NEW YORK INDEPENDENT SYSTEM OPERATOR
10 Krey Boulevard Rensselaer, NY 12144

April 30, 2013

By Electronic Delivery

Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: New York Independent System Operator, Inc., *Proposed Tariff Revisions to Establish and Recognize a New Capacity Zone and Request for Action on Pending Compliance Filing*, Docket No. ER13-____-000

In accordance with Section 5.16.4 of the Market Administration and Control Area Services Tariff ("Services Tariff"), the Commission's April 2, 2013 letter order granting a limited waiver of Section 5.16.4's filing deadline,[1] and Section 205 of the Federal Power Act, the New York Independent System Operator, Inc. ("NYISO") respectfully submits proposed tariff revisions to establish and recognize a New Capacity Zone[2] ("NCZ").[3] In addition, and as required by the Services Tariff, this filing includes a "report of the results of the NCZ Study." As discussed below, the NCZ Study identified a Highway deliverability constraint, which triggered the requirement to create an NCZ.[4] This filing proposes to establish an NCZ that would encompass NYISO Load Zones G, H, I, and J (the "G-J Locality").[5]

The NYISO strongly supports the establishment of the NCZ. As discussed in detail in this filing, the NYISO carefully examined and considered the transmission system, capacity market, and economic consequences of its NCZ proposal. It concluded that establishing and implementing the G-J Locality for the May 1, 2014 start of the 2014/2015 Capability Year is necessary to send more efficient price signals, enhance reliability, mitigate potential transmission security issues, and serve the long-term interest of all consumers in New York State. The

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[1] *See Letter Order,* Docket No. ER13-1124-000 at 1 (April 2, 2013) accepting the *Motion for Expedited Action and Limited Tariff Waivers of the New York Independent System Operator, Inc.* ("Expedited Waiver Filing"), Docket No. ER13-1124-000 (March 15, 2013). As noted in Section II.A.1, the April 2 letter order also authorized the NYISO to make any necessary adjustments by April 30, 2013 to the "Indicative NCZ LCR" determination that it had made by March 1, 2013.

[2] Capitalized terms that are not otherwise defined herein have the meaning set forth in the NYISO's Services Tariff, and if not defined therein, in the Open Access Transmission Tariff ("OATT").

[3] Services Tariff Section 2.14.

[4] Services Tariff Sections 5.16.4(a), 5.16.2.

[5] *See* Attachment IX hereto, a map depicting the NYISO's Load Zones; the NCZ, which would be defined as the "G-J Locality;" and the current Localities of Load Zone J and Load Zone K.

Independent Market Monitoring Unit ("MMU") for the NYISO has previously called for the creation of an NCZ and supports the NYISO's proposal.

The NYISO respectfully requests that the Commission issue an order no later than July 1, 2013, accepting the tariff revisions proposed in this filing with an effective date of July 1 except as noted below and in Section V. The NYISO is asking for an order by July 1, 2013 because sixty days from the date of the filing (*i.e.,* June 29) is a Saturday. Therefore, the NYISO believes that the sixty-day notice period does not expire until July 1.[6] As explained in the NYISO's November 7, 2011 compliance filing ("November 2011 Filing")[7] and in the Commission's August 2012 order accepting it,[8] acceptance of the NCZ within sixty days of filing is critical to the schedule of the ongoing ICAP Demand Curve reset process and the processes to implement the G-J Locality. Specifically, the ICAP Demand Curve reset consultant must know that a new Locality will be established, and its boundaries, with certainty. This information is needed so that the consultant may timely develop and propose an ICAP Demand Curve for the NCZ concurrent with the other ICAP Demand Curves. Commission acceptance is also necessary for development, testing, and deployment steps that are specific to the configuration of the G-J Locality. That timing is consistent with existing Service Tariff provisions.[9]

The NYISO is requesting later effective dates for certain of its proposed tariff revisions as specified in Section V. The reasons for each effective date are also specified. The requested effective dates correspond to necessary actions to implement the G-J Locality in time for the market activities which occur before the May 2, 2014 start of the 2014/2015 Capability Year.

As noted in Sections II.A.2 and V, the NYISO also asks the Commission to issue an order accepting pending compliance tariff revisions to establish market power mitigation rules in the NCZ as soon as possible.[10]

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[6] *See* 18 C.F.R. 385.2007 (2012). The NYISO does not intend that its request for effective dates later than June 29, 2013 be deemed to be a waiver of the requirement under 18 C.F.R. §35.3 that the Commission act on its proposed tariff revisions within sixty days of the date of this filing.

[7] Compliance Filing at 7, Docket No. ER12-236 (filed November 7, 2011).

[8] *New York Independent System Operator, Inc.*, 140 FERC ¶ 61,160 (2012) ("August 2012 Order").

[9] Services Tariff Section 5.14.1.2 specifies that an ICAP Demand Curve is to be established for any New Capacity Zone. The defined term "New Capacity Zone" means the "proposed" zone. (*See* Services Tariff Section 2.14 at definition of "New Capacity Zone"). Section 5.14.1.2.11 specifies that such ICAP Demand Curve is to be filed by November 30 "of the year prior to the year that includes the beginning of the first Capability Year to which such ICAP Demand Curves would be applied." In this instance, the first Capability Year is 2014/2015, which commences May 1, 2014.

[10] The pending tariff revisions were submitted on June 29, 2012 in Docket No. ER12-360-001. ("June 2012 Compliance Filing").

I. LIST OF DOCUMENTS SUBMITTED

The NYISO respectfully submits the following documents:

1. This filing letter;

2. A blacklined version of the proposed modifications to the Services Tariff effective July 1, 2013 ("Attachment I");

3. A clean version of the proposed modifications to the Services Tariff effective July 1, 2013 ("Attachment II");

4. A blacklined version of the proposed modifications to the OATT effective July 1, 2013 ("Attachment III");

5. A clean version of the proposed modifications to the OATT effective July 1, 2013 ("Attachment IV")

6. A blacklined version of the proposed modifications to the Services Tariff effective January 15, 2014 ("Attachment V");

7. A clean version of the proposed modifications to the Services Tariff effective January 15, 2014 ("Attachment VI");

8. A blacklined version of the proposed modifications to the Services Tariff effective January 27, 2014 ("Attachment VII");

9. A clean version of the proposed modifications to the Services Tariff effective January 27, 2014 ("Attachment VIII");

10. Map of NYISO Load Zones, identifying proposed G-J Locality and the current Localities. **(**"Attachment IX").

11. *2013 New Capacity Zone Study Report* ("Attachment X");

12. Affidavit of Dr. David B. Patton, Ph.D ("Patton Affidavit") ("Attachment XI");

13. Affidavit of Mr. Tariq N. Niazi ("Niazi Affidavit") ("Attachment XII");

14. Affidavit of Mr. Steven Corey ("Corey Affidavit") ("Attachment XIII");

15. Affidavit of Henry Chao, Ph.D. and John M. Adams ("Chao/Adams Affidavit") ("Attachment XIV");

16. Affidavit of Mr. Gary Jordan ("Jordan Affidavit") ("Attachment XV"); and

17. Affidavit of Ms. Emilie Nelson ("Nelson Affidavit") ("Attachment XVI").

II. BACKGROUND AND SUMMARY

A. NYISO Tariff Provisions Governing the Creation of, and Market Mitigation Power Mitigation in, NCZs

1. Tariff Provisions Governing the Creation of NCZs

In response to the Commission's September 2011 Order,[11] the NYISO's November 2011 Filing specified the process for evaluating, identifying and, if necessary, establishing NCZs in the New York Control Area ("NYCA"). In the August 2012 Order, the Commission accepted the November 2011 Filing and made it effective as of January 9, 2012.

The August 2012 Order accepted Section 5.16.4 of the Services Tariff, which requires the NYISO to make one of two types of NCZ filings[12] on or before March 31 of each ICAP Demand Curve Reset Filing Year[13] (*i.e.*, by March 31, 2013, because 2013 is an ICAP Demand Curve Reset Filing Year). The Services Tariff also requires the NYISO to commence a triennial NCZ Study in the preceding year, review the inputs and assumptions to be used in it with stakeholders by October 1 of that preceding year,[14] and complete the NCZ Study by January 15 of the ICAP Demand Curve Reset Filing Year.[15] Under Section 5.16.2, if the NCZ Study identifies a constrained Highway interface into one or more Load Zones, the NYISO is to identify the boundary of one or more NCZs. Under Section 5.16.4, the NYISO must file tariff revisions to implement new NCZ(s) along with the NCZ Study results.

Section 5.14.1.2 of the Services Tariff describes both: (i) the timing and sequence of the steps needed to create an NCZ; and (ii) how an NCZ is factored into the triennial ICAP Demand Curve reset process. Essentially, the periodic review of the ICAP Demand Curves incorporates a review of an ICAP Demand Curve for an NCZ concurrent with the review of ICAP Demand Curves for existing Localities and the NYCA. The economic parameters of each NCZ ICAP Demand Curve are likewise established as part of the normal reset procedure. ICAP Demand Curves for an NCZ would be effective at the same time as revised ICAP Demand Curves for the existing Localities and the NYCA, subject to Commission acceptance of certain tariff revisions effective January 27, 2014, as further explained in Section V. That is, the NCZ ICAP Demand Curve would be in effect for all ICAP market activities for the first Capability Year that commences after its filing and acceptance. Thus, for the NCZ proposed in this filing, the ICAP

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[11] *New York Independent System Operator, Inc.*, 136 FERC ¶ 61,165 (2011).

[12] Services Tariff Section 5.16.4(b) provides that "[i]f the NCZ Study does not identify a constrained Highway interface, the ISO shall file with the Commission the ISO's determination that the NCZ Study did not indicate that any New Capacity Zone is required pursuant to this process, along with a report of the results of the NCZ Study."

[13] Services Tariff Section 2.9.

[14] Services Tariff Section 5.16.1.2.

[15] Services Tariff Section 5.16.

