning with the same Obligation Procurement Period designated by the Triggering Resource's notice of intent to commence ICAP market participation, except for the 2026-2027 Winter Capability Period as described below. Except for the 2026-2027 Winter Capability Period as described below, ICAP market parameters determined using Case 1A shall be implemented beginning with the

applicable Obligation Procurement Period, as determined in accordance with the immediately preceding sentence, and remain in effect for the balance of the Capability Year. For the 2026-2027 Capability Year, the ISO will implement ICAP market parameters determined using Case 1A beginning with the same Obligation Procurement Period designated by the Triggering Resource's notice of intent to commence ICAP market participation and such ICAP market parameters shall remain in effect for the balance of the Capability Year, except for the Locational Minimum Installed Capacity Requirement applicable for Load Zone J (and resulting LSE Unforced Capacity Requirements) during the 2026-2027 Winter Capability Period. For the 2026-2027 Winter Capability Period, the Locational Minimum Installed Capacity Requirement applicable for Load Zone J shall be as follows: (1) the value determined using Case 1A shall apply for each of the November 2026, March 2027, and April 2027 Obligation Procurement Periods; and (2) the value determined using Case 1B shall apply for each of the December 2026, January 2027, and February 2027 Obligation Procurement Periods. In addition, the ICAP Demand Curves applicable for all months covered by the 2026-2027 Winter Capability Period shall be as set forth in Section 5.14.1.2.1 of this ISO Services Tariff. Such ICAP Demand Curves shall be translated into Unforced Capacity terms in accordance with ISO Procedures using the applicable ICAP market parameters determined using Case 1A.

#### **5.11.7.2 Triggering Resources Not Included in the IRM Study Final Base Case**

For a Capability Year with a Triggering Resource that has not been included and is not assumed to supply ICAP in the final base case model approved by the NYSRC for determining the NYCA Installed Reserve Margin applicable to such Capability Year, the following procedures shall apply for the two sets of ICAP market parameters that the ISO is required to develop for such Capability Year.

One set of ICAP market parameters shall be determined using the case resulting from the NYCA Installed Reserve Margin approved by the NYSRC for such Capability Year as the starting database (for purposes of this Section 5.11.7.2 hereinafter referred to as “Case 2A”). Except for the determination of import limits for External Installed Capacity and the Peak Load Window, the starting database for determining the second set of ICAP market parameters shall be Case 2A adjusted to include the Triggering Resource as supplying ICAP while not exceeding the loss of load expectation associated with Case 2A and maintaining the NYCA Installed Reserve Margin approved by the NYSRC (for purposes of this Section 5.11.7.2 hereinafter referred to as “Case 2B”). The import limits for External Installed Capacity established pursuant to Section 5.12.2.2 of this ISO Services Tariff and the Peak Load Window established pursuant to Section 5.12.14.3 of this ISO Services Tariff shall be the same for each set of ICAP market parameters and shall be determined using Case 2A as the starting database.

The ISO shall identify the ICAP market parameters that will apply beginning with the May Obligation Procurement Period in a notice prior to the start of the Capability Period Auction for the Summer Capability Period encompassed by such Capability Year. If, in accordance with Section 5.11.7.3 of this ISO Services Tariff and ISO Procedures, the Triggering Resource provides the required notice of intent to commence participation in the ICAP market for the May Obligation Procurement Period of such Capability Year, the ISO shall, within five (5) business days after receipt of the Triggering Resource’s required notice of intent to commence ICAP market participation, provide notice that ICAP market parameters determined using Case 2B shall apply for the entire Capability Year.

If the Triggering Resource does not provide such required notice of intent to commence ICAP market participation for the May Obligation Procurement Period of such Capability Year,

the ISO shall provide notice that ICAP market parameters determined using Case 2A shall be implemented starting with the May Obligation Procurement Period. ICAP market parameters determined using Case 2A shall remain in effect until the Obligation Procurement Period during such Capability Year for which the Triggering Resource, in accordance with Section 5.11.7.3 of this ISO Services Tariff and ISO Procedures, provides the required notice of intent to commence ICAP market participation; provided, however, if the Triggering Resource does not provide such required notice of intent to commence ICAP market participation for an Obligation Procurement Period prior to the November Obligation Procurement Period of such Capability Year, the ISO shall provide notice prior to the start of the Capability Period Auction for the Winter Capability Period encompassed by such Capability Year confirming that ICAP market parameters determined using Case 2A shall remain in effect for the balance of the Capability Year.

If, in accordance with Section 5.11.7.3 of this ISO Services Tariff and ISO Procedures, the Triggering Resource does not provide the required notice of intent to commence ICAP market participation for the May Obligation Procurement Period of such Capability Year but provides such required notice of its intent to commence ICAP market participation for an Obligation Procurement Period prior to the November Obligation Procurement Period of such Capability Year, the ISO shall provide notice within five (5) business days after receipt of the Triggering Resource's notice of intent to commence ICAP market participation to indicate that the ISO will implement ICAP market parameters determined using Case 2B beginning with the same Obligation Procurement Period designated by the Triggering Resource's notice of intent to commence ICAP market participation. ICAP market parameters determined using Case 2B shall be implemented beginning with the applicable Obligation Procurement Period, as determined in

accordance with the immediately preceding sentence, and remain in effect for the balance of the Capability Year.

#### **5.11.7.3 Notice of Intent to Commence ICAP Market Participation**

In accordance with the requirements of Section 5.12.1.1 of this ISO Services Tariff, a Triggering Resource shall provide notice of intent to commence ICAP market participation indicating the first Obligation Procurement Period for which the Triggering Resource intends to participate in the ICAP market. A Triggering Resource shall not be permitted to provide such notice until the Triggering Resource (or in the case of an ICAP Supplier holding rights to new UDRs, the transmission facility associated with such new UDRs) successfully completes Trial Operation, as such term is defined in Section 30.1 of Attachment X to the ISO OATT and Section 40.1 of Attachment HH to the ISO OATT.

To commence participation in the ICAP market for the first Obligation Procurement Period of a Capability Period (*i.e.*, May or November), a Triggering Resource must successfully complete Trial Operation and submit the required notice of intent to commence ICAP market participation for such Obligation Procurement Period by the first business day of the month that is two months prior to the start of such Obligation Procurement Period.

To commence participation in the ICAP market for any Obligation Procurement Period other than the first Obligation Procurement Period of a Capability Period, a Triggering Resource must successfully complete Trial Operation and submit the required notice of intent to commence ICAP market participation for the applicable Obligation Procurement Period by the tenth (10<sup>th</sup>) calendar day of the month that is two months prior to the start of such Obligation Procurement Period.

The Triggering Resource may, consistent with the requirements of this ISO Services Tariff and ISO Procedures, commence ICAP market participation for any Obligation Procurement Period during the applicable Capability Year; provided, however, that if, in accordance with this Section 5.11.7.3, the Triggering Resource does not provide the required notice of intent to commence ICAP market participation on or before August 10 designating its intent to commence ICAP market participation for an Obligation Procurement Period prior to the November Obligation Procurement Period of such Capability Year, the ISO will not implement ICAP market parameters determined using Case1A (as defined in Section 5.11.7.1 of this ISO Services Tariff) or Case 2B (as defined in Section 5.11.7.2 of this ISO Services Tariff), as applicable, for the Winter Capability Period of such Capability Year.

