Attachment I

31.2 Reliability Planning Process

31.2.1 Local Transmission Owner Planning Process

31.2.1.1 Criteria, Assumptions and Data

Each Transmission Owner will post on its website the planning criteria and assumptions currently used in its LTPP as well as a list of any applicable software and/or analytical tools currently used in the LTPP. Customers, Market Participants and other interested parties may review and comment on the planning criteria and assumptions used by each Transmission Owner, as well as other data and models used by each Transmission Owner in its LTPP. The Transmission Owners will take into consideration any comments received. Any planning criteria or assumptions for a Transmission Owner's BPTFs will meet or exceed any applicable NERC, NPCC or NYSRC criteria. The LTPP shall include a description of the needs addressed by the LTPP as well as the assumptions, applicable planning criteria and methodology utilized. A link to each Transmission Owner's website will be posted on the ISO website.

31.2.1.2 Process Timeline

31.2.1.2.1 Each Transmission Owner, in accordance with a schedule set forth in the ISO Procedures, will post its current LTP on its website for review and comment by interested parties sufficiently in advance of the time for submission to the ISO for input to its RNA so as to allow adequate time for stakeholder review and comment. Each LTP will include:

- identification of the planning horizon covered by the LTP,
- data and models used,
- issues addressed,

- potential solutions under consideration, and,
- a description of the transmission facilities covered by the plan.

31.2.1.2.2 To the extent the current LTP utilizes data or inputs, related to the ISO's planning process, not already reported by the ISO in Form 715 and referenced on its website, any such data will be provided to the ISO at the time each Transmission Owner posts criteria and planning assumptions in accordance with Section 31..2.1.1 and will be posted by the ISO on its website subject to any confidentiality or Critical Energy Infrastructure Information restrictions or requirements.

31.2.1.2.3 Each planning cycle, the ISO shall hold one or more stakeholder meetings of the ESPWG and TPAS at which each Transmission Owner's current LTP will be discussed. Such meetings will be held either at the Transmission Owner's Transmission District, or at an ISO location. The ISO shall post notice of the meeting and shall disclose the agenda and any other material distributed prior to the meeting.

31.2.1.2.4 Interested parties may submit written comments to a Transmission Owner with respect to its current LTP within thirty days after the meeting. Each Transmission Owner shall list on its website, as part of its LTP, the person and/or location to which comments should be sent by interested parties. All comments will be posted on the ISO website. Each Transmission Owner will consider comments received in developing any modifications to its LTP. Any such modification will be explained in its current LTP posted on its website pursuant to Section 31.2.1.2.2 above and discussed at the next meeting held pursuant to Section 31.2.1.2.3 above.

31.2.1.2.5 Each planning cycle, each Transmission Owner will submit the finalized portions of its current LTP to the ISO as contemplated in Section 31.2.2.4.2 below for timely inclusion in the RNA.

31.2.1.3 LTP Dispute Resolution Process

31.2.1.3.1 Disputes Related to the LTPP; Objective; Notice

Disputes related to the LTPP are subject to the DRP. The objective of the DRP is to assist parties having disputes in communicating effectively and resolving disputes as expeditiously as possible. Within fifteen (15) calendar days of the presentation by a Transmission Owner of its LTP to the ESPWG and TPAS, a party with a dispute shall notify in writing the Affected TO, the ISO, the ESPWG and TPAS of its intention to utilize the DRP. The notice shall identify the specific issue in dispute and describe in sufficient detail the nature of the dispute.

31.2.1.3.2 Review by the ESPWG/TPAS

The issue raised by a party with a dispute shall be reviewed and discussed at a joint meeting of the ESPWG and the TPAS in an effort to resolve the dispute. The party with a dispute and the Affected TO shall have an opportunity to present information concerning the issue in dispute to the ESPWG and the TPAS.

31.2.1.3.3 Information Discussions

To the extent the ESPWG and the TPAS are unable to resolve the dispute, the dispute will be subject to good faith informal discussions between the party with a dispute and the Affected TO. Each of those parties will designate a senior representative authorized to enter into

informal discussions and to resolve the dispute. The parties to the dispute shall make a good faith effort to resolve the dispute through informal discussions as promptly as practicable.