Demand Curve is expected to be filed by November 30, 2013, and become effective for the Capability Year beginning May 1, 2014.

Section 5.16.3 of the Services Tariff directs the NYISO to establish an Indicative Locational Minimum Installed Capacity Requirement ("Indicative NCZ LCR") for each Load Zone or group of Load Zones "identified in the NCZ Study as having a constrained Highway Interface, on or before March 1 of each ICAP Demand Curve Reset Filing Year." The NYISO must also provide "an opportunity for stakeholders to review and comment..... " [16] Indicative NCZ LCRs are used "solely for establishing revised ICAP Demand Curves in accordance with Section 5.14.1.2."[17]

Accordingly, the NYISO only briefly addresses its Indicative NCZ LCR determination in this filing.[18] The NYISO satisfied the March 1 tariff deadline to establish an Indicative NCZ LCR including the stakeholder review requirements.[19] The Commission subsequently granted the NYISO's request in the Expedited Waiver Filing for a waiver of the March 1 deadline so that the NYISO could adjust the Indicative NCZ LCR if necessary after further technical analyses. On April 4, 2012, the NYISO presented a revised proposed Indicative NCZ LCR at an ICAP Working Group meeting. At the April 18, 2013 ICAP Working Group meeting, the NYISO made a presentation in response to stakeholder questions regarding the Indicative NCZ LCR. The Indicative NCZ LCR will be an element in the ICAP Demand Curve reset filing that will be submitted by November 30, 2013. The NYISO will continue to discuss with stakeholders the Indicative NCZ LCR, and its use, in the ICAP Demand Curve reset process.

2. Proposed Market Power Mitigation Rules for NCZs

On June 29, 2012, the NYISO submitted the June 2012 Compliance Filing in further compliance with the September 2011 Order. The June 2012 Compliance Filing proposed tariff revisions to implement "both buyer-side and supplier-side mitigation measures for NCZs using the same conceptual framework of the existing market mitigation measures currently applicable to the New York City Locality."[20] The NYISO asked that these further compliance revisions be made effective as of "September 1, 2012, or the effective date the Commission accepts for the

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[16] Services Tariff Section 5.16.3.

[17] *Id.* The actual Locational Minimum Installed Capacity Requirements ("LCR") that will be used to administer market rules for the G-J Locality will be established in the same manner as, and concurrent with, the LCRs for existing Localities J and K.

[18] Specifically, the Chao/Adams Affidavit presents a brief description, at PP 35-41 of how the NYISO used the same methodology and tools it employed to determine the NYCA Installed Reserve Margin and Locational Minimum Installed Capacity Requirements ("LCRs" to determine an Indicative NCZ LCR of 88%. The Jordan Affidavit affirms the reasonableness of this analysis at PP 14-15.

[19] See Services Tariff Section 5.16.3. The actual LCR that will be used to administer the G-J Locality capacity market rules will be established in the same manner as, and concurrent with, the LCRs for existing Localities J and K.

[20] June 2012 Compliance Filing at 1.

tariff revisions submitted in the November 2011 Filing ..... " (*i.e.,* January 9, 2012). The Commission has not yet acted on the June 2012 Compliance Filing. The NYISO had proposed that the NCZ mitigation compliance revisions would be in place before the beginning of the triennial NCZ Study process on September 1, 2012. The order would provide Market Participants, including those in the on-going Class Year processes,[21] with certainty of the rules. It is essential that the Commission act on the June 2012 Compliance Filing by August 30, 2013. That date is sufficiently in advance of the NYISO's November 29, 2013 filing of the ICAP Demand Curves to permit buyer-side mitigation analyses to be performed in time for the NYISO to issue an "Indicative BSM Determination" for any project proposed to be located in the NCZ that is then going through the Class Year project cost Allocation process.[22]

B. The 2013 New Capacity Zone Study Report

As required by Sections 5.16.4 and 5.16, the NYISO commenced work on the NCZ Study by September 1 2012 and completed it by January 15, 2013. A copy of the 2013 New Capacity Zone Study Report is included as Attachment X to this filing. As discussed in more detail therein, and in Section III.A, the NCZ Study was performed in accordance with the procedures and methodology set forth in Section 5.16. The rules require the NYISO to use, in large part, the deliverability methodology from the Class Year Study set forth in Attachment S to the NYISO OATT. The NCZ Study concluded that "[t]he UPNY-SENY Highway Interface is bottling 849.2 MW generation from upstream (Zones A through F), thus indicating the need to create a New Capacity Zone."

C. Selection of the NCZ Boundary

Section 5.16.2 of the Services Tariff provides that "[i]n determining the New Capacity Zone boundary, the ISO shall consider the extent to which incremental Capacity in individual constrained Load Zones could impact the reliability and security of constrained Load Zones,

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[21] OATT Attachment S contains a process for periodic study of projects that have completed similar milestones - a "Class Year" of projects that are through a certain stage of the Interconnection process. The NYISO conducts a detailed study that evaluates the cumulative impact of the group of projects (a "Class Year Study").[21] The Class Year Study identifies the upgrade facilities needed to reliably interconnect all the projects in a Class Year. For the group of Class Year projects requesting Capacity Resource Interconnection Service ("CRIS"), the Class Year Study includes a deliverability test to determine the extent to which each project is deliverable at the requested CRIS MW level. The deliverability study in the Class Year Study evaluates the deliverability of projects requesting CRIS within the applicable Capacity Region. The Class Year Study then allocates the cost of System Upgrade Facilities and System Deliverability Upgrades identified in the study among the projects in the Class Year in accordance with the cost allocation methodologies set forth in Attachment S to the OATT. Section IV.B.2.b of this filing describes tariff revisions that would apply to the deliverability test used in the Class Year Study.

[22] *See* June 2012 Compliance Filing at Section 23.4.5.7.2.2. The Indicative BSM Determination is for informational purposes only. A final buyer-side mitigation determination will be issued for projects then going through the project cost allocation process, and projects in a completed Class Year, after Commission acceptance of the ICAP Demand Curves for the NCZ.

taking into account interface capability between constrained Load Zones." As discussed in Section III.B, the Chao/Adams Affidavit describes the resource adequacy and transmission security analyses that the NYISO conducted in order to determine the boundary of the NCZ. The Jordan Affidavit reviews and validates the reasonableness of those analyses. The Patton Affidavit explains the market design principles that are relevant to establishing NCZ boundaries and accepts the NYISO's proposed G-J Locality as consistent with them and reasonable.

D. The Benefits of Establishing an NCZ

As explained in the Patton Affidavit, the creation of an NCZ will bring many benefits by sending more efficient locational investment signals.[23] As Dr. Patton explains, NCZs are intended to reflect the reliability needs of the system over the planning horizon, which allows the capacity market to attract investment where it will provide the greatest reliability benefit.[24] The creation of an NCZ provides an incentive to build new, and to maintain existing, resources, in areas where investment is most effective. The Patton Affidavit notes that establishing the G-J Locality also will improve the incentives to develop new demand response resources in that location.[25] In short, establishing an NCZ will "facilitate more efficient investment and retirement decisions."[26]

The reliability needs that the G-J Locality would address are becoming increasingly significant. As indicated in the NYISO's 2012 Comprehensive Reliability Plan[27] and in the MMU's *2012 State of the Market Report* ("*2012 SOM*"),[28] recent generator retirements in Load Zones G and H resulted in higher Locational Minimum Installed Capacity Requirements ("LCRs") for Load Zones J and K.[29] The total amount of Unforced Capacity in Load Zones G, H, and I has fallen by 1 GW since the Summer of 2006, even though there has been an apparent need for resources to address issues with the UPNY-SENY interface.[30] The lack of a capacity price signal has contributed to a reduction in capacity in these Load Zones.[31] This has led to

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[23] *See* Patton Affidavit at P 8.

[24] *Id*.

[25] *Id*. at P 12.

[26] *Id*. at P 13.

[27] NYISO, *2012 Comprehensive Reliability Plan Final Report* (March 19, 2013), *available at* <http://www.nyiso.com/public/webdocs/markets_operations/committees/bic_espwg/meeting_materials/2013-01-31/2012%20CRP%20Compare%20Jan29%20to%20Jan23changes.pdf>.

[28] *2012 State of the Market Report for the New York ISO Markets* (April 2013) *available at* <http://www.nyiso.com/public/webdocs/markets_operations/documents/Studies_and_Reports/Reports/Market_Monitoring_Unit_Reports/2012/NYISO2012StateofMarketReport.pdf> .

[29] *Id*. at P 11.

[30] *Id*.

[31] *Id*. at P 12.

increased LCRs for New York City and Long Island, which have resulted in higher capacity prices in those Localities.[32]

Additionally, as described in the Niazi Affidavit, the NYISO conducted analyses of the potential wholesale price impacts of creating the G-J Locality. The NYISO considered various timeframes and alternative assumptions regarding future transmission development, new resource entry, and plant retirements. A number of the NYISO's analyses were conducted in direct response to stakeholder requests.

The Niazi Affidavit focuses on the two wholesale consumer impact price analyses that Mr. Niazi believes are the most informative. They are: (i) a forward-looking 2013 impact analysis that considers both summer and winter conditions;[33] and (ii) a forward-looking 2018 case that assumes a 1000 MW increase in transmission system transfer capability and resource additions.[34] The NYISO presents this information to provide an indication of prices with and without a G-J Locality.[35] In general, Mr. Niazi's analysis shows expected capacity price increases in Load Zones G, H, and I and no price increases in other zones.[36] This is an expected consequence of reflecting the effect of the UPNY-SENY interface on capacity prices.

While the simulations show that the creation of the NCZ will increase capacity prices in Load Zones G, H, and I over the prices absent the creation of the G-J Locality, this is a corrective response to the longstanding absence of a needed locational price signal.[37] Price increases in Load Zones G, H, and I therefore appear to be an efficient and appropriate outcome that will signal the need for capacity investment in Load Zones G, H, and I.[38] The reliability and market benefits of sending more effective investment signals are in the long-term interest of all consumers, even those that may pay higher locational prices in the short-term.