## **5.14 Installed Capacity Spot Market Auction and Installed Capacity Supplier Deficiencies**

### **5.14.1 LSE Participation in the ICAP Spot Market Auction**

#### **5.14.1.1 ICAP Spot Market Auction**

When the ISO conducts each ICAP Spot Market Auction it will account for all Unforced Capacity that each NYCA LSE has certified for use in the NYCA to meet its NYCA Minimum Unforced Capacity Requirement or Locational Minimum Unforced Capacity Requirement, as applicable, whether purchased through Bilateral Transactions or in prior auctions. The ISO shall receive offers of Unforced Capacity that has not previously been purchased through Bilateral Transactions or in prior auctions from qualified Installed Capacity Suppliers for the ICAP Spot Market Auction. Interim Service Providers that are required to keep their generating unit(s) in service must offer at \$0.00/kW-month all of their Unforced Capacity into each ICAP Spot Market Auction conducted for each Obligation Procurement Period associate with a month in which it is to receive compensation under Rate Schedule 8 of the Services Tariff. If an Interim Service Provider that is required to keep its generating unit(s) in service is expressly precluded from offering all or a portion of its UCAP into an ICAP Spot Market Auction because it is obligated to provide capacity pursuant to a bilateral contract that is effective at the time of the ICAP Spot Market Auction, and was executed and effective before the NYISO received a Generator Deactivation Notice the Interim Service Provider (such contract a “Preexisting Capacity Bilateral”), then the Interim Service Provider shall only be required to offer the amount of its Unforced Capacity into that ICAP Spot Market Auction that it is not expressly required to provide pursuant to the terms of the such Preexisting Capacity Bilateral. The quantity of Unforced Capacity an Interim Service Provider that is required to keep its generating unit(s) in service is required to offer in accordance with this paragraph is the “ISP UCAP MW”. The ISO shall also receive offers of

Unforced Capacity from any LSE for any amount of Unforced Capacity that the LSE has in excess of its NYCA Minimum Unforced Capacity Requirement or Locational Minimum Unforced Capacity Requirement, as applicable. Unforced Capacity that will be exported from the New York Control Area during the month for which Unforced Capacity is sold in an ICAP Spot Market Auction shall be certified to the NYISO by the certification deadline for that auction.

The ISO shall conduct an ICAP Spot Market Auction to purchase Unforced Capacity which shall be used by an LSE toward all components of its LSE Unforced Capacity Obligation for each Obligation Procurement Period immediately preceding the start of each Obligation Procurement Period. The exact date of the ICAP Spot Market Auction shall be established in the ISO Procedures. All LSEs shall participate in the ICAP Spot Market Auction. In the ICAP Spot Market Auction, the ISO shall submit monthly bids on behalf of all LSEs at a level per MW determined by the ICAP Demand Curves established in accordance with this Tariff and the ISO Procedures. The ICAP Spot Market Auction will set the LSE Unforced Capacity Obligation for each NYCA LSE in accordance with the ISO Procedures.

The ICAP Spot Market Auction will be conducted and solved simultaneously for Unforced Capacity that may be used by an LSE towards all components of its LSE Unforced Capacity Obligation for that Obligation Procurement Period using the applicable ICAP Demand Curves, as established in accordance with the ISO Procedures. LSEs that are awarded Unforced Capacity in the ICAP Spot Market Auction shall pay to the ISO the Market-Clearing Price of Unforced Capacity determined in the ICAP Spot Market Auction using the applicable ICAP Demand Curve. The ISO shall pay each Installed Capacity Supplier that is selected to provide

Unforced Capacity the Market-Clearing Price determined in the ICAP Spot Market Auction using the ICAP Demand Curve applicable to its offer.

#### 5.14.1.2 Demand Curve and Adjustments

ICAP Demand Curves will be established to determine (a) the locational component of LSE Unforced Capacity Obligations for each Locality (b) the locational component of LSE Unforced Capacity Obligations for any New Capacity Zone, and (c) the total LSE Unforced Capacity Obligations for all LSEs. Beginning with the ICAP Demand Curves applicable for the 2025/2026 Capability Year, ICAP Demand Curves will, in accordance with ISO Procedures, be established for each Capability Period encompassed by a Capability Year.

The ICAP Demand Curves for the 2025/2026 Capability Year shall be established at the following points (in accordance with Section 5.14.1.2.2, the ICAP Demand Curve values for the 2024/2025 Capability Year were determined pursuant to the annual update for such Capability Year and the ICAP Demand Curves for the 2026-2027 through 2028-2029 Capability Years will be determined pursuant to the respective annual updates for each such Capability Year; provided, however, that for the 2026-2027 Capability Year, the ICAP Demand Curves applicable for all months covered by the 2026-2027 Winter Capability Period shall be as set forth in Section 5.14.1.2.1 of this ISO Services Tariff):

|              | Capability Year                                   |                                                                                                                                          |                                                          |                                                         |                                                         |
|--------------|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
|              | 2024/2025                                         | 2025/2026                                                                                                                                | 2026/2027                                                | 2027/2028                                               | 2028/2029                                               |
| NYCA         | Posted on the ISO website on or before 11/30/2023 | <u>Summer</u><br>Max @ \$21.69<br>\$5.72 @ 100%<br>\$0.00 @ 112%<br><br><u>Winter</u><br>Max @ \$16.39<br>\$4.33 @ 100%<br>\$0.00 @ 112% | To be posted on the ISO website on or before 11/30/2025* | To be posted on the ISO website on or before 11/30/2026 | To be posted on the ISO website on or before 11/30/2027 |
| G-J Locality | Posted on the ISO website on                      | <u>Summer</u><br>Max @ \$23.25<br>\$6.15 @ 100%                                                                                          | To be posted on the ISO website                          | To be posted on the ISO website                         | To be posted on the ISO website                         |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                            |                                                                                                                                            |                                                                   |                                                                  |                                                                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | or before<br>11/30/2023                                    | \$0.00 @ 115%<br><br><u>Winter</u><br>Max @ \$19.99<br>\$5.29 @ 100%<br>\$0.00 @ 115%                                                      | on or before<br>11/30/2025*                                       | on or before<br>11/30/2026                                       | on or before<br>11/30/2027                                       |
| NYC                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Posted on the<br>ISO website on<br>or before<br>11/30/2023 | <u>Summer</u><br>Max @ \$41.30<br>\$17.37 @ 100%<br>\$0.00 @ 118%<br><br><u>Winter</u><br>Max @ \$34.83<br>\$14.64 @ 100%<br>\$0.00 @ 118% | To be posted on<br>the ISO website<br>on or before<br>11/30/2025* | To be posted on<br>the ISO website<br>on or before<br>11/30/2026 | To be posted on<br>the ISO website<br>on or before<br>11/30/2027 |
| LI                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Posted on the<br>ISO website on<br>or before<br>11/30/2023 | <u>Summer</u><br>Max @ \$28.16<br>\$6.80 @ 100%<br>\$0.00 @ 118%<br><br><u>Winter</u><br>Max @ \$36.37<br>\$8.78 @ 100%<br>\$0.00 @ 118%   | To be posted on<br>the ISO website<br>on or before<br>11/30/2025* | To be posted on<br>the ISO website<br>on or before<br>11/30/2026 | To be posted on<br>the ISO website<br>on or before<br>11/30/2027 |
| <p>Note: All dollar figures are in terms of \$/kW-month of ICAP and all percentages are in terms of the applicable NYCA Minimum Installed Capacity Requirement and Locational Minimum Installed Capacity Requirement. The defined points describe a line segment with a negative slope that will result in higher values for percentages less than 100% of the NYCA Minimum Installed Capacity Requirement or the Locational <u>Minimum</u> Installed Capacity Requirement (“reference point”) with the maximum value for each ICAP Demand Curve established at 1.5 times the estimated monthly localized levelized cost to develop a new peaking plant in each Locality or in Rest of State, as applicable.</p> <p><u>* Notwithstanding anything to the contrary in the ISO Tariffs and ISO Procedures, the ICAP Demand Curves for all months covered by the 2026-2027 Winter Capability Period shall be as set forth in Section 5.14.1.2.1 of this ISO Services Tariff. The ICAP Demand Curves previously posted on the ISO website by November 30, 2025 for the 2026 Summer Capability Period shall apply for all months covered by the 2026 Summer Capability Period.</u></p> |                                                            |                                                                                                                                            |                                                                   |                                                                  |                                                                  |

In subsequent years, the costs assigned by the ICAP Demand Curves to the NYCA Minimum Installed Capacity Requirement, the Locational Minimum Installed Capacity Requirement, and any Indicative NCZ Minimum Installed Capacity Requirement, will be defined by the results of the independent review conducted pursuant to this section. The ICAP Demand Curves will be translated into Unforced Capacity terms in accordance with the ISO Procedures. Beginning with the 2024/2025 Capability Year, the aforementioned translation shall utilize the

applicable derating factor of the peaking plant used to establish each ICAP Demand Curve, as determined during the periodic review conducted pursuant to Section 5.14.1.2.2.