31.2.1.3.4 Alternative Dispute Resolution

In the event that the parties to the dispute are unable to resolve the dispute through informal discussions within sixty (60) days, or such other period as the parties may agree upon, the parties may, by mutual agreement, submit the dispute to mediation or any other form of alternative dispute resolution. The parties shall attempt in good faith to resolve the dispute in accordance with a mutually agreed upon schedule but in no event may the schedule extend beyond ninety (90) days from the date on which the parties agreed to submit the dispute to alternative dispute resolution.

31.2.1.3.5 Notice of Results of Dispute Resolution

The Affected TO shall notify the ISO and ESPWG and TPAS of the results of the DRP and update its LTP to the extent necessary. The ISO shall use in its planning process the LTP provided by the Affected TO.

31.2.1.3.6 Rights Under the Federal Power Act

Nothing in the DRP shall affect the rights of any party to file a complaint with the Commission under relevant provisions of the FPA.

31.2.1.3.7 Confidentiality

All information disclosed in the course of the DRP shall be subject to the same protections accorded to confidential information and CEII by the ISO under its confidentiality and CEII policies.

31.2.2 Reliability Needs Assessment

31.2.2.1 General

The ISO shall prepare and publish the RNA as described below. The RNA will identify Reliability Needs. The ISO shall also designate in the RNA the Responsible Transmission Owner with respect to each Reliability Need.

31.2.2.2 Interested Party Participation in the Development of the RNA

The ISO shall develop the RNA in consultation with Market Participants and all other interested parties. TPAS will have responsibility consistent with ISO Procedures for review of the ISO's reliability analyses. ESPWG will have responsibility consistent with ISO Procedures for providing commercial input and assumptions to be used in the development of reliability assessment scenarios provided under Section 31.2.2.5, and in the reporting and analysis of historic congestion costs. Coordination and communication will be established and maintained between these two groups and ISO staff to allow Market Participants and other interested parties to participate in a meaningful way during each stage of the CSPP. The ISO staff shall report any majority and minority views of these collaborative governance work groups when it submits the RNA to the Operating Committee for a vote, as provided below.

31.2.2.3 Preparation of the Reliability Needs Assessment

31.2.2.3.1 The ISO shall evaluate bulk power system needs in the RNA over the Study Period.

31.2.2.3.2 The starting point for the development of the Five Year Base Case will be the system as defined for the FERC Form No. 715 Base Case. The details of the development of the Five Year Base Case are contained in the ISO Procedures.

31.2.2.3.3 The ISO shall assess the Five Year Base Case to determine whether the BPTFs meet all Reliability Criteria for both resource and transmission adequacy in each year, and report the results of its evaluation in the RNA. Transmission analyses will include thermal, voltage, short circuit, and stability studies. Then, if any Reliability Criteria are not met in any year, the ISO shall perform additional analyses to determine whether additional resources and/or transmission capacity expansion are needed to meet those requirements, and to determine the Target Year of need for those additional resources and/or transmission. The study will not seek to identify specific additional facilities. Reliability Needs will be defined in terms of total deficiencies relative to Reliability Criteria and not necessarily in terms of specific facilities.

31.2.2.3.4 The ISO will also evaluate the BPTFs over the second five years of the Study Period to determine whether they meet all Reliability Criteria for both resource and transmission adequacy in each year and report the results of its evaluation in the RNA. A short circuit assessment will be performed for the tenth year of the Study Period. Reliability Needs will be defined in terms of total deficiencies relative to Reliability Criteria and not necessarily in terms of specific facilities. The ISO will determine the Target Year for each Reliability Need so identified.

31.2.2.3.5 The ISO shall develop the system representation to be used for its evaluations of the second five years of the Study Period using (1) the most recent NYISO Load and Capacity Data Report published by the ISO on its web site; (2) the most recent versions of ISO reliability analyses and assessments provided for

or published by NERC, NPCC, NYSRC, and neighboring Control Areas; (3) information reported by neighboring Control Areas such as power flow data, forecasted load, significant new or modified generation and transmission facilities, and anticipated system conditions that the ISO determines may impact the BPTFs; and (4) data submitted pursuant to paragraph 31.2.2.4 below.