Finally, the Niazi Affidavit highlights another benefit that the establishment of an NCZ for the G-J Locality would likely bring. Proposed new resources in the new Rest of State (Load Zones A-F) may be more likely to enter the market.[39] Those resources would be more

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[32] *Id*. at P 12.

[33] As noted in the Niazi Affidavit, the NYISO is not proposing to implement the NCZ in 2013. However, the 2013 case is instructive because there are more data and therefore less need to rely on assumptions than for any future year. (*See* Niazi Affidavit at P 11).

[34] Niazi Affidavit at PP 12-13.

[35] As Mr. Niazi states in his Affidavit, the simulated ICAP Spot Market Auction prices are not intended to be a forecast of prices for 2013 or 2018. (*See* Niazi Affidavit at PP 11 and 12, respectively). They also do not reflect hedging or other actions Market Participants may take to manage capacity costs. (*See id*.).

[36] Niazi Affidavit at P 15.

[37] *Id*.

[38] *Id*.

[39] *Id*.

environmentally friendly than the existing generators they might displace, and thus could bring environmental benefits.[40]

E. MMU Recommendations

The MMU has consistently stated that the NYISO should create an NCZ in the Lower Hudson Valley, most recently in its comments on the *2012 SOM*.[41] The *2012 SOM* emphasizes that "[c]apacity price signals should reflect the value of capacity in each area" and that the creation of an NCZ in Southeast New York "will greatly enhance the efficiency of the capacity market signals but is overdue."[42] It explains that: (i) the total amount of UCAP sold in Load Zones G, H, and I has fallen by more than twenty percent since 2006 "even as the need for resources to address the UPNY-SENY interface has become more apparent in the NYISO's Comprehensive Reliability Planning Process;" (ii) UPNY-SENY interface limits have resulted in higher LCRs for Load Zones J and K; and (iii) it should be a "high priority for the NYISO to move forward expeditiously to create and price" an NCZ in SENY. The NYISO agrees with these recommendations.[43] Similarly, as noted above, the Patton Affidavit reiterates that an NCZ is needed and that the proposed G-J Locality is reasonable.

F. Stakeholder Review

The NYISO has had extensive discussions with its stakeholders regarding the NCZ Study, the proposed boundary, potential impacts of the proposed G-J Locality, the tariff revisions that would implement it, and related issues.[44] By engaging in these discussions, carefully considering all of the input provided by stakeholders, and responding to numerous requests for additional information, the NYISO has more than fully satisfied tariff requirements concerning stakeholder review. More specifically, on October 1, 2012, the NYISO presented to the ICAP Working Group the NCZ Study inputs and assumptions. On November 19, 2012 the NYISO presented additional information on the NCZ Study and responded to stakeholder input and questions. On January 14, 2013, the NYISO presented the results of the NCZ Study to the ICAP Working Group. The NYISO released a final version of the study incorporating stakeholder feedback on the same date.

On January 30, 2013, the NYISO presented to ICAP Working Group members a proposed boundary for the NCZ of Load Zones G, H, I, J, and K based on its analysis as of that date. It received input from stakeholders at the January 30 and February 14 ICAP Working

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[40] *Id*. at P 44.

[41] *2012 SOM* at 51-52.

[42] *Id*. at 51.

[43] The NYISO is evaluating other recommendations made by the MMU in the *2012 SOM*. However, those recommendations go beyond the scope of the issues to be considered in this proceeding.

[44] As noted above, these other issues include the Indicative NCZ LCR which is an element to be discussed in more detail in relation to the proposed ICAP Demand Curve for the NCZ. *See* Services Tariff Section 5.14.1.2.

Group meetings and continued its analyses, including analyses requested by stakeholders. After further analysis, the NYISO revised the NCZ boundary on March 28, 2013 to consist of Load Zones G, H, I, and J. Load Zone K was not included. The NYISO presented details of its analyses at the March 28 and April 18 ICAP Working Group meetings. At each of these meetings, and also separately, the NYISO responded to stakeholder questions regarding the boundary.

Drafts of the non-credit-related tariff revisions proposed to establish the NCZ were proposed at the February 14, April 4, and April 18 ICAP Working Group meetings. Additional incremental tariff revisions were sent to stakeholders on April 26. In response to stakeholder comments during and separate from the meetings, a number of changes were made to the various drafts of tariff revisions based on stakeholder input. The credit-related provisions, *i.e.,* those described in Section IV.A.4 were discussed at its January 25, February 22, and March 8, 2013 Credit Policy Working Group meetings, and additionally, they were also posted on the NYISO's website with the ICAP Working Group meeting materials. The NYISO revised its proposed credit tariff provisions based on stakeholder input, as described below.

The NYISO made presentations concerning the consumer impacts of its NCZ proposal at the September 11 and December 3, 2012, and the January 30, and March 28, 2013 meetings, and provided further information in presentation form on April 18.

III. BASIS FOR THE PROPOSED NEW CAPACITY ZONE

A. NCZ Study

The Corey Affidavit explains that, as required by the Services Tariff, the NCZ Study was performed using in large part,[45] the deliverability methodology from the Class Year Study set

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[45] *See* Corey Affidavit at P 6. Section 5.16 of the Services Tariff is replete with references to Attachment S of the OATT which clearly establish that the NCZ Study is largely based on the Class Year Study methodology. *See, e.g.,* Section 5.16.1.1.5 ("The ISO will perform the NCZ Study by applying to the above inputs and assumptions the methodology contained in OATT Attachment S Sections 25.7.8.2.6, 25.7.8.2.7, 25.7.8.2.8, 25.7.8.2.9, 25.7.8.2.12, and 25.7.8.2.13 to Highways."). As explained in the NYISO's October 11, 2011 *Request for Clarification, or in the Alternative Rehearing* in Docket No. ER04-449-023 ("Request for Clarification"), and as accepted by the Commission, the primary difference between the way the NCZ Study is performed relative to the deliverability methodology is that the evaluation is limited to deliverability across Highways and not Byways, in accordance with Section 5.16.1 of the Services Tariff. *See Request for Clarification* at 5 (Assessment of Byway facilities, *i.e.*, transmission facilities that are neither Highways nor Other Interfaces, would not provide an indication of whether the transmission system interfaces between Load Zones are constrained. Assessment of Highway facilities by application of the Deliverability Test methodology in section 25.7.8 will provide the information necessary to determine whether inter-zonal constraints exist which necessitate the creation of new Capacity zones."). *See also New York Independent Transmission System Operator, Inc.*, 137 FERC ¶ 61,229 (2011) ("We grant clarification that the section 25.7.8 Highway Capacity Deliverability Test methodology to be used in the context of determining whether a new capacity zone is needed should only be that test in section 25.7.8 which applies to Highway facilities.").

forth in Attachment S of the OATT.[46] The NCZ Study evaluates whether there is a constrained Highway interface into one or more Load Zones but does not evaluate deliverability across Other Interfaces or Byways.[47] Thus, the NYISO conducted the NCZ Study by testing the transfer capability across Highway interfaces.

As further explained in the Corey Affidavit, the NCZ Study applied the assumptions and methodology required under Section 5.16.1.1.[48] Pursuant to those provisions, the NYISO developed the required Load, Generator, Transmission, and Import/Export models, which used results from many NYISO studies and reports. Specifically, the NYISO's Load model used the 2017 Summer peak load conditions from the 2012 Load and Capacity Data report ("Gold Book"), and accounted for the impact of Load Forecast uncertainty using values from the 2012 New York State Reliability Council ("NYSRC") IRM Report.[49] The NYISO's Generator model included: (1) existing Capacity Resource Interconnection Service ("CRIS") generators and all projects with Unforced Capacity Deliverability Rights ("UDRs"), and (2) planned generation projects or Merchant Transmission Facilities. The Generator model also included a UCAP derate factor and accounted for units retaining CRIS rights for three years after being deactivated, that still have the ability to transfer those rights. The transmission model included: (1) existing transmission facilities, as set forth in the 2012 Gold Book; (2) planned changes of facilities that are scheduled to be in service prior to the NCZ Study Capability Period; and (3) any System Upgrade Facilities and System Deliverability Upgrades associated with planned projects, however, System Deliverability Upgrades were only modeled if they are being constructed.[50] The Import/Export model included: (1) NYCA scheduled imports from HQ/PJM/ISO-NE/IESO; and (2) actual flow scheduled from Rest of State to New York City and Long Island consistent with the IRM and the LCRs for Load Zones J and K.[51]

The NCZ Study finalized on January 14, 2013 determined that the UPNY-SENY Highway interface into Load Zones G, H, and I was constrained. Therefore, in accordance with the Services tariff, the NYISO is required to establish an NCZ.

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[46] The Class Year Study identifies the upgrade facilities needed to reliably interconnect all the projects in a Class Year, including System Upgrade Facilities. For the group of Class Year projects requesting CRIS, the Class Year Study includes a Deliverability test to determine the extent to which each project is deliverable at the requested CRIS MW level. Among the Class Year Study provisions in Attachment S are details regarding the study methodology for evaluation of a project's Deliverability and the identification and cost allocation of System Deliverability Upgrades required for a project's proposed capacity to be fully deliverable. This is the "deliverability methodology" referred to herein.

[47] Corey Affidavit at P 7.

[48] *Id.* at P 13.

[49] *Id.* at PP 14.

[50] *Id*. at P 15

[51] *Id*. at P 16.