**5.14.1.2.1 ~~Reserved for future use~~ ICAP Demand Curves for the 2026-2027 Winter Capability Period**

Notwithstanding anything to the contrary in the ISO Tariffs and ISO Procedures, for the 2026-2027 Capability Year, the ICAP Demand Curves applicable for all months covered by the 2026-2027 Winter Capability Period shall be established at the following points:

| <u>ICAP Demand Curve</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <u>2026-2027 Winter Capability Period</u>                             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| <u>NYCA</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <u>Max @ \$14.16</u><br><u>\$4.13 @ 100%</u><br><u>\$0.00 @ 112%</u>  |
| <u>G-J Locality</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <u>Max @ \$13.23</u><br><u>\$3.69 @ 100%</u><br><u>\$0.00 @ 115%</u>  |
| <u>NYC</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <u>Max @ \$21.10</u><br><u>\$10.18 @ 100%</u><br><u>\$0.00 @ 118%</u> |
| <u>LI</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <u>Max @ \$30.82</u><br><u>\$8.36 @ 100%</u><br><u>\$0.00 @ 118%</u>  |
| <u>Note: All dollar figures are in terms of \$/kW-month of ICAP and all percentages are in terms of the applicable NYCA Minimum Installed Capacity Requirement and Locational Minimum Installed Capacity Requirement. The defined points describe a line segment with a negative slope that will result in higher values for percentages less than 100% of the NYCA Minimum Installed Capacity Requirement or the Locational Minimum Installed Capacity Requirement (“reference point”) with the maximum value for each ICAP Demand Curve established at 1.5 times the estimated monthly localized levelized cost to develop a new peaking plant in each Locality or in Rest of State, as applicable.</u> |                                                                       |

For the 2026-2027 Capability Year, the ICAP Demand Curves previously posted to the ISO website by November 30, 2025 for the 2026 Summer Capability Period shall apply for all months covered by the 2026 Summer Capability Period.

#### **5.14.1.2.2 Periodic Reviews of ICAP Demand Curves Applicable Beginning with the 2017/2018 Capability Year**

Beginning with the ICAP Demand Curves applicable for the 2017/2018 Capability Year, a periodic review of the ICAP Demand Curves shall be performed every four (4) years in accordance with the ISO Procedures to: (i) identify the methodologies and inputs used for determining the ICAP Demand Curves for the four Capability Years covered by the periodic review; and (ii) establish the ICAP Demand Curves for the first Capability Year covered by the periodic review.

The periodic review shall assess: (i) the current localized levelized embedded cost of a peaking plant in each NYCA Locality, the Rest of State, and any New Capacity Zone, to meet minimum capacity requirements (for purposes of this Section 5.14.1.2.2 hereinafter referred to as the “peaking plant gross cost”); and (ii) the likely projected annual Energy and Ancillary Services revenues of the peaking plant for the first Capability Year covered by the periodic review, net of the costs of producing such Energy and Ancillary Services (for purposes of this Section 5.14.1.2.2 hereinafter referred to as the “net Energy and Ancillary Services revenue offset”), including the methodology and inputs for determining such projections for the four Capability Years covered by the periodic review.

Except for the ICAP Demand Curves set forth in Section 5.14.1.2.1 that apply for all months covered by the 2026-2027 Winter Capability Period, ~~T~~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 Installed Capacity 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”).

The minimum Installed Capacity requirement for each Locality shall be equal to the Locational Minimum Installed Capacity Requirement in effect for the year in which the independent consultant's final report (referenced below in Section 5.14.1.2.2.4.6) is issued; for the NYCA, equal to the NYCA Minimum Installed Capacity Requirement based on the Installed Reserve Margin accepted by the Commission and applicable to the Capability Year which begins in the Capability Year in which the independent consultant's final report is issued; and for any New Capacity Zone, equal to the Indicative NCZ Locational Minimum Installed Capacity Requirement determined by the NYISO in accordance with Section 5.16.3.

Except for the ICAP Demand Curves set forth in Section 5.14.1.2.1 that apply for all months covered by the 2026-2027 Winter Capability Period, Bbeginning with the ICAP Demand Curves applicable for 2025/2026 Capability Year, the determination of the reference point and maximum value for each ICAP Demand Curve for a given Capability Year shall account for conditions reflecting the prescribed level of excess and seasonal differences in the amount of capacity available in ICAP Spot Market Auctions. For a given Capability Year, the Capability Period in which more capacity is expected to be available in the ICAP Spot Market Auctions due to seasonal differences in availability shall utilize conditions that account for the prescribed level of excess and the additional capacity available due to such seasonal differences, while the Capability Period in which less capacity is expected to be available in the ICAP Spot Market Auctions due to seasonal differences in availability shall utilize conditions that account for only the prescribed level of excess (for purposes of this Section 5.14.1.2.2 hereinafter referred to as the "reference point assumed excess conditions").

The periodic review shall also assess (i) the appropriate shape and slope of the ICAP Demand Curves, and the associated point at which the dollar value of the ICAP Demand Curves

should decline to zero; (ii) the appropriate translation of the annual net revenue requirement of the peaking plant determined from the factors specified above, into monthly values that take into account seasonal differences in the amount of capacity available in the ICAP Spot Market Auctions in accordance with the methodology set forth in Section 5.14.1.2.2.3; and (iii) the escalation factor and inflation component of the escalation factor applied to the peaking plant gross cost, including the methodology and inputs for determining such values.

Beginning with the ICAP Demand Curves applicable for 2025/2026 Capability Year, the translation of the annual net revenue requirement of each applicable peaking plant into monthly values, in accordance with ISO Procedures, shall result in the determination of ICAP Demand Curves for each Capability Period encompassed by the Capability Year for which such ICAP Demand Curves will be in effect. The translation of the annual net revenue requirement of each peaking plant into monthly values shall also account for seasonal reliability risks in determining the portion of the annual net revenue requirement to be recovered during each Capability Period under the reference point assumed excess conditions. In accordance with ISO Procedures, seasonal reliability risks shall be accounted for based on the percentage of loss of load risk attributed to each Capability Period as identified in the results produced by the preliminary base case model approved by the NYSRC for determining the NYCA Installed Reserve Margin applicable to the Capability Year for which the applicable ICAP Demand Curves will be in effect. The translation of each annual net revenue requirement into monthly values shall also be subject to maximum and minimum percentages of the allowable portion of the annual net revenue requirement recoverable in each Capability Period under the reference point assumed excess conditions. The applicable maximum and minimum allowable percentage values shall initially be set at 65 percent and 35 percent, respectively. Beginning with the periodic review

that includes establishment of the ICAP Demand Curves applicable for the 2029/2030 Capability Year, each periodic review shall assess such maximum and minimum allowable percentage values. Any adjustments to the maximum and minimum allowable percentage values shall be identified in the filing referenced in Section 5.14.1.2.2.4.11 below and remain fixed for the entire period covered by the applicable periodic review.

For purposes of this periodic review, a peaking unit is defined as the unit with technology that results in the lowest fixed costs and highest variable costs among all other units' technology that are economically viable, and a peaking plant is defined as the number of units (whether one or more) that constitute the scale identified in the periodic review.