31.2.2.4 Planning Participant Data Input

31.2.2.4.1 At the ISO's request, Market Participants, Developers, and other parties shall provide, in accordance with the schedule set forth in the ISO Procedures, the data necessary for the development of the RNA. This input will include but not be limited to (1) existing and planned additions to the New York State Transmission System (to be provided by Transmission Owners and municipal electric utilities); (2) proposals for merchant transmission facilities (to be provided by merchant Developers); (3) generation additions and retirements (to be provided by generator owners and Developers); (4) demand response programs (to be provided by demand response providers); and (5) any long-term firm transmission requests made to the ISO.

31.2.2.4.2 The Transmission Owners shall submit their current LTPs referenced in Section 31.1.1.2 and Section 31.2.1 to the ISO. The ISO will review the Transmission Owners' LTPs, as they relate to BPTFs, to determine whether they will meet Reliability Needs, recommend an alternate means to resolve the needs from a regional perspective, where appropriate, or indicate that it is not in agreement with a Transmission Owner's proposed additions. The ISO shall report its determinations under this section in the RNA and in the CRP.

31.2.2.4.3 All input received from Market Participants, Developers, and other parties shall be considered in the development of the system representation for the Study Period in accordance with the ISO Procedures.

31.2.2.5 Reliability Scenario Development

The ISO, in consultation-with the ESPWG and TPAS, shall develop reliability scenarios addressing the first five years and the second five years of the Study Period. Variables for consideration in the development of these reliability scenarios include but are not limited to: load forecast uncertainty, fuel prices and availability, new resources, retirements, transmission network topology, and limitations imposed by proposed environmental or other legislation.

31.2.2.6 Evaluation of Alternate Reliability Scenarios

The ISO will conduct additional reliability analyses for the alternate reliability scenarios developed pursuant to paragraph 31.2.2.5. These evaluations will test the robustness of the needs assessment studies conducted under paragraphs 31.2.2.3. This evaluation will only identify conditions under which Reliability Criteria may not be met. It will not identify or propose additional Reliability Needs. In addition, the ISO will perform appropriate sensitivity studies to determine whether Reliability Needs previously identified can be mitigated through alternate system configurations or operational modes. The Reliability Needs may increase in some reliability scenarios and may decrease, or even be eliminated, in others. The ISO shall report the results of these evaluations in the RNA.

31.2.2.7 Reliability Needs Assessment Report Preparation

Once all the analyses described above have been completed, ISO staff will prepare a draft of the RNA including discussion of its assumptions, Reliability Criteria, and results of the analyses and, if necessary, designate the Responsible Transmission Owner.

31.2.3 RNA Review Process

31.2.3.1 Collaborative Governance Process

The draft RNA shall be submitted to both TPAS and the ESPWG for review and comment. The ISO shall make available to any interested party sufficient information to replicate the results of the draft RNA. The information made available will be electronically masked and made available pursuant to a process that the ISO reasonably determines is necessary to prevent the disclosure of any Confidential Information or Critical Energy Infrastructure Information contained in the information made available. Following completion of the TPAS and ESPWG review, the draft RNA reflecting the revisions resulting from the TPAS and ESPWG review, shall be forwarded to the Operating Committee for discussion and action. The ISO shall notify the Business Issues Committee of the date of the Operating Committee meeting at which the draft RNA is to be presented. Following the Operating Committee vote, the draft RNA will be transmitted to the Management Committee for discussion and action.

31.2.3.2 Board Action

Following the Management Committee vote, the draft RNA, with working group, Operating Committee, and Management Committee input, will be forwarded to the ISO Board for review and action. Concurrently, the draft RNA will be provided to the Market Monitoring

Unit for its review and consideration of whether market rules changes are necessary to address an identified failure, if any, in one of the ISO's competitive markets. The Board may approve the RNA as submitted, or propose modifications on its own motion. If any changes are proposed by the Board, the revised RNA shall be returned to the Management Committee for comment. The Board shall not make a final determination on a revised RNA until it has reviewed the Management Committee comments. Upon approval by the Board, the ISO shall issue the final RNA to the marketplace by posting it on its web site.