B. Selection of the NCZ Boundary

As discussed in the Chao/Adams Affidavit,[52] the NYISO's NCZ boundary determination focused principally on resource adequacy assessments. The NYISO ran simulations in which capacity was relocated from Load Zones G, H, and I to Load Zones J and K while monitoring compliance with NYSRC loss-of-load ("LOLE") requirements. The simulations were conducted using General Electric's Multi-Area Reliability Simulation ("MARS") model together with the "unified" or "Tan 45" methodology. The simulations demonstrated that capacity in Load Zones G, H, and I was more fungible with capacity in Load Zone J than it was with capacity in Load Zone K. This meant that Load Zone K could provide only very limited support to Load Zones G, H, and I. By contrast, Load Zone J capacity had a considerably greater value to Load Zones G, H, and I.[53]

The NYISO undertook further analyses which demonstrated that adding capacity to Load Zone J would provide greater LOLE benefits per MW in Load Zones G, H, and I than would adding capacity to Load Zone K.[54] In addition, the NYISO conducted a transmission security analysis the results of which were consistent with and reinforced the results from its probabilistic resource adequacy analyses.[55] Finally, the Chao/Adams Affidavit explains that establishing an NCZ that included Load Zone K would be inconsistent with sound market design principles. Such an NCZ would incent capacity additions in Load Zone K even though they would provide "considerably less reliability value to the other Load Zones located on the constrained side of the UPNY-SENY interface and to the NYCA as a whole."[56] The NYISO therefore concluded that an NCZ encompassing the G-J Locality was more consistent with tariff requirements and market design principles than alternative NCZ configurations.

The Jordan Affidavit reviewed the NCZ boundary analysis described in the Chao/Adams Affidavit and concluded that the NYISO had "reasonably: (i) concluded that the NCZ that it is required to establish should encompass Loads Zones G, H, I, and J ("GHIJ"), but exclude Load Zone K; (ii) selected and applied the methodology that it used in its NCZ boundary analysis; and (ii) determined the Indicative NCZ LCR for its proposed NCZ."[57]

The Patton Affidavit notes that "[i]n principle . . . the boundaries of any [NCZ] should be determined based on the ability of the resources within each area to contribute to satisfying the reliability needs of the zone."[58] Not including Load Zone K in the NCZ is consistent with this

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[52] *See* Chao/Adams Affidavit at PP 12-34.

[53] *Id.* at PP 19-22.

[54] *Id.* at PP 23-27.

[55] *Id.* at PP 28-31.

[56] *Id.* at PP 32-33.

[57] *See* Jordan Affidavit at P 7.

[58] *See* Patton Affidavit at P 9.

principle. More generally, the Patton Affidavit accepts and defers to the analysis in the Chao/Adams and Jordan Affidavits. It concludes that the NYISO's proposal to create a G-J Locality is consistent with market design principles and "therefore, a reasonable configuration."[59]

IV. EXPLANATION AND DESCRIPTION OF PROPOSED TARIFF REVISIONS

A. Proposed Revisions to the Services Tariff

1. Definitions

Several existing Services Tariff definitions refer to, address, or define concepts related to Load Zones and Localities. They thus require modification to recognize the creation of an NCZ. Because the NCZ will be a new Locality, the NYISO is proposing to revise the definition of "Locality" in Section 2.12 to include the NCZ, as follows:

> **Locality:** A single LBMP Load Zone or set of adjacent LBMP Load Zones within one Transmission District or a set of adjacent Transmission Districts (or a portion of a Transmission District(s)) within which a minimum level of Installed Capacity must be maintained, and as specifically identified in this subsection to mean (1) Load Zone ~~J~~; and (2) Load Zone K; and (3) Load Zones G, H, I, and J (collectively the "G-J Locality").

A new defined term "G-J Locality" proposed in a revision to Section 2.7 would clearly specify that the NYISO's NCZ is to be "comprised of Load Zones G, H, I, and J, collectively."

In addition, the NYISO seeks to clarify the Services Tariff definition of "Locational Minimum Installed Capacity Requirement." When the NYISO proposed revisions to the OATT Section 1.12 definition of "Locational Installed Capacity Requirement" at an ICAP Working Group Meeting, stakeholders identified that the Services Tariff definition of "Locational Minimum Installed Capacity Requirement" could benefit from certain clarifying revisions. The NYISO agrees and proposes the following revisions:

> **Locational Minimum Installed Capacity Requirement:** The portion of the NYCA Minimum Installed Capacity Requirement provided by Capacity Resources that must be electrically located within a Locality (including those combined withor possess an approved Unforced Capacity Deliverability Right except for rights returned in an annual election to the ISO in accordance with ISO Procedures.) in order to ensure that sufficient Energy and Capacity are available in that Locality and that appropriate reliability criteria are met.

The NYISO is further proposing to revise the Services Tariff's definition of "LSE Unforced Capacity Obligation" to reflect the fact that there will be such an obligation for the "G-J Locality."

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[59] *See id.* at P 16.

Additionally, the NCZ will include Load Zones G, H, and I which were formerly not a Locality or part of a Locality, but instead were included in the "Rest of State," as defined in Section 2.18. Therefore, the definition of "Rest of State" in Section 2.18 must be revised to add Load Zones G, H, and I to the list of Load Zones not included in "Rest of State" and to specify the Capability Year in which their removal will become effective, as follows:

> **Rest of State:** The set of all non-Locality NYCA LBMP Load Zones. As of the 2002 2003 2014/2015 Capability Year, Rest of State includes all NYCA LBMP Load Zones, other than LBMP Load Zones G, H, I, J, and K.

The NYISO also proposes revisions to the definition of "Unforced Capacity Deliverability Rights" in Section 2.21to reflect the establishment of an NCZ, and minor clarifying revisions requested by stakeholders which the NYISO agrees adds clarity, as follows:

> **Unforced Capacity Deliverability Rights**: Unforced Capacity Deliverability Rights ("UDRs") are rights, as measured in MWs, associated with new incremental controllable transmission projects that provide a transmission interface to a NYCA Locality (i.e., an area of the NYCA in which a minimum amount of Installed Capacity must be maintained). When combined with Unforced Capacity which is located in an External Control Area or non-constrained NYCA region either by contract or ownership, and which is deliverable to the NYCA interface in the Locality in whichwith the UDR transmission facility is electrically located, UDRs allow such Unforced Capacity to be treated as if it were located in the NYCA Locality, thereby contributing to an LSE's Locational Minimum Installed Capacity Requirement. To the extent the NYCA interface is with an External Control Area the Unforced Capacity associated with UDRs must be deliverable to the Interconnection Point.

2. Revisions to Tariff Provisions Related to the Installed Capacity Market

a. Section 5.11

Several tariff provisions related to the NYISO's administration of the Installed Capacity market must be modified to recognize the creation of the NCZ. Section 5.11.1 requires revision to accommodate the fact that the NCZ will be a Locality that contains another Locality within it. The NYISO is proposing a revision to clearly acknowledge that it is to calculate for each relevant Locality the Unforced Capacity Obligation for any LSE with Load in a Load Zone that is included in more than one Locality.

Specifically, the NYISO proposes to revise Section 5.11.1 as follows:

> 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.

The NYISO is also proposing a minor clarifying change to Section 5.11.4 to delete the term "NYCA" and to reiterate that LSEs will have LCRs for every Locality in which they serve Load. Specifically:

> The Locational Minimum Unforced Capacity Requirement represents a minimum level of Unforced Capacity that must be secured by LSEs in NYCAeach Localityies in which it has Load for each Obligation Procurement Period....."

Again, this change more clearly recognizes the establishment of an NCZ.

b. Section 5.12

The NYISO is proposing to revise Section 5.12 of the Services Tariff to specify that certain capacity cannot be used to satisfy an LCR. Specifically, capacity associated with External CRIS Rights, Grandfathered External Installed Capacity Agreements listed in Attachment E of the Installed Capacity Manual, and Existing Transmission Capacity for Native Load ("ECTNL") for the New York State Electric & Gas Corporation ("NYSEG")[60] listed in Table 3 of Attachment L to the ISO OATT, is only qualified to satisfy a NYCA Minimum Unforced Capacity Requirement and is not eligible to satisfy an LCR. The restriction would not apply to External capacity associated with UDRs. As noted by the Nelson Affidavit, this modification would align the proposed rule for NCZs with the existing limitation that prevents External Capacity not associated with UDRs from satisfying LCRs in the existing Localities, *i.e.,* Load Zones J and K.[61] This rule is reasonable because, as explained in the Nelson Affidavit, although it is possible that some portion of the Energy associated with External capacity may satisfy a Locality's need under certain circumstances, there is no assurance that it will actually do so.[62] Unless External capacity is associated with controllable transmission equipment that is considered a Scheduled Line (*i.e.,* a UDR), there is no such assurance. Therefore, External capacity should not be counted towards a Locality's LCR unless it is associated with a LCR.[63]

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[60] Under the OATT, ETCNL is "[t]ransmission capacity identified on a Transmission Owner's transmission system" to serve its Native Load customers "(as of the filing date of the original ISO Tariff - January 31, 1997) for the purposes of allocating revenues from the sale of TCCs related to that capacity." The Commission has held that NYSEG's ETCNL constitutes a grandfathered Deliverability right to import up to 1080 MW of capacity from PJM. *See New York Independent Transmission System Operator, Inc., et al.,* 127 FERC ¶ 61,318 (2009).

[61] *See* Nelson Affidavit at PP 10-17.

[62] *See id.* at P 11.

[63] *See id.* at P 12.

Additionally, the Nelson Affidavit explains why the NYISO disagreed with suggestions that it create additional "exceptions" that would allow certain External capacity to be used to satisfy LCRs.[64] Certain stakeholders have argued that Energy from External capacity ought to be eligible to count against LCRs if it is expected, *e.g.,* to flow over a Phase Angle Regulator ("PAR")-controlled transmission facility from the PJM Interconnection, LLC ("PJM"), specifically, in recognition of certain power flows associated with the Ramapo PAR facilities ("Ramapo PARs").[65] Ms. Nelson explains that target flow assumptions associated with the Ramapo PARs are not the functional equivalent of a UDR right. [66] Further, deviations from the target flow can be satisfied by financial settlement payments from PJM, rather than through physical delivery on the Ramapo PAR-controlled 5018 line.[67] Thus, there is no guarantee that when external PJM capacity is called upon to meet a reliability need in the G-J Locality that the associated Energy would be delivered across the 5018 line into Load Zone G, rather than over the large set of interconnections connecting PJM to the new Rest of State.[68] Therefore, it is distinguishable from capacity associated with a UDR which is qualified to satisfy an LCR obligation under the NYISO's Services Tariff and should not be eligible to satisfy an LCR.