In the filing referenced in Section 5.14.1.2.2.4.11 below, the ISO will: (i) identify the methodologies and inputs used for determining the ICAP Demand Curves for the four Capability Years covered by the periodic review; and (ii) propose the ICAP Demand Curves for the first Capability Year covered by the periodic review. Except for the ICAP Demand Curves set forth in Section 5.14.1.2.1 that apply for all months covered by the 2026-2027 Winter Capability Period, ~~F~~for the subsequent three Capability Years covered by the periodic review, the ISO will establish the ICAP Demand Curves for each such Capability Year by updating the following factors in advance of each such subsequent Capability Year: (i) the peaking plant gross cost in accordance with Section 5.14.1.2.2.1; (ii) the net Energy and Ancillary Services revenue offset in accordance with Section 5.14.1.2.2.2; (iii) the seasonal amount of capacity available in ICAP Spot Market Auctions in accordance with Section 5.14.1.2.2.3; and (iv) beginning with the ICAP Demand Curves applicable for the 2025/2026 Capability Year, the percentage of reliability risk expected in each Capability Period as described above. Except for the ICAP Demand Curves set forth in Section 5.14.1.2.1 that apply for all months covered by the 2026-2027 Winter Capability

Period. ~~¶~~the ISO will post the updated ICAP Demand Curves for each subsequent Capability Year covered by the periodic review on or before November 30<sup>th</sup> of the calendar year immediately preceding the calendar year that includes the start of the Capability Year for which the updated ICAP Demand Curves will apply.

#### **5.14.1.2.2.1 Annual Updates for Peaking Plant Gross Cost**

For purposes of the annual updates to the ICAP Demand Curves, the ISO shall determine updated values for the peaking plant gross cost for each peaking plant. Updated values for the peaking plant gross cost shall be determined by application of an escalation factor to the peaking plant gross cost values underlying the ICAP Demand Curves for the first Capability Year covered by the periodic review. The escalation factor shall consist of the following four components: (i) changes in construction material costs (“materials component”); (ii) changes in turbine generator costs (“turbine component”); (iii) changes in labor costs (“labor component”); and (iv) changes in the general cost of goods and services (“general component”). The escalation factor shall be equal to the sum of the: (i) the percentage change in the applicable index for the materials component, multiplied by the applicable weighting factor for such component; (ii) the percentage change in the applicable index for the turbine component, multiplied by the applicable weighting factor for such component; (iii) the percentage change in the applicable index for the labor component, multiplied by the applicable weighting factor for such component; and (iv) the percentage change in the applicable index for the general component, multiplied by the applicable weighting factor for such component. For purposes of determining the percentage change for each component, the values utilized from each applicable index shall be as follows: (i) for indices that publish annual values, the most recently available annual value and the corresponding annual value for the calendar year that contained the most

recently available finalized values established by the publisher for the applicable index as of October 1<sup>st</sup> in the same calendar year as the filing required by Section 5.14.1.2.2.4.11 (“baseline period”); (ii) for indices that publish monthly values, the average value of the three most recently available monthly values and the average value of values for the same three months from the baseline period; and (iii) for indices that publish quarterly values, the value of the most recently available calendar quarter and the value for the same calendar quarter from the baseline period. The applicable values to be used by the ISO shall be the available finalized values established by the publisher for each index as of October 1<sup>st</sup> of the same calendar year as the applicable November 30<sup>th</sup> deadline for posting the updated ICAP Demand Curves. The ISO shall not use any preliminary values published by an index in determining the applicable percentage change for any component of the escalation factor. The weighting factors applied to each component shall be determined as part of the periodic review, identified in the filing required by Section 5.14.1.2.2.4.11 and remain fixed for the entire period covered by the periodic review. The specified index for each component shall likewise be determined as part of the periodic review, identified in the filing required by Section 5.14.1.2.2.4.11 and remain fixed for the entire period covered by the periodic review, unless an index is eliminated, replaced or otherwise terminated by the publisher thereof during the period covered by the periodic review. In such circumstance, the ISO shall utilize the replacement or successor index established by the publisher, if any, or, in the absence of a replacement or successor index, shall select as a replacement a substantially similar index.

#### **5.14.1.2.2.2 Annual Updates for Net Energy and Ancillary Revenue Offset**

For purposes of the annual updates to the ICAP Demand Curves, the ISO shall also determine updated values for the net Energy and Ancillary Services revenue offset associated

with each peaking plant. Updated values for the net Energy and Ancillary Services revenue offset shall, in part, be determined using a net revenue model that will be developed as part of the periodic review, utilized in determining the net Energy and Ancillary Services revenue offset associated with each peaking plant for the first Capability Year covered by the periodic review, and made available to stakeholders. For purposes of the annual updates to the ICAP Demand Curves for the remaining three Capability Years covered by the periodic review, the selected model for each peaking plant shall be updated for each such Capability Year with data and inputs that reflect the most recent information for the prior 36 month period ending August 31<sup>st</sup> of the same calendar year as the applicable November 30<sup>th</sup> deadline for posting the updated ICAP Demand Curves. The model will, at a minimum, determine whether each peaking plant could earn positive net revenue by producing Energy in each applicable time interval, as determined during the periodic review, based on historical prices and the variable costs for each peaking plant over the prior 36 month period ending August 31<sup>st</sup> of the same calendar year as the applicable November 30<sup>th</sup> deadline for posting the updated ICAP Demand Curves, as well as the physical operating characteristics of each peaking plant and any operating hours constraints necessary to address any applicable environmental requirements and/or fuel availability. The commitment and dispatch logic and data sources and/or inputs used by the model, as well as the manner in which the model accounts for net Ancillary Services revenues earned by each peaking plant, the physical operating characteristics of each peaking plant and any operating hours constraints applicable to each peaking plant that are necessary to address any applicable environmental requirements and/or fuel availability, will be determined as part of the periodic review, identified in the filing required by Section 5.14.1.2.2.4.11 and remain fixed for the entire

period covered by the periodic review, subject to annual updating of certain data inputs used by the model as described herein.

The model will determine whether each peaking plant could earn positive net revenue by producing Energy in each applicable time interval during the period encompassed by the model in a manner consistent with the following equation:

$$Net\ Energy\ revenue_{z,t} = \max([Output_{z,t} * (LOE_{z,t} * LBMP_{z,t})] - MC_{z,t}), 0)$$

where:

$t$  = the applicable time interval selected for assessing whether a peaking plant could earn positive net revenue by producing Energy. For Day-Ahead, the time interval shall be one-hour increments. For real-time, the time interval may be either: (1) one-hour increments, or (2) the applicable RTD interval increments. The determination of the applicable selected time interval to be used in real-time for each peaking plant shall: (1) be determined as part of the periodic review based on the physical operating characteristics of each peaking plant; (2) be identified in the filing required by Section 5.14.1.2.2.4.11; and (3) remain fixed for the entire period covered by the periodic review;

$Output_{z,t}$  = the quantity of Energy produced by the peaking plant for Load Zone  $z$  in time interval  $t$ ;

$LOE_{z,t}$  = the applicable adjustment factor for Load Zone  $z$  and time interval  $t$  used to adjust for the prescribed level of excess. The adjustment factors shall be determined as part of the periodic review, identified in the filing required by Section 5.14.1.2.2.4.11 and remain fixed for the entire period covered by the periodic review;

$LBMP_{z,t}$  = for Day-Ahead, the Day-Ahead zonal LBMP for Load Zone  $z$  and time interval  $t$ . For real-time: (1) if the time interval used for the peaking plant is one-hour increments, the time-

weighted/integrated zonal RTD LBMP for Load Zone  $z$  and time interval  $t$ ; or (2) if the time interval utilized for the peaking plant is the applicable RTD interval increments, the zonal RTD LBMP for Load Zone  $z$  and time interval  $t$ ;

$MC_{z,t}$  = variable (or short-run marginal) cost of the peaking plant for Load Zone  $z$  to produce Energy in time interval  $t$ , calculated as follows:

$$MC_{z,t} = [(HR_{z,t} * Fuel_{z,t}) + VOM_{z,t} + ASC_{z,t} + EC_{z,t} + RSI_{z,t}] * Output_{z,t}$$

where:

$HR_{z,t}$  = the heat rate of the peaking plant for Load Zone  $z$  and time interval  $t$ . The heat rate for the peaking plant shall be determined as part of the periodic review, identified in the filing required by Section 5.14.1.2.2.4.11 and remain fixed for the entire period covered by the periodic review;