The responsibilities of the Market Monitoring Unit that are addressed in the above section of this Attachment are also addressed in Section 30.4.6.8.2 of the Market Monitoring Plan, Attachment O to the ISO OATT.

31.2.3.3 Needs Assessment Disputes

Notwithstanding any provision to the contrary in this Attachment, the ISO OATT, or the NYISO Services Tariff, in the event that a Market Participant raises a dispute solely within the NYPSC's jurisdiction relating to the final conclusions or recommendations of the RNA, a Market Participant may refer such dispute to the NYPSC for resolution. The NYPSC's final determination shall be binding, subject only to judicial review in the courts of the State of New York pursuant to Article 78 of the NYCPLR.

31.2.3.4 Public Information Sessions

In order to provide ample exposure for the marketplace to understand the identified Reliability Needs, the ISO will provide various opportunities for Market Participants and other potentially interested parties to discuss the final RNA. Such opportunities may include presentations at various ISO Market Participant committees, focused discussions with various industry sectors, and/or presentations in public venues.

31.2.4 Development of Solutions to Reliability Needs

31.2.4.1 Regulated Backstop Solutions

31.2.4.1.1 When a Reliability Need is identified in any RNA issued under this tariff, the ISO shall request and the Responsible Transmission Owner shall provide to the ISO, as soon as reasonably possible, a proposal for a regulated solution or combination of solutions that shall serve as a backstop to meet the Reliability Need if requested by the ISO due to the lack of sufficient viable market-based solutions to meet such Reliability Needs identified for the Study Period. Regulated backstop solutions may include generation, transmission, or demand side resources. Except as provided in Section 31.2.4.2.1, a proposed regulated backstop solution to address a Reliability Need that arises in the second five years of the Study Period will not require the same level of detail as a proposed solution for a Reliability Need arising in the first five years. Such proposals may include reasonable alternatives that would effectively address the Reliability Need; provided however, the Responsible Transmission Owner's obligation to propose and implement regulated backstop solutions under this tariff is limited to regulated transmission solutions. The Responsible Transmission Owner shall also estimate the lead time necessary for the implementation of its proposal. The ISO shall independently analyze the lead time required for implementation of the proposed potential regulated backstop solution. The ISO shall use the Responsible Transmission Owner estimate and its analysis to establish the Trigger Date for the Responsible Transmission Owner's regulated backstop solution. The ISO will also independently establish benchmark lead times for responses submitted

pursuant to Sections 31.2.4.3 and 31.2.4.5.. Prior to providing its response to the RNA, each Responsible Transmission Owner will present for discussion at the ESPWG and TPAS any updates in its LTP that impact a Reliability Need identified in the RNA. Should more than one regulated backstop solution be proposed to address a Reliability Need, it will be the responsibility of the Responsible Transmission Owner to determine the regulated backstop solution that will proceed following a finding by the ISO under Section 31.2.5.7.2 of this Attachment Y. The determination by the Responsible Transmission Owner will be made prior to the approval of the CRP which precedes the Trigger Date for the regulated backstop solution with the longest lead time. Contemporaneous with the request to the Responsible Transmission Owner, the ISO shall solicit market-based and alternative regulated responses as set forth in Sections 31.2.4.3 and 31.2.4.5, which shall not be a formal RFP process.

31.2.4.2 Qualifications for Regulated Backstop Solutions

31.2.4.2.1 For Reliability Needs identified as occurring during the first five years of the Study Period, the submission of a regulated backstop solution shall include, at a minimum, the following details: (1) the lead time necessary to complete the project, (2) a description of the project, including planning and engineering specifications as appropriate, (3) evidence of a commercially viable technology, (4) a major milestone schedule, (5) a schedule for obtaining required siting permits and other certifications, (6) a demonstration of site control or a schedule for obtaining such control, (7) status of ISO interconnection studies and interconnection agreement, (8) status of equipment procurement, and (9) any

other information requested by the ISO. These details also be provided for any regulated backstop solution proposed to address a Reliability Need identified during the second five years of the Study Period if the lead time for that regulated backstop solution has a Trigger Date within one planning cycle of the date that the Responsible Transmission Owner presents its proposed regulated backstop solution**.** If the regulated backstop solution does not meet the needs identified in the RNA, the ISO will provide sufficient information to the Responsible Transmission Owner to determine how the regulated backstop should be modified to meet the identified Reliability Needs. The Responsible Transmission Owner will make necessary changes to its proposed regulated backstop solution to address reliability deficiencies identified by the ISO, and submit a revised proposal to the ISO for review and approval.