The NYISO also considered but rejected a stakeholder request that External capacity over a transmission line from ISO-New England be permitted to satisfy a G-J Locality LCR.[69] As Ms. Nelson explains, it is impossible for External capacity from New England, and the associated Energy, to be controlled to be made deliverable to the G-J Locality.[70] Accordingly, it should not be eligible to satisfy an LCR.[71]

Therefore, the NYISO proposes to insert the following new paragraph, after the third paragraph in Section 5.12.1:

> External Installed Capacity not associated with UDRs, including capacity associated with External CRIS Rights, Grandfathered External Installed Capacity Agreements listed in Attachment E of the ISO Installed Capacity Manual, the Existing Transmission Capacity for Native Load listed for New York State Electric & Gas Corporation in Table 3 of Attachment L to the ISO OATT, Import Rights, and External System Resources, is only

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[64] *See id*. at PP 18-22.

[65] *Id*. at P 18.

[66] *Id*. at P 21.

[67] *Id*. The 5018 line is one of larger set of interconnections connecting PJM to the NYCA. *Id.* at P 19.

[68] *Id*.

[69] *Id*. at P 22. As explained in the Nelson Affidavit, this one line is part of a much larger set of uncontrolled interconnections connecting New England to the NYCA.

[70] *Id*.

[71] *Id.*

qualified to satisfy a NYCA Minimum Unforced Capacity Requirement and is not eligible to satisfy a Locational Minimum Installed Capacity Requirement.....

The NYISO is also proposing to add the language set forth below to the second paragraph of Section 5.12.8. It would specify limits on offering non-UDR External Capacity into capacity market auctions that parallel the proposed prohibition against counting such capacity against LCRs.[72]

External Unforced Capacity (except External Installed Capacity associated with UDR(s)) may only be offered into the Capability Period Auctions or Monthly Auctions for the Rest of State, and ICAP Spot Market Auctions for the NYCA and may not be offered into a Locality for an ICAP Auction. Bilateral Transactions which certify External Unforced Capacity using Import Rights may not be used to satisfy a Locational Minimum Unforced Capacity Requirement .....

Language has also been added to Section 5.12.2 to specify that terms not defined therein, will have the meaning provided in the OATT. This clarification is intended to avoid ambiguity and confusion given the number of terms defined in OATT Attachments S and X that appear in Section 5.12.2. Additionally, and consistent with the changes described above, several revisions to Section 5.12.2 are proposed to clarify that the External Installed Capacity deliverability test will only evaluate whether such External capacity is deliverable within the Rest of State. Section 5.12.2.4.1 has been revised to provide that the Offer Cap applicable to certain External CRIS Rights will be determined based on the relevant NYCA ICAP Demand Curve.

Revisions to the sanctions provision in Section 5.12.12 are also needed to recognize the introduction of an NCZ. Specifically, the NYISO is proposing to revise Section 5.12.12.2 to state: "The deficiency charge may be up to one and one-half times the applicable Market-Clearing Price of Unforced Capacity determined in the ICAP Spot Market Auction corresponding to where the Installed Capacity Supplier's capacity cleared, and for each month in which the Installed Capacity Supplier is determined not to have complied with the foregoing requirements ....."

c. Section 5.14

Just as it has proposed to do in its revision to Section 5.12.2.4.1 (described above), the NYISO proposes to modify language describing the payment of ICAP Suppliers in Section 5.14.1.1 to more clearly specify that their compensation will be computed using the "ICAP Demand Curve applicable to its offer." This change would recognize and accommodate the establishment of ICAP Demand Curves for NCZs.

Similarly, the NYISO would revise Section 5.14.2, which governs the calculation of deficiency charges to more clearly establish that such charges will be determined "using the

[72] *See id*. at P 15.

applicable in theICAP Demand Curve for that ICAP Spot Market Auction..... " Again, this revision would accommodate the establishment of ICAP Demand Curves for NCZs.

The NYISO is also proposing revisions to Section 5.14.3.2(iii) and (iv) to reflect the addition of the NCZ. Specifically, Section 5.14.3.2(iii) would be revised to describe how the NYISO would rebate unspent deficiency charges or supplemental supply fees for the proposed G-J Locality. The language added has been modeled on the previously accepted provisions for the existing Localities, and provides as follows:

(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.

Section 5.14.3.2(iv) has been renumbered and its references to the New York City and Long Island Localities, which would be too narrow after the G-J Locality is effective, would be deleted, as follows:

(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 two Localities, New York City and Long Island, 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.

Additionally, while the NYISO is not proposing any changes to the table of ICAP Demand Curves in Section 5.14.1.2 at this time, the ICAP Demand Curve reset filing to be made by November 30, 2013 will include a new row for the G-J Locality. The creation of the G-J Locality will not alter the existing requirement that the plant used to establish the NYCA ICAP Demand Curve must be located in the Rest of State (as that term would be revised to recognize the new G-J Locality).[73]

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[73] *See* Services Tariff Section 5.14.1.2; and *New York Independent System Operator, Inc.*, 134 FERC ¶ 61,058 at P 38 (2011) ("Therefore, we conclude that the tariff requires that NYISO determine the localized levelized embedded costs for three separate peaking units, i.e., one for the NYC (Zone J) locality, one for the LI (Zone K) locality, and one for the rest-of-state. Further, in past applications of the demand curve, the rest-of-state has carried a de facto meaning of all NYCA Load Zones with the exception of NYC and LI. Furthermore, protestor's assertions would lead to the conclusion that a NYCA

d. Additional Minor Typographical Correction to Section 5.16.1.1.4

The NYISO proposes an additional minor revision to correct a typographical error in Services Tariff Section 5.16.1.1.4, to insert a close parenthesis after "5.16.1.1.1(iii)" as follows: "(excluding and not recognizing MW of CRIS requested by Developers other than CRIS identified in Section 5.16.1.1.1 (iii))…"

3. Revisions to the Pivotal Supplier Threshold in Attachment H

The NYISO's June 2012 Compliance Filing described that it is necessary to apply market power mitigation measures within NCZs because they will not have a significant amount of surplus capacity in equilibrium. Thus, establishing the NCZ will raise local market power concerns. "Over- mitigation" is unlikely to occur as long as a threshold is applied only to ICAP Suppliers that likely have market power and not to relatively small suppliers that do not control a minimum quantity of Unforced Capacity.

The June 2012 Compliance Filing proposed to apply mitigation measures to the NCZ that this filing would establish.[74] That filing explained that the NYISO would propose a Pivotal Supplier threshold at the time that it made a filing to implement an NCZ. Accordingly, the NYISO is now proposing the threshold by revising Section 23.2.1's definition of "Pivotal Supplier." The NYISO is proposing a 650 MW threshold, and minor wording revisions (*i.e.,* the insertion of the words "New York City Locality," "G-J Locality," and "if any"):[75]

> For purposes of Section 23.4.5 of this Attachment H, **"Pivotal Supplier"** shall mean (i) for the New York City Locality, a Market Party that, together with any of its Affiliated

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peaking unit on LI would need to be deliverable to the entire state, including NYC and rest-of-state. This would imply that a NYCA peaking unit located in rest-of-state would need to be deliverable to NYC and LI, which is not reasonable and not required by the Tariff. Accordingly, we find NYISO correct in locating the NYCA peaker within the rest-of-state area.").

[74] For ease of considering the revisions proposed to this section, the NYISO distinguishes them with double underline. The revisions proposed in the June 2012 Compliance Filing are shown with a single underline.

[75] As noted at Section II.A.2, the NYISO respectfully requests the Commission issue an order on the June 2012 Compliance Filing no later than August 30, 2013**,** well in advance of the effective date of the tariff revisions proposed herein, so that the NYISO may make necessary mitigation and exemption determinations for facilities in the NCZ. In the event that the Commission does not issue an order on the June 2012 Compliance Filing prior to acting on this submittal, the NYISO respectfully requests that the Commission accept the changes to the Pivotal Supplier definition, in Services Tariff Section 23.2.1, proposed in the June 2012 Compliance Filing. Pursuant to the Commission's e-tariff filing requirements, the June 2012 Compliance Filing's proposed changes to that Section 23.2.1 are reflected in Attachment VII as the base, accepted language to which the incremental changes proposed in this filing are marked. Therefore, consistent with the NYISO's proposal, the NYISO is seeking acceptance of the tariff language in Section 23.2.1 as reflected in Attachment VIII to this filing.

> Entities, (a) Controls 500 MW or more of Unforced Capacity, and (b) Controls Unforced Capacity some portion of which is necessary to meet the New York City Locality Locational Minimum Installed Capacity Requirement in an ICAP Spot Market Auction; (ii) for the G-J Locality, a Market Party that, together with any of its Affiliated Entities, (a) Controls 650 MW or more of Unforced Capacity; and (b) Controls Unforced Capacity some portion of which is necessary to meet the G-J Locality Locational Minimum Installed Capacity Requirement in an ICAP Spot Market Auction; and (iii) for each Mitigated Capacity Zone except the New York City Locality and the G-J Locality, if any, a Market Party that Controls at least the quantity of MW of Unforced Capacity specified for the Mitigated Capacity Zone and accepted by the Commission.