$Fuel_{z,t}$  = the applicable fuel cost for the peaking plant for Load Zone  $z$  and time interval  $t$ , which shall be the lesser of the primary fuel cost and the backup fuel cost, if any, for the peaking plant for Load Zone  $z$ . The primary fuel and any backup fuel for the peaking plant for Load Zone  $z$  shall be determined as part of the periodic review, identified in the filing required by Section 5.14.1.2.2.4.11 and remain fixed for the entire period covered by the periodic review. The applicable fuel cost will be based on the applicable daily spot price for Load Zone  $z$  published in the specified data source determined as part of the periodic review (unless such data source is revised for the reasons described below), plus an adder to account for any applicable transportation and delivery costs and any applicable fuel taxes, which adder shall be determined as part of the periodic review, identified in the filing required by Section 5.14.1.2.2.4.11 and remain fixed for the entire period covered by the periodic review. For real-time evaluations only, the otherwise applicable fuel cost shall be increased by the applicable real-time fuel

premium adder for Load Zone  $z$  and time interval  $t$ , which adder shall be determined as part of the periodic review, identified in the filing required by Section 5.14.1.2.2.4.11 and remain fixed for the entire period covered by the periodic review. The data sources used for determining the applicable daily spot fuel prices shall be determined as part of the periodic review, identified in the filing required by Section 5.14.1.2.2.4.11 and remain fixed for the entire period covered by the periodic review, unless the specified data source is eliminated, replaced or otherwise terminated by the publisher thereof during the period covered by the periodic review. In such circumstance, the ISO shall utilize the replacement or successor data source established by the publisher, if any, or, in the absence of a replacement or successor data source, shall select as a replacement a substantially similar data source;

$VOM_{z,t}$  = variable operating and maintenance cost of the peaking plant for Load Zone  $z$  and time interval  $t$ , which cost shall be determined as part of the periodic review, identified in the filing required by Section 5.14.1.2.2.4.11 and remain fixed for the entire period covered by the periodic review;

$ASC_{z,t}$  = amortized start-up cost for the peaking plant for Load Zone  $z$  and time interval  $t$ . The model will ensure that the total value of this cost is recovered over the number of consecutive time intervals for which the model determines that the peaking plant should be committed or dispatched to produce Energy following each start of the peaking plant in the same market (Day-Ahead or real-time); provided, however, that in real-time, start-up costs must be recovered over a period of no more than two consecutive hours following the time at which the model determines that the peaking plant should be dispatched to produce Energy;

$EC_{z,t}$  = the sum of  $CO_2$ ,  $NO_x$  and  $SO_2$  emissions allowance costs for the peaking plant for Load Zone  $z$  and time interval  $t$ , which shall be calculated as follows:

$$EC_{z,t} = (CO_2 \text{ emissions rate}_{z,t} * CO_2 \text{ allowance price}_{z,t}) + (NO_x \text{ emissions rate}_{z,t} * NO_x \text{ allowance price}_{z,t}) + (SO_2 \text{ emissions rate}_{z,t} * SO_2 \text{ allowance price}_{z,t})$$

where:

The applicable emissions rates for the peaking plant for Load Zone  $z$  and time interval  $t$  shall be determined as part of the periodic review, identified in the filing required by Section

5.14.1.2.2.4.11 and remain fixed for the entire period covered by the periodic review. The applicable allowance price for each emissions type shall be the price reported by the specified data source for each emissions type determined as part of the periodic review (unless such data source is revised for the reasons described below). The data sources for allowance prices shall be determined as part of the periodic review, identified in the filing required by Section 5.14.1.2.2.4.11 and remain fixed for the entire period covered by the periodic review, unless a specified data source is eliminated, replaced or otherwise terminated by the publisher thereof during the period covered by the periodic review. In such circumstance, the ISO shall utilize the replacement or successor data source established by the publisher, if any, or, in the absence of a replacement or successor data source, shall select as a replacement a substantially similar data source; and

$RS1_{z,t}$  = the applicable charges for the ISO annual budget and the annual FERC fee assessed to Injection Billing Units for Load Zone  $z$  and time interval  $t$  in accordance with Rate Schedule 1 of the ISO OATT.

The results of the model will be used to determine an average annual net revenue value earned by each peaking plant over the period encompassed by the model. Such value will be increased by an adder to account for the estimated annual value for each Capability Year covered by the periodic review of any applicable net Ancillary Services revenue each peaking plant is eligible to receive payment for and that is not determined by the model, which adder (or

methodology for determining such adder) shall be determined as part of the periodic review, identified in the filing required by Section 5.14.1.2.2.4.11 and remain fixed for the entire period covered by the periodic review. The resulting value for each peaking plant shall be the updated net Energy and Ancillary Services revenue offset value to be used in establishing the ICAP Demand Curves for the applicable Capability Year.

#### **5.14.1.2.2.3 Annual Updates for ICAP Demand Curve Parameters**

The ISO shall use the updated peaking plant gross cost and the updated net Energy and Ancillary Services revenue offset values in determining the parameters of the ICAP Demand Curves for the applicable Capability Year.

The maximum value for each ICAP Demand Curve shall be established at 1.5 times the monthly value of the applicable updated peaking plant gross cost. Except for the ICAP Demand Curves set forth in Section 5.14.1.2.1 that apply for all months covered by the 2026-2027 Winter Capability Period, ~~B~~beginning with the ICAP Demand Curves applicable for the 2025/2026 Capability Year, the monthly value of the applicable updated peaking plant gross cost shall, in accordance with ISO Procedures, be determined in a manner consistent with the determination of the reference point for each ICAP Demand Curve to account for: (i) the seasonal amount of capacity available in ICAP Spot Market Auctions; and (ii) the percentage of reliability risks expected in each Capability Period.

Except for the ICAP Demand Curves set forth in Section 5.14.1.2.1 that apply for all months covered by the 2026-2027 Winter Capability Period, ~~T~~the reference point for each ICAP Demand Curve shall be determined in accordance with ISO Procedures and, as described in Section 5.14.1.2.2 above, account for: (i) the seasonal amount of capacity available in ICAP Spot Market Auctions; and (ii) beginning with the ICAP Demand Curves applicable for the 2025/2026

Capability Year, the percentage of reliability risk expected in each Capability Period. As described in Section 5.14.1.2.2 above, beginning with the ICAP Demand Curves applicable for the 2025/2026 Capability Year, the determination of the reference point for each ICAP Demand Curves shall be subject to maximum and minimum percentages of the allowable portion of the annual net revenue requirement recoverable in each Capability Period under the reference point assumed excess conditions.

Prior to the ICAP Demand Curves applicable for the 2025/2026 Capability Year, the ratio of the amount of capacity available in the ICAP Spot Market Auctions in the Winter Capability Period to the amount of capacity available in the ICAP Spot Market Auctions in the Summer Capability Period (the “winter-to-summer ratio”) shall be used in calculating the reference point for each ICAP Demand Curve.

Except for the ICAP Demand Curves set forth in Section 5.14.1.2.1 that apply for all months covered by the 2026-2027 Winter Capability Period, ~~B~~beginning with the ICAP Demand Curves applicable for the 2025/2026 Capability Year: (i) the winter-to-summer ratio shall be used in calculating the reference point for each ICAP Demand Curve applicable for the Winter Capability Period; and (ii) the ratio of the amount of capacity available in the ICAP Spot Market Auctions in the Summer Capability Period to the amount of capacity available in the ICAP Spot Market Auctions in the Winter Capability Period (the “summer-to-winter ratio”) shall be used in calculating the reference point for each ICAP Demand Curve applicable for the Summer Capability Period; provided, however, that if a winter-to-summer ratio or the summer-to-winter ratio is a value less than one, the value shall be deemed to be zero for purposes of determining the applicable reference point.