31.2.4.2.2 Except as provided above, the submission of a proposed regulated backstop solution for a Reliability Need projected to occur during the second five years of the Study Period must include, at a minimum, the following: (1) an explanation of how the Responsible Transmission Owner considered, in the development of its proposal, one (or more) compensatory MW scenarios developed by the ISO as a guide to the development of proposed solutions that appear most likely to meet the statewide LOLE criterion of one day in ten years, (2) a description of the type of preliminary solution(s) or a variety of preliminary solution(s) (generation, demand-side, transmission, or any combination thereof) that could meet the need, (3) an estimate of the potential MW impact if either a generation or demand side solution is proposed, (4) for proposed transmission

solutions, an identification of the zones where the potential solution may be located, as well as an identification indicating some general characteristics such as voltage level and approximate capacity, (5) for proposed transmission capacitor bank solutions, an identification of the MW amount of the voltage constrained interface that the Responsible Transmission Owner intends to restore up to the thermal limits of the interface, along with a commitment to size the capacitor bank solution to achieve this amount of restoration, (6) an estimated implementation time, or range of implementation times, to allow the ISO to establish a preliminary Trigger Date, and (7) any other information requested by the ISO. In addition to the foregoing, a Responsible Transmission Owner may propose at any time a specific solution to a Reliability Need projected to occur during the second five years of the Study Period. Because the potential needs indicated by each RNA for years six through ten are a preliminary assessment of future conditions based on assumptions that will evolve over time using analysis that can only be conducted by the ISO staff, the solutions proposed by the Responsible Transmission Owner may change in response to subsequent RNAs. The Responsible Transmission Owner must continue to collaborate with ISO staff to determine how the preliminary backstop solutions could meet the preliminary needs identified in years six through ten (6-10) of each RNA Study Period.

31.2.4.2.3 Market Participants and other interested parties may submit at any time optional suggestions for changes to ISO rules or procedures which could result in the identification of additional resources or market alternatives suitable for meeting Reliability Needs.

31.2.4.3 Market-Based Responses

At the same time that a proposal for a regulated backstop solution is requested from the Responsible Transmission Owner under Section 31.2.4.1, the ISO shall also request market-based responses from the market place. Subject to the execution of appropriately drawn confidentiality agreements and the Commission's standards of conduct, the ISO and the appropriate Transmission Owner or Transmission Owners shall provide any party who wishes to develop such a response access to the data that is necessary to develop its response. Such data shall only be used for the purposes of preparing a market-based response to a Reliability Need under this section. Such responses will be open on a comparable basis to all resources, including generation, demand response providers, and merchant transmission Developers.

31.2.4.4 Qualifications for a Valid Market-Based Response

The submission of a proposed market-based solution must include: (1) evidence of a commercially viable technology, (2) a major milestone schedule, (3) evidence of site control, or a plan for obtaining site control, (4) the status of any contracts (other than an Interconnection Agreement) that are under negotiation or in place, (5) the status of any interconnection studies and an Interconnection Agreement, (6) the status of any required permits, (7) the status of equipment procurement, (8) evidence of financing, and (9) any other information requested by the ISO. Failure to provide any data requested by the ISO within a reasonable period of time (not to exceed 60 days from the date of the ISO request) will result in the rejection of the proposed market-based solution from further consideration. The ISO will perform continuing analyses of the viability of a proposed market-based solution as follows: (1) between three and five years before the Trigger Date for the regulated backstop solution, the ISO will use a screening analysis to verify the feasibility of the proposed market-based solution (this analysis