The Patton Affidavit explains that the NYISO calculated its proposed 650 MW threshold for the G-J Locality in a manner consistent with MMU recommendations and describes how those calculations were conducted.[76] The methodology aimed to achieve a balance between the benefits of effectively mitigating Suppliers with market power against the benefits of minimizing NYISO interventions in the markets.[77] It focused on identifying how large an ICAP Supplier's portfolio would have to be for it to have the incentive to withhold capacity and raise prices in the NCZ.[78] The Patton Affidavit reiterates that "[i]t is appropriate to be conservative in selecting the minimum size threshold because this will ensure that suppliers with market power will be subject to mitigation."[79] The Patton Affidavit therefore concludes that the proposed threshold is reasonable. [80]

At the same time, the Patton Affidavit notes that the MMU is concerned that the existing Pivotal Supplier framework could be circumvented.[81] The concern is that under the proposed tariff language, "UCAP that is sold in advance of the monthly spot auction is deducted from the portfolio of the supplier" when applying the Pivotal Supplier test and "minimum size threshold."[82] Thus, a "large supplier with market power can reduce the amount of capacity that it is deemed to control by selling some of its capacity in the Capability Period Auction or the Monthly Auction."[83] By doing so, the Supplier could drive up ICAP Spot Market Auction prices via withholding. It could thereby benefit itself by inflating capacity prices in future Monthly or

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[76] *See* Patton Affidavit at PP 18-26.

[77] *Id*. at P 18.

[78] *Id*. at P 19.

[79] *Id*. at P 25.

[80] *Id*.

[81] *Id*. at PP 27-32. The MMU also raised this issue in the *2011 SOM* (*2011 State of the Market Report for the New York ISO Markets* (April 2012) *available at* <http://www.potomaceconomics.com/uploads/nyiso_reports/NYISO_2011_SOM_Report-Final_4-18-12.pdf> and the *2012 SOM*.

[82] Patton Affidavit at P 27.

[83] *Id*. at P 29.

Capability Period auctions as those prices converged with prices in the ICAP Spot Market Auctions over time.[84] The NYISO would emphasize that, to date, it has not, and to the best of its knowledge, the MMU has not, detected any entity pursuing this strategy.

The Patton Affidavit states that the MMU's concern could be addressed by deleting the "current exclusion of forward capacity sales in Section 23.4.5.5(1)."[85]

The NYISO agrees that the MMU's proposed change to Section 23.4.5.5(1) would be an enhancement and supports it. The NYISO would ask the Commission to consider that the approach to determining "Control" that the NYISO has proposed to apply to the NCZ currently applies in New York City. That is, "Control" of UCAP in both New York City and the NCZ is determined based on the number of MW of UCAP controlled after certification and prior to the ICAP Spot Market Auction.[86] The NYISO believes that the MMU's proposed enhancement should apply to both New York City and the NCZ. Thus, the NYISO would favor conforming tariff revisions to provide for parallel treatment.[87]

4. Revisions to the Credit Provisions in Attachment K

Section 26.4.3 (iv) of the Services Tariff, which governs the NYISO's administration of the bidding requirements for the ICAP Spot Market Auction, must be modified to recognize the creation of the NCZ; *i.e.*, a new Locality. The credit policy reflects modifications, based on stakeholder input, including what the potential exposure will be based on the fact that there will be a Locality contained within another Locality (Load Zone J is within the G-J Locality). Further, the tariff revisions will recognize that the Locality's price could be set by the bids and offers within the Locality or could be determined by the larger Locality in which it is contained. Also in response to stakeholder comments, the NYISO included a credit cap set at the UCAP based reference point (in $/kW-Month) to prevent unrealistic credit requirements by limiting it to cover probable market outcomes. The NYISO proposes to use its current methodology for calculating a Market Participant's credit requirement for bidding in the ICAP Spot Market Auction[88] while accommodating the fact that the NCZ will be a Locality that itself contains a

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[84] *Id*. at PP 29-30.

[85] *Id.* at P 32.

[86] Services Tariff Section 23.2.1 at the definition of "Pivotal Supplier," specifies in (b) that the determination is made based on Control of UCAP "which is necessary to meet the New York City Locational Minimum Installed Capacity Requirement in an ICAP Spot Market Auction." This same concept was proposed in the June 2102 Compliance Filing for any "Mitigated Capacity Zone." "Mitigated Capacity Zone" is a term proposed in the June 2012 Compliance Filing to mean "New York City and any Locality added to the definition of "Locality" accepted by the Commission on or after March 31, 2012." *See* June 2012 Compliance Filing at proposed revisions to pp 3-4, and Services Tariff Section 2.13.

[87] If the Commission declines to require that the "Control" definition be enhanced consistent with the MMU's recommendation at this time, the NYISO believes that its proposed Pivotal Supplier threshold for the NCZ, and its existing Pivotal Supplier test for New York City, would still be just and reasonable.

[88] For more information on the current methodology *see New York Independent System Operator,*

Locality.

Each calendar month the NYISO uses the most recent Monthly Auction Market-Clearing Price plus a margin as a proxy for the ICAP Spot Market Auction Market-Clearing Price. The NYISO then calculates credit requirements by multiplying the proxy price by the Market Participant's estimated LSE UCAP Obligation, by location, for the Obligation Procurement Period. The NYISO proposes that for a Locality (*i.e.*, Load Zone J) contained within another Locality (*i.e.*, the G-J Locality) the proxy price will be the higher of that Locality's most recent Monthly Auction Market-Clearing Price plus its margin or the proxy price for the NCZ, multiplied by its margin. The margin for the G-J Locality will be 100%, as it will contain Load Zones that currently have a 100% margin. This proposal will protect the NYISO and its Market Participants from any large increases in credit exposure associated with an increase in market price. The revisions are consistent with the methodology and computation of Market Participants' credit requirements associated with Long Island and Rest of State obligations.

The NYISO proposes to use within its credit calculation for the NCZ the price that is the lower of the proxy price calculated as explained above or the UCAP based reference point (in $/kW-Month). This proposal will cap the proxy price for the NCZ at the UCAP based reference point (in $/kW-Month) derived from the corresponding ICAP Demand Curve because the NYISO's exposure to the Market Participant is unlikely to exceed this amount. As such, any funds retained by the NYISO above this amount would be an unnecessary cost to Market Participants. The NYISO further proposes to apply this credit cap to all Localities and for the NYCA to create uniformity of computations for all capacity obligations in the different locations, and certainty for Market Participants.[89] Once the proxy price is determined, the NYISO would calculate the bidding requirement by multiplying the proxy price by the Market Participant's estimated LSE UCAP Obligation, by location, for the Obligation Procurement Period. The Market Participant's ICAP Spot Market Auction bidding requirement would equal the sum of its locational credit requirements.

The NYISO is proposing to revise the formula in Section 26.4.3 (iv) as follows:

> five (5) days prior to any ICAP Spot Market Auction, the amount that the Customer maybe required to pay for UCAP in the auction, calculated as follows:

$$\Sigma \left[\underline{(1 + \sout{Margin_L}\ )} * \sout{MCP_L}\ \underline{ICPM_L}\ x\ 1000\ x\ Deficiency_L \right]$$

Inc.'s Filing of Proposed Tariff Revisions Related to ICAP Credit Requirements, Docket No. ER12-2443-000, accepted by the Commission on September 10, 2012.

[89] The NYISO believes that creating this uniformity is warranted (and authorized) under Section 5.16.4 because it addresses an issue, *i.e.,* the potential implications of non-uniform computations across locations, that is raised by the establishment of the NCZ. It is therefore a tariff change that "recognizes" the creation of NCZ.

$$\sum_{L \in S} \left[\left((1 + Margin_L)^{*} MCP_L \right) ICPM_L \times 1000 \times \frac{(ZCP_L - 1)}{2} \times RQT_L \right]$$

The NYISO would also modify and add the following definitions for the new variables used in the equation.

$ICPM_L$ equals the lesser of $UBRP_L$ or LM_L,

$UBRP_L$ equals the UCAP based reference point (in $/kW-Month) for location L, as determined on the ICAP Demand Curve for that location (or for the NYCA if L is Rest of State) for the applicable Obligation Procurement Period,

LM_L equals (1) for any Locality L that is contained within another Locality X, the greater of CPM_L or CPM_X, or (2) for any other Locality or Rest of State, CPM_L,

CPM_L equals for location L, $(1 + Margin_L)^{*}MCP_L$,

CPM_X equals for location X, $(1 + Margin_X)^{*}MCP_X$,

It would also make the following revisions to four definitions of variables that are currently included in Section 26.4.3(iv) formula, in order to account for the establishment of the G-J Locality.

S equals a set containing the following locations: New York City, Long Island each Locality and Rest of State,

$Margin_L$ equals 25% if location L is New York City and 100% if location L is the G-J Locality, Long Island or Rest of State,

$Deficiency_L$ equals the number of megawatts of Unforced Capacity that are to be procured in location L on behalf of that Customer in the ICAP Spot Market Auction in order to cover any deficiency for that Customer that exists in that location after the certification deadline for that ICAP Spot Market Auction less any deficiency calculated for that Customer for any Localities contained within location L, such value not to be less than zero,

RQT_L equals (1) if L is New York City or Long Island, that Customer's share of the Locational Minimum Unforced Capacity Requirement for location L or (2) if L is G-J Locality, that Customer's share of the Locational Minimum Unforced Capacity Requirement for the G-J Locality that remains after reducing this amount by its share of the Locational Minimum Unforced Capacity Requirements for New York

City or,(3) if *L* is Rest of State, its that Customer's share of the NYCA Minimum Unforced Capacity Requirement that remains after reducing this amount by (a) its share of the Locational Minimum Unforced Capacity Requirements for New York City and Long Island, for the month covered by the ICAP Spot Market Auction, measured in megawatts and (b) that Customer's share of the Locational Minimum Unforced Capacity Requirement for the G-J Locality remaining after accounting for New York City, as calculated in (2) above; such value not to be less than zero

B. Proposed Revisions to the OATT

Several provisions of the OATT must be modified to recognize the creation of the NCZ.