Except for the ICAP Demand Curves set forth in Section 5.14.1.2.1 that apply for all months covered by the 2026-2027 Winter Capability Period, The seasonal amount of capacity available in ICAP Spot Market Auctions shall be updated annually based on the average amount of capacity available in the ICAP Spot Market Auctions for the Summer Capability Period months and Winter Capability Period months in each 12-month period (measured from September through the following August) encompassed by the same historical period utilized by the net revenue model. The values used in determining the amount of capacity available in the ICAP Spot Market Auctions shall be the available Unforced Capacity values reported by the ISO and posted on its website for the relevant months, translated to Installed Capacity values based on the applicable translation factors reported by the ISO and posted on its website for each such month. For Resources other than Special Case Resources, the values posted by the ISO shall include the following adjustments to account for ICAP market entry and exit under certain circumstances: (i) if within any of the three 12-month periods (*i.e.*, September through the following August) encompassed by the data used in calculating the amount of capacity available in ICAP Spot Market Auctions, a Resource (other than a Resource returning to participate in the ICAP market from an Inactive Reserves state) begins to qualify as eligible to participate in the ICAP market in any month encompassed by such 12-month period and remains eligible to participate in the ICAP market for the subsequent months encompassed by that period, the ISO shall adjust the values for all months of that 12-month period to include the Resource's applicable available capacity; and (ii) if within any of the three 12-month periods (*i.e.*, September through the following August) encompassed by the data used in calculating the amount of capacity available in ICAP Spot Market Auctions, a Resource is Retired or enters a Mothball Outage or ICAP Ineligible Forced Outage state during any month encompassed by

such 12-month period and remains ineligible to participate in the ICAP market for the subsequent months encompassed by that period, the ISO shall adjust the values for all months of that 12-month period to exclude the Resource's applicable available capacity.

The applicable capacity ratings for each peaking plant utilized in calculating the reference point and the point on each ICAP Demand Curve at which the price of ICAP declines to zero shall be determined as part of the periodic review and shall remain fixed for the entire period covered by the periodic review.

Notwithstanding anything to the contrary herein, for purposes of the annual updates for the 2018/2019, 2019/2020 and 2020/2021 Capability Years, the reference point for each ICAP Demand Curve shall not be permitted to increase by an amount greater than twelve percent (12%) or decrease by an amount greater than eight percent (8%) from one Capability Year to the next, compared to the then currently effective reference point for the relevant ICAP Demand Curve. If the reference point value for an ICAP Demand Curve, as calculated by the ISO pursuant to the annual update procedures, for one of the affected Capability Years exceeds the maximum allowable percentage increase or decrease, the reference point established by the ISO for that ICAP Demand Curve for the relevant Capability Year shall be an amount equal to the price that represents the applicable maximum allowable percentage increase or decrease. If an adjusted reference point value is applied to an ICAP Demand Curve for a Capability Year, the maximum allowable percentage increase or decrease for the next Capability Year shall be determined using the adjusted reference point value. As part of the required posting to establish the updated ICAP Demand Curves for each of the affected Capability Years, the ISO will provide the reference point values calculated by the ISO pursuant to the annual update procedures, as well the adjusted reference point values, if any, that result from the application of

the limitation described herein. The limitation described above regarding the allowable annual change to the reference point values calculated by the ISO pursuant to the annual update procedures shall not be applied to the reference point values for any ICAP Demand Curve after the 2020/2021 Capability Year.

The peaking plant gross cost and net Energy and Ancillary Services revenue offset values utilized in determining the parameters of the ICAP Demand Curves for the 2025/2026 Capability Year are as follows:

|      | Peaking Plant Gross Cost<br>(\$ per kW-year) | Net Energy and Ancillary<br>Services Revenue Offset<br>(\$ per kW-year) |
|------|----------------------------------------------|-------------------------------------------------------------------------|
| NYCA | \$127.71                                     | \$77.15                                                                 |
| G-J  | \$127.58                                     | \$76.92                                                                 |
| NYC  | \$222.73                                     | \$82.25                                                                 |
| LI   | \$137.03                                     | \$87.42                                                                 |

#### **5.14.1.2.2.4 Periodic Review Procedures**

The periodic review shall be conducted in accordance with the schedule and procedures specified in the ISO Procedures. A proposed schedule will be reviewed with the stakeholders not later than May 30th of the year prior to the year of the filing specified in Section 5.14.1.2(b).11.

The schedule and procedures shall provide for:

5.14.1.2.2.4.1 ISO development, with stakeholder review and comment, of a request for proposals to provide independent consulting services to determine recommended values for the factors specified above, and appropriate methodologies and inputs for such determination;

5.14.1.2.2.4.2 Selection of an independent consultant in accordance with the request for proposals;

- 5.14.1.2.2.4.3 Submission to the ISO and the stakeholders of a draft report from the independent consultant on the independent consultant's determination of recommended values for the factors specified above, including, as applicable, the methodologies and inputs for determining such values;
- 5.14.1.2.2.4.4 Stakeholder review of and comment on the data, assumptions and conclusions in the independent consultant's draft report, with participation by the responsible person or persons providing the consulting services;
- 5.14.1.2.2.4.5 An opportunity for the Market Monitoring Unit to review and comment on the draft request for proposals, the independent consultant's report, and the ISO's proposed: (i) methodologies and inputs used for determining the ICAP Demand Curves for the four Capability Years covered by the periodic review; and (ii) ICAP Demand Curves for the first Capability Year covered by the periodic review. The responsibilities of the Market Monitoring Unit that are addressed in this section of the Services Tariff are also addressed in Section 30.4.6.3.1 of Attachment O;
- 5.14.1.2.2.4.6 Issuance by the independent consultant of a final report;
- 5.14.1.2.2.4.7 Issuance of a draft of the ISO's recommended: (i) methodologies and inputs used for determining the ICAP Demand Curves for the four Capability Years covered by the periodic review; and (ii) ICAP Demand Curves for the first Capability Year covered by the periodic review, for stakeholder review and comment;
- 5.14.1.2.2.4.8 Issuance of the ISO's proposed: (i) methodologies and inputs used for determining the ICAP Demand Curves for the four Capability Years covered by

the periodic review; and (ii) ICAP Demand Curves for the first Capability Year covered by the periodic review, taking into account the report of the independent consultant, the recommendations of the Market Monitoring Unit, and the views of the stakeholders together with the rationale for accepting or rejecting any such inputs;

5.14.1.2.2.4.9 Submission of stakeholder requests for the ISO Board of Directors to review and adjust the ISO's proposed: (i) methodologies and inputs used for determining the ICAP Demand Curves for the four Capability Years covered by the periodic review; and (ii) ICAP Demand Curves for the first Capability Year covered by the periodic review;

5.14.1.2.2.4.10 Presentations to the ISO Board of Directors of stakeholder views on the ISO's proposed: (i) methodologies and inputs used for determining the ICAP Demand Curves for the four Capability Years covered by the periodic review; and (ii) ICAP Demand Curves for the first Capability Year covered by the periodic review; and

5.14.1.2.2.4.11 Filing with the Commission of: (i) a description of the methodologies and inputs used for determining the ICAP Demand Curves for the four Capability Years covered by the periodic review; and (ii) the ICAP Demand Curves for the first Capability Year covered by the periodic review, as approved by the ISO Board of Directors incorporating the results of the periodic review. Such filing will be made not later than November 30<sup>th</sup> of the year prior to the year that includes the beginning of the first Capability Year covered by the periodic review. The filing will also specify the inflation rate that would have been used to

calculate the general component of the escalation factor as if the escalation factor were applicable to the first Capability Year covered by the periodic review. Such inflation rate shall be equal to the twelve month percentage change in the applicable index for the general component, as determined in accordance with Section 5.14.1.2.2.1 utilizing the applicable values of the index as of October 1<sup>st</sup> in the same calendar year as the November 30<sup>th</sup> filing deadline specified above. For each of the subsequent three Capability Years encompassed by the periodic review, the value of this inflation rate shall be the twelve month percentage change in the applicable index for the general component of the escalation factor, as determined pursuant to Section 5.14.1.2.2.1, utilizing the most recently available finalized values established by the publisher for the index as of October 1<sup>st</sup> in the same calendar year as the applicable November 30<sup>th</sup> deadline for posting the updated ICAP Demand Curves for the Capability Year at issue and the applicable values for the corresponding period from the calendar year immediately preceding thereto.