will not require final permit approvals or final contract documents), (2) between one and two years before the Trigger Date for the regulated backstop solution, the ISO will perform a more extensive review of the proposed market-based solution, including such elements as status of interconnection studies, contract negotiations, permit applications, financing, and site control, and (3) less than one year before the Trigger Date for the regulated backstop solution, the ISO will perform a detailed review of the proposed market-based solution status and schedule. For the review conducted less than one year before the Trigger Date, the ISO will consider, among other things, whether the proposed market-based solution has obtained its final permits, any required interconnection studies have been completed, the status of an interconnection agreement, that financing is in place, and equipment is on order. If the ISO, following its analysis, determines that a proposed market-based solution is no longer viable to meet the Reliability Need, the proposed market-based solution will be removed from the list of potential market-based solutions.

31.2.4.5 Alternative Regulated Responses

31.2.4.5.1 The ISO will request alternative regulated responses to Reliability Needs at the same time that it requests market- based responses and regulated backstop solutions. Such proposals may include reasonable alternatives that would effectively address the identified Reliability Need.

31.2.4.5.2 In response to the ISO's request, Other Developers may develop alternative regulated proposals for generation, demand side alternatives, and/or other solutions to address a Reliability Need and submit such proposals to the ISO. Transmission Owners, at their option, may submit additional proposals for regulated solutions to the ISO. Transmission Owners and Other Developers may

submit such proposals to the NYDPS for review at any time. Subject to the execution of appropriately drawn confidentiality agreements and the Commission's standards of conduct, the ISO and the appropriate Transmission Owner(s) shall provide Other Developers access to the data that is needed to develop their proposals. Such data shall be used only for purposes of preparing an alternative regulated proposal in response to a Reliability Need.

31.2.4.6 Qualifications for Alternative Regulated Solutions

The submission of a proposed alternative regulated solution must include: (1) evidence of a commercially viable technology, (2) a major milestone schedule, (3) evidence of site control, or a plan for obtaining site control, (4) the status of any contracts (other than an Interconnection Agreement) that are under negotiation or in place, (5) the status of any interconnection studies and an Interconnection Agreement, (6) the status of any required permits, (7) the status of equipment procurement, (8) evidence of financing, and (9) any other information requested by the ISO. Failure to provide any data requested by the ISO within a reasonable period of time (not to exceed 60 days from the date of the ISO request) will result in the rejection of the proposed alternative regulated solution from further consideration. A proponent of a proposed alternative regulated solution must notify the ISO immediately of any material change in status of a proposed alternative regulated solution. For purposes of this provision, a material change includes, but is not limited to, a change in the financial viability of the developer, a change in the siting status of the project, or a change in a major element of the project's development. If the ISO, at any time, learns of a material change in the status of a proposed alternative regulated solution, it may, at that time, make a determination as to the continued viability of the proposed alternative regulated solution. The ISO will perform continuing

analyses of the viability of a proposed alternative regulated solution as follows: (1) between three and five years before the Trigger Date for the regulated backstop solution identified in the CRP as meeting the same Reliability Need, the ISO will use a screening analysis to verify the feasibility of the proposed alternative regulated solution (this analysis will not require final permit approvals or final contract documents), (2) between one and two years before the Trigger Date for the regulated backstop solution, the ISO will perform a more extensive review of the proposed alternative regulated solution, including such elements as status of interconnection studies, contract negotiations, permit applications, financing, and site control, and (3) less than one year before the Trigger Date for the regulated backstop solution, the ISO will perform a detailed review of the proposed alternative regulated solution status and schedule. For the review conducted less than one year before the Trigger Date, the ISO will consider, among other things, whether the proposed alternative regulated solution has obtained its final permits, any required interconnection studies have been completed, an interconnection agreement has been filed, financing is in place, and that equipment is on order. Prior to making a determination about the viability of a proposed alternative regulated solution, the NYISO will communicate its intended determination to the project sponsor along with the basis for its intended determination, and will provide the sponsor a reasonable period (not more than two weeks) to respond to the NYISO's intended determination, including an opportunity to provide additional information to the NYISO to support the continued viability of the proposed alternative regulated solution. If the ISO, following its analysis, determines that a proposed alternative regulated solution is no longer viable to meet the Reliability Need, the proposed alternative regulated solution will be removed from the list of potential alternative regulated solutions.

