New York ISO
Independent System Operator

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August 21, 2026

Submitted Electronically

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

Re: ***New York Independent System Operator, Inc.*****, Docket No. ER26-___-000; Proposed Change to the External Transaction Component of the Credit Requirements to Accommodate New Proxy Generator Buses**

Dear Secretary Reese:

In accordance with Section 205 of the Federal Power Act[1] and Part 35 of the regulations of the Federal Energy Regulatory Commission ("Commission"), the New York Independent System Operator, Inc. ("NYISO") submits proposed revisions to its Market Administration and Services Tariff ("Services Tariff").[2] The proposed revisions will modify the credit requirements for Imports and Exports to ensure that the NYISO can calculate credit requirements for bids at new Proxy Generator Buses that have no historical Locational Based Marginal Price ("LBMP" or "price") data. The NYISO will use substitute data from an existing Proxy Generator Bus with like characteristics until the new Proxy Generator Bus has five years of historical price data with which to calculate the credit requirements at that location.

The NYISO respectfully requests that the proposed Services Tariff revisions be permitted to become effective on October 21, 2026 (*i.e.*, the day following the end of the statutory 60-day notice period).

[1] 16 U.S.C. § 824d.

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

I. List of Documents Submitted

The NYISO submits the following documents with this filing letter:

1. A clean version of the proposed revisions to the Services Tariff ("Attachment I"); and

2. A blacklined version of the proposed revisions to the Services Tariff ("Attachment II").

II. Background

A. Credit Requirement Calculations for Imports and Exports Use Historical Price Data for the Location Associated with the Bid.

In 2013, the Commission accepted revisions to the Services Tariff to establish a credit requirement for External Transactions that aligned with the market risk that they present.[3] In 2023, the Commission accepted enhancements to the credit requirement calculations for External Transactions that improved the protection of the NYISO-administered markets in the event of a default.[4] The External Transaction Component of the credit requirement is the sum of a Customer's (i) Import Credit Requirement, (ii) Export Credit Requirement, (iii) Wheels Through Credit Requirement, and (iv) the net amount owed to the ISO for the settled External Transaction Component Transactions.[5] The tariff revisions proposed in this filing letter modify the Import Credit Requirement and Export Credit Requirement.

Under the existing Import Credit Requirement formulas in Services Tariff Section 26.4.2.2.1(1) and (2), until the Real-Time Market completes for the relevant hour, the NYISO calculates the amount of credit support required based on the difference between Real-Time Market and Day-Ahead Market prices using *historical price data* "for the location associated with the Import Bid."[6] The Export Credit Requirement formulas in Section 26.4.2.2.2 of the Services Tariff include the same reference to historical price data "for the location associated with the Export Bid."[7] The "location" associated with an Import or Export bid is referred to as a "Proxy Generator Bus," which is a proxy bus located outside the New York

[3] Docket No. ER13-1199, *New York Independent System Operator, Inc.*, Letter Order (June 11, 2013).

[4] Docket No. ER23-1307-001, *New York Independent System Operator, Inc.*, Letter Order (July 25, 2023).

[5] Services Tariff Section 26.4.2.2.

[6] Services Tariff Section 26.4.2.2.1(1).

[7] Services Tariff Section 26.4.2.2.2(1).

Control Area ("NYCA") that the NYISO selects to represent a typical bus in an adjacent Control Area.[8]

B. Credit Requirements for Imports and Exports Cannot Be Established Without Historical Proxy Generator Bus Price Data.

In early 2026, the NYISO began testing in anticipation of the Champlain Hudson Power Express Merchant Transmission Facility (the "MTF") coming into commercial operation in the NYCA. Incorporating the MTF into the NYCA required the NYISO to create a new Proxy Generator Bus, because a bus did not yet exist at the electrical location where Energy would be Imported over the MTF.[9] The NYISO therefore created a new Proxy Generator Bus at the Astoria Annex Substation. The NYISO pays MTF Imports the LBMP it develops for the Proxy Generator Bus that represents the Astoria Annex Substation.[10]

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

C. The Commission Granted the NYISO's Waiver Request to Use Comparable Proxy Bus Data for the MTF.

To calculate credit requirements and therefore enable the MTF to commence operation in a timely manner, the NYISO submitted a waiver request to the Commission on January 30, 2026 ("Waiver Request").[11] The NYISO requested a limited prospective waiver of the obligation to determine the amount of credit support required at or for "the location associated with the Import Bid" in Services Tariff Section 26.4.2.2.1(1) and (2). The NYISO requested that it be allowed to use substitute price data from the most similar Proxy Generator Bus for which necessary

[8] Services Tariff Section 2.16, definition of Proxy Generator Bus.

[9] This marked the first time since the Commission approved External Transaction Credit Requirement formulas in 2013 that the NYISO created a new Proxy Generator Bus.

[10] The MTF is a unidirectional transmission facility, only Imports to New York are permitted at this time.