The ICAP Demand Curves will be translated into Unforced Capacity terms in accordance with the ISO Procedures. Beginning with the 2024/2025 Capability Year, the aforementioned translation shall utilize the applicable derating factor of the peaking plant used to establish each ICAP Demand Curve, as determined during the periodic review conducted pursuant to Section 5.14.1.2.2. Nothing in this Tariff shall be construed to limit the ability of the ISO or its Market Participants to propose and adopt alternative provisions to this Tariff through established governance procedures.

#### **5.14.1.3 Supplemental Supply Fee**

Any LSE that has not met its share of the NYCA Minimum Installed Capacity Requirement or its share of the Locational Minimum Installed Capacity Requirement after the completion of an ICAP Spot Market Auction, shall be assessed a supplemental supply fee equal to the applicable Market-Clearing Price of Unforced Capacity determined in the ICAP Spot Market Auction multiplied by the number of MWs the LSE needs to meet its share of the NYCA Minimum Installed Capacity Requirement or its share of the Locational Minimum Installed Capacity Requirement.

The ISO will attempt to use these supplemental supply fees to procure Unforced Capacity at a price less than or equal to the applicable Market-Clearing Price of Unforced Capacity determined in the ICAP Spot Market Auction from Installed Capacity Suppliers that are capable of supplying Unforced Capacity including: (1) Installed Capacity Suppliers that were not qualified to supply Capacity prior to the ICAP Spot Market Auction; (2) Installed Capacity Suppliers that offered Unforced Capacity at levels above the ICAP Spot Market Auction Market-Clearing Price; and (3) Installed Capacity suppliers that did not offer Unforced Capacity in the ICAP Spot Market Auction. In the event that different Installed Capacity Suppliers offer the same price, the ISO will give preference to Installed Capacity Suppliers that were not qualified to supply capacity prior to the ICAP Spot Market Auction.

Offers from Installed Capacity Suppliers are subject to review pursuant to the Market Monitoring Plan that is set forth in Attachment O to the Services Tariff, and the Market Mitigation Measures that are set forth in Attachment H to the Services Tariff. Installed Capacity Suppliers selected by the ISO to provide capacity after the ICAP Spot Market Auction will be paid a negotiated price, subject to the standards, procedures and remedies in the Market Mitigation Measures.

The ISO will not pay an Installed Capacity Supplier more than the applicable Market-Clearing Price of Unforced Capacity determined in the ICAP Spot Market Auction per MW of Unforced Capacity, or, in the case of In-City generation that is subject to Capacity market mitigation measures, the annual mitigated price cap per MW of Unforced Capacity, whichever is less, pro-rated to reflect the portion of the Obligation Procurement Period for which the Installed Capacity Supplier provides Unforced Capacity. Any remaining monies collected by the ISO pursuant to this section will be applied in accordance with Section 5.14.3 of the Services Tariff.

## **5.14.2 Installed Capacity Supplier Shortfalls and Deficiency Charges**

### **5.14.2.1 General Provisions**

In the event that an Installed Capacity Supplier sells in the Capability Period Auctions, in the Monthly Auctions, or through Bilateral Transactions more Unforced Capacity than it is qualified to sell in any specific month due to a de-rating or other cause, the Installed Capacity Supplier shall be deemed to have a shortfall for that month. To cover this shortfall, the Installed Capacity Supplier shall purchase sufficient Unforced Capacity in the relevant Monthly Auction or through Bilateral Transactions, and certify to the ISO consistent with the ISO Procedures that it has covered such shortfall. If the Installed Capacity Supplier does not cover such shortfall or if it does not certify to the ISO in a timely manner, the ISO shall, to the extent the ISO is aware of the shortfall, prospectively purchase Unforced Capacity on behalf of that Installed Capacity Supplier in the appropriate ICAP Spot Market Auction or through post ICAP Spot Market Auction Unforced Capacity purchases to cover the shortfall.

The ISO shall submit a Bid, calculated pursuant to Section 5.14.1 of this Tariff, in the appropriate ICAP Spot Market Auction on behalf of an Installed Capacity Supplier deemed to have a shortfall as if the Installed Capacity Supplier were an LSE. Such Installed Capacity

Supplier shall be required to pay to the ISO the applicable Market-Clearing Price of Unforced Capacity established in that ICAP Spot Market Auction. Immediately following the ICAP Spot Market Auction, the ISO may suspend the Installed Capacity Supplier's privileges to sell or purchase Unforced Capacity in ISO-administered Installed Capacity auctions or to submit Bilateral Transactions to the NYISO. Once the Installed Capacity Supplier pays for or secures the payment obligation that it incurred in the ICAP Spot Market Auction, the ISO shall reinstate the Installed Capacity Supplier's privileges to participate in the ICAP markets.

In the event that the ICAP Spot Market Auction clears below the NYCA Minimum Installed Capacity Requirement or the Locational Minimum Installed Capacity Requirement, whichever is applicable to the Installed Capacity Supplier, and the Installed Capacity Supplier is deemed to have a shortfall, the Installed Capacity Supplier shall be assessed the applicable deficiency charge equal to the applicable Market-Clearing Price of Unforced Capacity determined using the applicable ICAP Demand Curve for that ICAP Spot Market Auction, times the amount of its shortfall.

If an Installed Capacity Supplier is found, at any point during a Capability Period, to have had a shortfall for that Capability Period, *e.g.*, when the amount of Unforced Capacity that it supplies is found to be less than the amount it was committed to supply, the Installed Capacity Supplier shall be retrospectively liable to pay the ISO the monthly deficiency charge equal to one and one-half times the applicable Market-Clearing Price of Unforced Capacity determined using the applicable ICAP Demand Curve for that ICAP Spot Market Auction times the amount of its shortfall for each month the Installed Capacity Supplier is deemed to have a shortfall. If the Installed Capacity Supplier is a RIP or an Aggregator, it may experience a shortfall when, among

other reasons, it sells ineligible or unavailable capacity MW associated with a properly or improperly enrolled SCR or Distributed Energy Resource.

The ISO, when evaluating whether an Installed Capacity Supplier has a shortfall, may use either Unforced Capacity data or Installed Capacity data; provided, however, that the ISO shall convert any shortfall MWs based on Installed Capacity data to its Unforced Capacity equivalent prior to calculating the amount of any deficiency charge. All shortfalls shall be measured in MWs in increments of 0.1 MW.

Any remaining monies collected by the ISO pursuant to Section 5.14.1 and 5.14.2 will be applied as specified in Section 5.14.3.

#### **5.14.2.2 Additional Provisions Applicable to External Installed Capacity Suppliers**

In addition to the general provisions set forth in Section 5.14.2.1 above that are applicable to External Installed Capacity Suppliers as Installed Capacity Suppliers, the following provisions shall also apply to External Installed Capacity Suppliers.

In the event that an External Installed Capacity Supplier fails to deliver to the NYCA the Energy associated with the Unforced Capacity it committed to the NYCA due to a failure to obtain appropriate transmission service or rights, the External Installed Capacity Supplier shall be deemed to have a shortfall from the last time the External Installed Capacity Supplier “demonstrated” delivery of its Installed Capacity Equivalent (“ICE”), or any part thereof, until it next delivers its ICE or the end of the term for which it certified the applicable block of Unforced Capacity, whichever occurs first, subject to the limitation that any prior lack of demonstrated delivery will not precede the beginning of the period for which the Unforced Capacity was certified. An External Installed Capacity Supplier deemed to have a shortfall shall be required to pay to the ISO a deficiency charge equal to one and one-half times the applicable Market-

Clearing Price of Unforced Capacity determined in the ICAP Spot Market Auction for the applicable month, prorated for the number of hours in the month that External Installed Capacity Supplier is deemed to have a shortfall (i.e.,  $((\text{deficiency charge} \div 12 \text{ months}) \div \text{total number of hours in month when shortfall occurred}) * \text{number of hours the shortfall lasted}) * \text{number of MWs of shortfall}$ ).