1. OATT Definitions

Modifications to two OATT definitions are necessary due to the creation of the G-J Locality. Specifically, the OATT definition of "Locality" in Section 1.12 of the OATT requires revision, as follows:

Locality: Shall have the meaning set forth in §2.12 of the ISO Services TariffA single LBMP Load Zone or set of adjacent LBMP Load Zones within one Transmission District, and within which a minimum level of Installed Capacity must be maintained.

Similarly, the NYISO is proposing to revise the existing OATT definition of "Locational Installed Capacity Requirement" to achieve consistency with the Services Tariff definition (which is described above). The concepts in the OATT and Services tariff are the same, and conforming the language will enhance clarity.

Locational Minimum Installed Capacity Requirement: AThe determination by the ISO in accordance with the ISO Services Tariff of that portion of the NYCA Minimum statewide Installed Capacity rRequirement (as defined in the ISO Services Tariff) that must be electrically located within a Locality in order to ensure that sufficient Energy and Capacity are available in that Locality and that appropriate reliability criteria are met.

2. Revisions to Attachments S and X of the OATT

a. Changes to Recognize the Establishment of a G-J Locality

Attachments S and X contain definition sections in Section 25.1 of Attachment S, Section 30.1 of Attachment X and in the *pro forma* Large Generator Interconnection Agreement in Section 30.14. For consistency, the NYISO proposes to make the revisions described below to each of these definition sections.

The deliverability test methodology evaluates Load Zones in groups defined by Attachments S and X as "Capacity Regions." Because the NCZ will create a new Locality and also impact the composition of the Rest of State Capacity Region, the NYISO is proposing to

revise the definition of "Capacity Region" as follows:

> **Capacity Region:** One of three four subsets of the Installed Capacity statewide markets comprised of (1) Rest of State (*i.e.,* Load Zones A through IE), ; (2) Lower Hudson Valley (*i.e.,* Load Zones G, H and I); (3) New York City (*i.e.,* Load Zone J); and (4) Long Island (*i.e.,* Zone K) and New York City (Zone J), except for Class Year Interconnection Facility Studies conducted prior to Class Year 2012, for which "Capacity Region" shall be defined as set forth in Section 25.7.3 of this Attachment S.

Similarly, due to the new composition of the Rest of State Capacity Region, the NYISO is proposing to revise the definition of "External CRIS Rights" to reflect the new composition of Load Zones in the Rest of State Capacity Region. The NYISO also proposes to further clarify the definition of "External CRIS Rights," so that it corresponds to the proposed revisions to the Services Tariff Sections 5.12.1, and 5.12.8. The proposed revisions to the definition of "External CRIS Rights" are as follows:

> **External CRIS Rights:** A determination of deliverability within a New Yorkthe Rest of State Capacity Region (*i.e.,* Load Zones A - F), awarded by the NYISO for a term of five (5) years or longer, to a specified number of Megawatts of External Installed Capacity that satisfy the requirements set forth in Section 25.7.11 of this Attachment S to the NYISO OATT, and that can be certified in a Bilateral Transaction used for the NYCA and not a Locality, or sold into the NYCA for an Installed Capacity auction and not in an Installed Capacity auction for a Locality.

The new composition of the Capacity Regions evaluated in the deliverability test also impacts the definitions of certain transmission facility interfaces to which specific analyses apply. The deliverability test methodology evaluates three separate categories of transmission facilities: (1) Highways (transmission facilities 115 kV and above that comprise internal NYCA interfaces and in series BPS facilities; Highway interfaces: Dysinger East, West Central, Volney East, Moses South, Central East/Total East, UPNY-SENY and UPNY-ConEd); (2) Other Interfaces (interfaces into New York Capacity Regions, into Zone J and into Zone K, and external ties into the NYCA); and (3) Byways (all transmission facilities of the NYS Transmission System that are neither Highways nor Other Interfaces). In light of the new "Lower Hudson Valley" Capacity Region which comprises Load Zones G, H and I, the UPNY-SENY interface would no longer be a Highway interface, but rather, would be defined as an "Other Interface." The NYISO is therefore proposing to alter the definition of "Highway" as set forth below.

> **Highway:** 115 kV and higher transmission facilities that comprise the following NYCA interfaces: Dysinger East, West Central, Volney East, Moses South, Central East/Total East, UPNY-SENY and UPNY-ConEd, and their immediately connected, in series, Bulk Power System facilities in New York State. Each interface shall be evaluated to determine additional "in series" facilities, defined as any transmission facility higher than 115 kV that (a) is located in an upstream or downstream zone adjacent to the interface and (b) has a power transfer distribution factor (DFAX) equal to or greater than five percent when the aggregate of generation in zones or systems adjacent to the upstream

zone or zones which define the interface is shifted to the aggregate of generation in zones or systems adjacent to the downstream zone or zones which define the interface. In determining "in series" facilities for Dysinger East and West Central interfaces, the 115 kV and 230 kV tie lines between NYCA and PJM located in LBMP Zones A and B shall not participate in the transfer. Highway transmission facilities are listed in ISO Procedures.

The NYISO is also proposing revisions to the definition of "Other Interface." These proposed revisions: (1) modify the definition such that it refers to Capacity Regions in a manner consistent with the addition of the Lower Hudson Valley region; (2) clarify the existing language; and (3) provide explanatory parentheticals to further clarify the references to each of the Other Interfaces:

Other Interfaces: The following Interfaces into New York Ccapacity Rregions,: Lower Hudson Valley [*i.e.,* Rest of State (Load Zones A-F) to Lower Hudson Valley (Load Zones G, H and I]; New York City [*i.e.,* Lower Hudson Valley (Load Zones G, H and I) to New York City (Load Zone J)]; and Long Island [*i.e.,* Lower Hudson Valley (Load Zones G, H and I) to Long Island (Load Zone K)], and external ties into the New York Control Area the following Interfaces between the NYCA and adjacent Control Areas: PJM to NYISO, ISO-NE to NYISO, Hydro-Quebec to NYISO, and Norwalk Harbor (Connecticut) to Northport (Long Island) Cable.

b. Revisions to the Deliverability Test Methodology

Section 25.7 of OATT Attachment S details the deliverability test methodology. With the implementation of the NCZ and resulting addition of the Lower Hudson Valley Capacity Region and change to the composition of the Rest of State Capacity Region, certain sections of Section 25.7 require revisions. The basic framework of the current deliverability test methodology, however, is not changing; rather, the revisions are required merely to reflect the NCZ and the resulting composition of the respective Capacity Regions in the methodology for the deliverability test.

Section 25.7.3, for example, which explains the manner in which the deliverability test methodology will be applied within the Capacity Regions, requires revisions to reflect the new definition of Capacity Region. The NYISO proposes to further revise Section 25.7.3 as set forth below in order to clarify that the revised Capacity Regions will be reflected in the Class Year deliverability study beginning with Class Year 2012.[90]

The specific proposed revisions to Section 25.7.3 are as follows:

25.7.3 New York Capacity Regions.

[90] As explained in Section V below, the NYISO does not anticipate that the Class Year Deliverability Study for Class Year 2012 will begin before Commission action on this filing.

For Class Years prior to Class Year 2012, Tthe deliverability test will be applied within each of the three (3) New York Capacity Regions: (1) Rest of State (*i.e.,* Load Zones A through I),; (2) New York City (*i.e.,* Load Zone J); and (3) Long Island (*i.e.,* Load Zone K)and New York City. To be declared deliverable a generator or merchant transmission project must be deliverable throughout the NYISO Capacity Region in which the project is interconnected. For example, a proposed generator or merchant transmission project interconnecting in the Rest of State Capacity Region (*i.e.,* Load Zones A-I) will be required to demonstrate deliverability throughout the Rest of State Capacity Region (*i.e.,* Load Zones A-I), but will not be required to demonstrate deliverability to or within either of the following Capacity Regions: New York City (*i.e.,* Load Zone J); or Long Island (*i.e.,* Load Zone K)Long Island Capacity Region or the New York City Capacity Region.

Starting with Class Year 2012, the deliverability test will be applied within each of the four (4) Capacity Regions: (1) Rest of State (*i.e.,* Load Zones A through F); (2) Lower Hudson Valley (*i.e.,* Load Zones G, H and I); (3) New York City (*i.e.,* Load Zone J); and (4) Long Island (*i.e.,* Load Zone K). To be declared deliverable a generator or merchant transmission project must only be deliverable throughout the Capacity Region in which the project is interconnected. For example, starting with Class Year 2012, a proposed generator or merchant transmission project interconnecting in the Rest of State Capacity Region (*i.e.,* Load Zones A-F) will be required to demonstrate deliverability throughout the Rest of State Capacity Region (*i.e.,* Load Zones A-F), but will not be required to demonstrate deliverability to or within any of the following Capacity Regions: Lower Hudson Valley (*i.e.,* Load Zones G, H and I); New York City (*i.e.,* Load Zone J); or Long Island (*i.e.,* Load Zone K).

A number of the NYISO's proposed revisions to Attachments S and X would modify tariff language that the Commission adopted in Order No. 2003, or its successors as part of the *pro forma* interconnection procedures.[91] The Commission has accepted other modifications to the NYISO interconnection procedures,[92] recognizing that where changes to *pro forma* interconnection procedures "are clarifying and/or ministerial in nature and/or NYISO has supplied sufficient justification," such modifications are acceptable under the "independent entity variation" standard.[93] The Commission has explained that under this standard, "the Commission will review the proposed variations to ensure they do not provide an unwarranted opportunity for undue discrimination or produce an interconnection process that is unjust and

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[91] *Standardization o/Generator Interconnection Agreements and Procedures*, Order No. 2003, FERC Stats. & Regs. 31,146 (2003), *order on reh'g*, Order No. 2003-A, FERC Stats. & Regs. 31,160 (2004), *order on reh'g*, Order No. 2003-B, FERC Stats.& Regs. 31,171 (2004), *order on reh'g*, Order No. 2003-C, FERC Stats. & Regs. 131,190 (2005), *affirmed sub nom. Nat'l Ass'n of Regulatory Util. Com'rs v. FERC,* 475 F.3d 1277 (D.C. Cir. 2007).