[11] *Request of the New York Independent System Operator, Inc. for Limited and Prospective Tariff Waiver and Request for Commission Action by March 31, 2026*, Docket No. ER26-1258-000 (January 30, 2026) ("Waiver Request").

historical price data exists for the new Proxy Generator Bus representing the MTF. The NYISO determined that the most appropriate substitute Proxy Generator Bus for the MTF is the bus associated with imports on the Hudson Transmission Partners Scheduled Line ("HTP Line"). Of the 22 proxy buses listed in Services Tariff Section 4.4.4 (excluding the new proxy buses associated with the MTF), only two represent imports that sink into Load Zone J NYC: HTP (PTID 323602) and Linden VFT (PTID 323633).[12] The HTP Proxy Generator Bus is a superior substitute due to the Linden VFT Proxy Generator Bus being subject to unique transmission constraints that result in a lower correlation with Load Zone J prices.[13]

The NYISO's Waiver Request explained that its request met the Commission's criteria for granting prospective waiver because (1) the applicant acted in good faith; (2) the waiver was of limited scope; (3) the waiver addresses a concrete problem; and (4) the waiver does not have undesirable consequences, such as harming third parties.[14] The Commission granted the Waiver Request on March 31, 2026.[15]

D. The NYISO Committed to Submitting a Section 205 Filing to Address Calculating Credit Requirements for New Proxy Generator Buses.

In the NYISO's Waiver Request, it committed to (1) work with Market Participants to revise the Services Tariff to expressly address the calculation of credit requirements for new Proxy Generator Buses, and (2) submit a Federal Power Act Section 205 filing by the end of 2026 or submit an informational filing explaining why, despite its efforts to develop appropriate language for filing, the NYISO was unable to do so.[16] The Commission noted this commitment in its order granting the Waiver Request.[17]

As contemplated by the Commission, the NYISO proposed revisions to the Service Tariff in the stakeholder process, and is now presenting those revisions to the Commission for its consideration and approval.

III. Description of Proposed Tariff Revisions

The NYISO proposes adding language to the Import Credit Requirement and Export Credit Requirement sections of the Services Tariff that will enable the NYISO to use substitute

[12] Waiver Request at 5.

[13] Waiver Request at 6.

[14] Waiver Request at 6.

[15] *New York Independent System Operator, Inc.*, Order Granting Waiver Request, 194 FERC ¶ 61,253 (March 31, 2026).

[16] Waiver Request at 7.

[17] *New York Independent System Operator, Inc.*, Order Granting Waiver Request, 194 FERC ¶ 61,253 at P 15 (March 31, 2026).

price data from an existing Proxy Generator Bus with like characteristics when a new Proxy Generator Bus is added in the NYCA. The following sentence would be added to the Import and Export Credit Requirements in Services Tariff Sections 26.4.2.2.1 and 26.4.2.2.2: "If there is not sufficient historical price data at the location associated with the Import Bid to perform this calculation, then the ISO will use the historical price data from a location with like characteristics." The NYISO expects that it will use similar characteristics to select a future substitute proxy bus location as it did for the substitute MTF proxy bus: the Load Zone that the Import would sink into or the Export would source from, and, if there is more than one location for the relevant Load Zone, any unique characteristics of the potential substitute location that may cause the location's prices to have more or less correlation with those of the new proxy bus location. Once five years of historical data has been generated, the NYISO would then begin to calculate the amount of credit support required based on historical price data from the new Proxy Generator Bus, consistent with the current tariff rules.

The NYISO drew upon the concept currently used in the context of transmission congestion contracts ("TCCs") to develop the proposed Services Tariff revisions. The Services Tariff already authorizes the NYISO to use substitute price data in credit calculations involving TCCs when actual data is unavailable. Specifically, Section 26.4.2.1.5 of the Services Tariff states that when the NYISO is computing a market-clearing price value used in TCC credit calculations, "in the event there is no market clearing price for a two-year, one-year, or six-month TCC in the appropriate prior Capability Period Centralized TCC Auction with the same POI and POW combination as the awarded two-year, one-year, or six-month TCC, as appropriate, then the market clearing price shall equal a proxy price, assigned by the ISO, for a TCC with like characteristics." The NYISO proposes using a very similar approach for determining alternative price data to use when calculating credit requirements for new Proxy Generator Buses.

IV. <u>Effective Date</u>

The NYISO respectfully requests that the Commission accept the revisions to the Services Tariff as proposed in this filing, without modifications or conditions, with an effective date of October 21, 2026 (*i.e.*, the day following the end of the statutory 60-day notice period).

V. <u>Stakeholder Process</u>

The Management Committee and the Business Issues Committee unanimously approved the proposed revisions to the Services Tariff on June 24, 2026 and June 10, 2026, respectively. The NYISO Board of Directors approved the proposed tariff revisions on July 21, 2026.

VI. Communications and Correspondence

All communications and correspondence concerning this filing should be directed to:

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VII. Service

The NYISO will send an electronic link to this filing to the official representative of each of its customers, and each participant on its stakeholder committees. The NYISO will send an electronic copy of this filing to the New York State Public Service Commission and the New Jersey Board of Public Utilities. The NYISO will also post a complete copy of this filing on its website at www.nyiso.com.

VIII. Conclusion

The NYISO respectfully requests that the Commission accept the tariff revisions proposed in this filing without modification, with an effective date of October 21, 2026.

Respectfully submitted,

/s/ Amie Jamieson
Amie Jamieson, Senior Attorney/Registered In-House Counsel
New York Independent System Operator, Inc.

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