#### **5.14.2.3 Additional Provisions Applicable to RIPs**

In addition to the general provisions set forth in Section 5.14.2.1 above that are applicable to RIPs as Installed Capacity Suppliers, this Section 5.14.2.3 establishes the following four specific shortfalls applicable to RIPs: 1. shortfall for Provisional ACL; 2. shortfall for Incremental ACL; 3. shortfall for SCR Change of Status; and 4. shortfall for RIP portfolio performance. The deficiency charge for any such shortfall shall be equal to the Unforced Capacity equivalent of the shortfall multiplied by one and one-half times the applicable Market-Clearing Price of Unforced Capacity determined using the applicable ICAP Demand Curve for the ICAP Spot Market Auction for each month the RIP is deemed to have a shortfall.

There are three distinct measures of shortfall that are applicable to a RIP, described in this Section 5.14.2.3, where individual SCRs that have been enrolled with a Provisional ACL or an Incremental ACL, or that experience a SCR Change of Status may result in a shortfall. When a RIP is subject to multiple deficiency charges for the same SCR for the same Capability Period, the ISO shall assess to the RIP only the greatest deficiency charge related to such SCR. In addition, if the shortfall results in a reduction in the performance of a SCR, the ISO may recover from the RIP any energy payments for which the SCR was ineligible to receive.

#### **5.14.2.3.1 Shortfall for Provisional ACL**

Prior to the Summer 2014 Capability Period if the Installed Capacity Supplier is a Responsible Interface Party, after each Special Case Resource with a Provisional Average Coincident Load has its Average Coincident Load determined for the Capability Period in which it had a Provisional Average Coincident Load (such determination in accordance with ISO Procedures and without regard to whether the resource was registered to the same Responsible Interface Party at the time of the ACL determination), the ISO shall determine if there is a shortfall due to the Provisional Average Coincident Load being higher than the Average Coincident Load. This shortfall will be equal to the value, if positive, of (x) the sum of (i) the amount of UCAP a Responsible Interface Party sold in an Monthly or an ICAP Spot Market Auction or certified Bilateral Transactions for a Special Case Resource and (ii) the Special Case Resource's actual metered demand for the month in accordance with ISO Procedures, minus (y) the Special Case Resource's Average Coincident Load. If the ISO does not receive data to determine the Average Coincident Load in accordance with ISO Procedures, for each Capability Period a Special Case Resource had a Provisional Average Coincident Load, for purposes of determining the shortfall, the Average Coincident Load shall equal zero.

Beginning with the Summer of 2014 Capability Period if the Installed Capacity Supplier is a Responsible Interface Party, after each SCR with a Provisional ACL has its Verified ACL determined for the Capability Period in which it had a Provisional ACL (such determination in accordance with Section 5.12.11.1 and ISO Procedures) the ISO shall determine if there is a shortfall due to the Provisional ACL being greater than the Verified ACL. This shortfall shall be equal to the value, if positive, of (x) the Provisional ACL of the SCR, minus (y) the Verified ACL of the SCR. The shortfall calculated for the SCR for a month shall not exceed the amount of Installed Capacity associated with the SCR that was sold for that month. If the ISO does not

receive data to determine the SCR's Verified ACL for the Capability Period for which the SCR was enrolled with a Provisional ACL the Verified ACL shall equal zero.

#### **5.14.2.3.2 Shortfall for Incremental ACL**

If the Installed Capacity Supplier is a RIP that reported an Incremental ACL, the ISO shall determine there is a shortfall when the Net ACL is greater than the Verified ACL. This shortfall shall be equal to the value, if positive, of (x) the enrolled Net ACL of the SCR, minus (y) the Verified ACL of the SCR for each month in which the RIP sold the SCR's Installed Capacity. The shortfall calculated for the SCR for a month shall not exceed the amount of Installed Capacity associated with the SCR that was sold for that month. If the ISO does not receive data to determine the Verified ACL for each month within the Capability Period that the SCR was enrolled with an Incremental ACL, the Monthly ACL for each unreported month shall equal zero (0) and be used in the calculation of the Verified ACL in accordance with Section 5.12.11.1.5.

#### **5.14.2.3.3 Shortfall for SCR Change of Status**

If the Installed Capacity Supplier is a RIP, and a SCR Change of Status occurs, the ISO shall determine if a shortfall exists, based on the RIP's reporting of the SCR Change of Status.

When a SCR Change of Status is reported by the RIP in advance and no Installed Capacity associated with the SCR has been sold, a shortfall has not occurred. If the SCR Change of Status is reported by the RIP, but the Installed Capacity associated with the SCR has already been sold for one or more months a shortfall exists for these months, the shortfall shall be equal to the reduction to the ACL reported in the SCR Change of Status, but shall not exceed the amount of Installed Capacity sold for each month.

When the RIP fails to report the SCR Change of Status during the Capability Period, for each month in which the SCR's Installed Capacity was sold and the SCR Change of Status was in effect, the ISO shall determine the shortfall MW using the maximum one hour metered Load for the month. The shortfall amount for each month in which the SCR Change of Status was in effect shall equal the value of SCR ACL minus the maximum one hour metered Load for the month, but shall not exceed the SCR's Installed Capacity sold for the month.

#### **5.14.2.3.4 Shortfall for RIP Portfolio Performance**

In addition to the shortfall evaluations based on individual SCRs, a RIP is subject to a shortfall evaluation, by Load Zone, for its entire SCR portfolio. In this evaluation the shortfall shall be determined for each Load Zone separately. A shortfall will occur if the total of the amount of UCAP sold by the RIP for a month in a Capability Period Auction or a Monthly Auction and certified prior to that month's ICAP Spot Market Auction, the UCAP sold in that month's ICAP Spot Market Auction, and the UCAP sold as a Bilateral Transaction and certified prior to that month's ICAP Spot Market Auction is greater than the greatest quantity MW reduction achieved during a single hour in a test or event called by the ISO in the Capability Period as confirmed by data by the ISO in accordance with ISO Procedures (or the value of zero if data is not received by the ISO in accordance with such procedures).

#### **5.14.3 Application of Installed Capacity Supplier Deficiency Charges**

Any remaining monies collected by the ISO through supplemental supply fees or Installed Capacity Supplier deficiency charges pursuant to Section 5.14.1 but not used to procure Unforced Capacity on behalf of LSEs or Installed Capacity suppliers deemed to have a shortfall shall be applied as provided in this Section 5.14.3.

#### **5.14.3.1 General Application of Deficiency Charges**

Except as provided in Section 5.14.3.2, remaining monies will be applied to reduce the Rate Schedule 1 charge in the following month.

#### **5.14.3.2 Installed Capacity Rebates**

##### **(i) New York City**

If an Unforced Capacity shortfall exists during any month, the ISO shall rebate any remaining unspent deficiency charges or supplemental supply fees collected for that month for the New York City Locality allocated among all LSEs in that Locality in proportion to their share of the applicable Locational Minimum Installed Capacity Requirement. Rebates shall include interest accrued between the time payments were collected and the time that rebates are paid.

##### **(ii) Long Island**

If an Unforced Capacity shortfall exists during any month, the ISO shall rebate any remaining unspent deficiency charges or supplemental supply fees collected for that month for the Long Island Locality, allocated among all LSEs in that Locality in proportion to their share of the applicable Locational Minimum Installed Capacity Requirement. Rebates shall include interest accrued between the time payments were collected and the time that rebates are paid.

##### **(iii) G-J**

If an Unforced Capacity shortfall exists during any month, the ISO shall rebate any remaining unspent deficiency charges or supplemental supply fees collected for that month for the G-J Locality, allocated among all LSEs in that Locality in proportion to their share of the applicable Locational Minimum Installed Capacity Requirement. Rebates shall include interest accrued between the time payments were collected and the time that rebates are paid.

**(iv) Rest of State**

If an Unforced Capacity shortfall exists during any month, the ISO shall rebate any remaining unspent deficiency charges or supplemental supply fees collected for that month for the Rest of State requirements, allocated among all LSEs in each of the Localities and in Rest of State, in proportion to each LSE's share of the NYCA Minimum Installed Capacity Requirement less that LSE's Locational Minimum Installed Capacity Requirement. Rebates shall include interests accrued between the time payments were collected and the time that rebates are paid.