[92] *See, e.g*., *New York Independent System Operator, Inc*., 135 FERC ¶ 51,014 (2011); *New York Independent System Operator, Inc*., 124 FERC ¶ 61,238 (2008).

[93] *New York Independent System Operator, Inc*., 124 FERC ¶ 61,238 at PP 17-18.

unreasonable."[94]

The proposed revisions to Attachments S and X are fully justified under the Commission's "independent entity variation" standard because they are required under Section 5.16.4 of the Services Tariff, are necessary to implement the NCZ, and are in no way unduly discriminatory or unjust and unreasonable.

3. Additional Minor OATT Modifications

The NYISO also proposes additional minor revisions to the following subsections of OATT Attachment S Section 25.7 and Attachment Y Section 31:

- Revisions to update outdated references to the PJM-NYISO operating protocols in Section 25.7.8.2.9 and Section 25.7.8.2.12;
- Revision to Section 25.7.8.2.14 to refer simply to "Highway interfaces" rather than "Highway interfaces in the Rest of State Capacity Region" to reflect the fact that Highway interfaces are no longer limited to the Rest of State Capacity Region;
- Revisions to Section 25.7.11.1.2.3 to clarify that the referenced auctions are NYCA Auctions, to clarify the reference to "bilateral contract" and to clarify that defined terms used in such section, to the extent not defined in Attachment S are defined in the Services Tariff;
- Revisions to Section 25.7.11.1.4.2 to make the reference to the "open Class Year Deliverability Study" a reference to the defined term "Open Class Year;"
- Revisions to Section 25.7.11.1.4.2.2 consistent with the revised definition of External CRIS Rights;
- Certain ministerial formatting and grammatical revisions to Section 25.7 of Attachment S and its subsections;
- A revision to the defined term LCR to insert the word "Minimum" in the definition of LCR to reflect the corresponding insertion in OATT Section 31.1.2 to the defined term "Locational Installed Capacity Requirement" and
- Revisions to 31.5.3.1.12 to make the corresponding change to reflect the defined term "Locational Minimum Installed Capacity Requirement"

Finally, the NYISO is also proposing certain ministerial formatting revisions to Section 25.1 of Attachment S and to Sections 30.1 and 30.14 of Attachment X.

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[94] *See id*. at P18.

V. REQUESTED EFFECTIVE DATE

As stated above, the NYISO respectfully requests that the Commission issue an order no later than sixty days after the date of filing (*i.e.*, by July 1, 2013),[95] that accepts the NYISO's proposed tariff revisions and makes them effective on July 1, 2013, except for the provisions noted below for which later effective dates are requested. As explained in the November 2011 Filing, and at page 2, above, a Commission order accepting the tariff revisions identifying the NCZ issued sixty days after their filing is necessary to allow the ICAP Demand Curve reset consultant to develop an ICAP Demand Curve for the NCZ, along with the other ICAP Demand Curves. The requested effective dates are also necessary for development, testing, and deployment steps that are specific to the identified NCZ.

With respect to the proposed revisions to Attachments S and X of the OATT, the NYISO respectfully requests a July 1, 2013 effective date, *i.e.*, the first business day that is sixty days from the date of this filing. That date will provide the certainty needed with respect to the applicable deliverability methodology for the Class Year Study for Class Year 2012. While Class Year 2012 has formally begun, the deliverability analysis is not scheduled to begin until later this year, due largely to the status of Class Year 2011, which has not concluded.[96] Certain components of a Class Year Study can begin prior to completion of the prior Class Year Study; however, system-wide analysis is dependent upon assumptions that cannot be finalized until after the completion of the prior study. Therefore, since Class Year 2011 has not concluded, a number of the inputs for the base cases required for Class Year 2012 cannot yet be determined.

The NYISO anticipates that the Commission will have acted on this filing prior to the NYISO's start of the deliverability analysis for Class Year 2012. Accordingly, the NYISO believes that its proposed revisions to OATT Attachments S and X could, and in order to reflect the NCZ, should be applied to Class Year 2012. The NYISO therefore requests that the revisions proposed herein to Attachments S and X of the OATT become effective July 1, 2013.

The NYISO also respectfully requests an effective date of July 1, 2013 for all Services Tariff revisions described herein except those enumerated in the next two paragraphs.

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[95] Because sixty days from the date of the filing is Saturday June 29, the NYISO believes that the sixty-day notice period does not expire until July 1. *See* 18 C.F.R. 385.2007 (2012). The NYISO does not intend that its request for effective dates later than June 29, 2013 be deemed to be a waiver of the requirement under 18 C.F.R. §35.3 that the Commission act on its proposed tariff revisions within sixty days of the date of this filing.

[96] As of the date of this filing, the NYISO anticipates that the Class Year 2011 Project Cost Allocation process will commence in the second quarter or early in the third quarter of 2013. Certain components of a Class Year Study can begin prior to completion of the prior Class Year Study; however, system-wide analysis is dependent upon assumptions that cannot be finalized until after the completion of the prior study. Therefore, since Class Year 2011 has not concluded, a number of the inputs for the base cases required for Class Year 2012 cannot yet be determined.

Activities in preparation of the 2014/2015 Capability Year, such as the calculation of LCRs and the Imports Rights processes, and each of the auctions associated with the month of May 2014 all occur before May 1, 2014. Therefore, the NYISO requests an effective date of January 27, 2014, so that the following tariff revisions are applied to the 2014/2015 Capability Year: Section 2.7 (definition of "G-J Locality"), Section 2.12 (definitions of "Locality, " and "LSE Unforced Capacity Obligation"), Section 2.18 (definition of "Rest of State"), Section 5.14.3.2(iv) (describing G-J Locality shortfalls), and Section 23.2.1 (Attachment H, at definition of Pivotal Supplier).[97] The NYISO is requesting an effective date of January 27, 2014 for these provisions because that date is sixty days after the ICAP Demand Curves are filed so it will be the requested effective date for all ICAP Demand Curves including the Demand Curve for the G-J Locality.

The NYISO is requesting an effective date of January 15, 2014 for the revisions to Section 26.4.3(iv) (Attachment K, credit provisions). This date corresponds with the anticipated date of the NYISO's deployment of software through which the changed credit requirements would be applied. Thus, it would be applied to the first ICAP Spot Market Auction after the software deployment. That date would enable the NYISO to implement the rule requested by stakeholders to cap the credit requirements for all capacity market areas in the NYCA, not just associated with the G-J Locality.

For ease of reference, the NYISO specifically sets forth each proposed modification and the requested effective date in the table below:

Tariff Section Being Revised	**Requested Effective Date**
OATT 1.12 • Definition of "Locality" • Definition of "Locational Minimum Installed Capacity Requirement"	July 1, 2013
OATT 25.1, 30.1, and 30.14 • Definition of "Capacity Region" • Definition of "External CRIS Rights" • Definition of "Highway" • Definition of "Other Interfaces"	July 1, 2013
OATT 25.7.3	July 1, 2013

[97] *See* n.73 in which the NYISO requests that if the Commission accepts the revision to the definition of "Pivotal Supplier" proposed in this filing prior to ruling on the June 2012 Compliance Filing, the NYISO respectfully requests that the Commission accept the totality of the revisions proposed to the term "Pivotal Supplier" herein and therein.

Tariff Section Being Revised	**Requested Effective Date**
OATT 25.7.8.2.12	July 1, 2013
OATT 25.7.8.2.9	July 1, 2013
OATT 25.7.11.1.2.3	July 1, 2013
OATT 25.7.11.1.4.2	July 1, 2013
OATT 25.7.11.4.2.2	July 1, 2013
OATT 31.1.2	July 1, 2013
OATT 31.5.3.1.12	July 1, 2013
ST 2.12 • Definition of "Locality" • Definition of "Locational Minimum Installed Capacity Requirement" • Definition of "LSE Unforced Capacity Obligation"	 • January 27, 2014 • July 1, 2013 • January 27, 2014
ST 2.7 - Definition of "G-J Locality"	January 27, 2014
ST 2.18 - Definition of "Rest of State"	January 27, 2014
ST 2.21 - Definition of "Unforced Capacity Deliverability Rights"	July 1, 2013
ST 5.11.1	July 1, 2013
ST 5.11.4	July 1, 2013
ST 5.12.1	July 1, 2013
ST 5.12.12.2	July 1, 2013
ST 5.12.2	July 1, 2013
ST 5.12.2.4.1	July 1, 2013
ST 5.12.8	July 1, 2013
ST 5.14.1.1	July 1, 2013
ST 5.14.2	July 1, 2013
ST 5.14.3.2(iii)	January 27, 2014
ST 5.14.3.2(iv)	January 27, 2014
ST 5.16.1.1.4	July 1, 2013

Tariff Section Being Revised	Requested Effective Date
ST 23.2.1 - Definition of "Pivotal Supplier"	January 27, 2014
ST 26.4.3(iv)	January 15, 2014

VI. SERVICE

This filing will be posted on the NYISO's website at www.nyiso.com. In addition, the NYISO will e-mail an electronic link to this filing to the official representative of each party to this proceeding, to each of its customers, to each participant on its stakeholder committees, to the New York Public Service Commission, and to the New Jersey Board of Public Utilities.

VII. COMMUNICATIONS

Copies of correspondence concerning this filing should be served on:

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[98] Waiver of the Commission's regulations (18 C.F.R. § 385.203(b)(3) (2012)) is requested to the extent necessary to permit service on counsel for the NYISO in both Houston, TX and Washington, DC.

VIII. CONCLUSION

For the reasons specified above, the New York Independent System Operator, Inc. respectfully requests that the Commission accept the tariff revisions proposed herein to be effective on the dates as described in Section V.

Respectfully submitted,

/s/ Gloria Kavanah
Gloria Kavanah
Senior Attorney
New York Independent System Operator, Inc.

Dated: April 30, 2013

cc: Travis Allen
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