31.2.4.7 Additional Solutions

Should the ISO determine that it has not received adequate regulated backstop or market-based solutions to satisfy the Reliability Need, the ISO may, in its discretion, solicit additional regulated backstop or market-based solutions. Other Developers may submit additional alternative regulated solutions for the ISO's consideration at that time.

31.2.5 ISO Evaluation of Proposed Solutions to Reliability Needs

31.2.5.1 Comparable Evaluation of All Proposed Solutions

When evaluating proposed solutions to Reliability Needs, all resource types shall be considered on a comparable basis as potential solutions to the Reliability Needs identified: generation, transmission, and demand response.

31.2.5.2 Evaluation of Regulated Backstop Solutions

The ISO shall evaluate a proposed regulated backstop solution submitted by a Responsible Transmission Owner pursuant to Section 31.2.4.1 to determine whether it will meet the identified Reliability Need in a timely manner, and will report the results of its evaluation in the CRP.

31.2.5.3 Evaluation of Market Based Proposals

The ISO shall review proposals for market-based solutions and determine whether they resolve a Reliability Need. If market-based solutions are found by the ISO to be sufficient to meet a Reliability Need in a timely manner, the ISO will so state in the CRP. The ISO will not select from among the market-based solutions if there is more than one proposal which will meet the same Reliability Need.

31.2.5.4 Evaluation of Alternative Regulated Responses

If the ISO determines that the submitted market-based solutions are sufficient to resolve the identified Reliability Needs, the ISO will perform a high-level review of any proposed alternative regulated solutions submitted in accordance with Section 31.2.4.5 above. If the ISO determines that the submitted market-based solutions do not resolve an identified Reliability Need, the ISO will perform a more detailed review of the proposed alternative regulated solutions. In either case, the ISO will report the results of its review in the CRP.

31.2.5.5 Resolution of Deficiencies

Following initial review of the proposals, as described above, ISO staff will identify any reliability deficiencies in each of the proposed solutions. The Responsible Transmission Owner, Transmission Owner or Other Developer will discuss any identified deficiencies with the ISO staff. Other Developers and Transmission Owners that propose alternative regulated solutions shall have the option to revise and resubmit their proposals to address any identified deficiency. With respect to regulated backstop solutions proposed by a Responsible Transmission Owner pursuant to Section 31.2.4.1, the Responsible Transmission Owner shall make necessary changes to its proposed backstop solution to address any reliability deficiencies identified by the ISO, and submit a revised proposal to the ISO for review. The ISO shall review all such revised proposals to determine that all of the identified deficiencies have been resolved.

31.2.5.6 Designation of Regulated Backstop Solution and Responsible Transmission Owner

If the ISO determines that a market-based solution will not be available in time to meet a Reliability Need, and finds that it is necessary to take action to ensure reliability, it will state in the CRP that implementation of a regulated solution is necessary. The ISO will also identify in

the CRP (1) the regulated backstop solution that the ISO has determined will meet the Reliability Need in a timely manner, and (2) the Responsible Transmission Owner.

31.2.5.7 Determination of Necessity

31.2.5.7.1 If the ISO determines in the CRP, or at any time, that implementation of a regulated backstop solution reviewed in a previous RNA/CRP cycle is necessary, the ISO will request the Responsible Transmission Owner to submit its proposal for a regulated backstop solution to the appropriate governmental agency(ies) and/or authority(ies) to begin the necessary approval process. The Responsible Transmission Owner in response to the ISO request shall make such a submission. Other Developers and Transmission Owners proposing alternative regulated solutions pursuant to Section 31.2.4.5.2 that have completed any changes required by the ISO under Section 31.2.5.4, which the ISO has determined will resolve the identified Reliability Need, may submit these proposals to the appropriate governmental agency(ies) and/or authority(ies) for review. The appropriate governmental agency(ies) and/or authority(ies) with jurisdiction over the implementation or siting will determine whether the regulated backstop solution or an alternative regulated solution will be implemented to address the identified Reliability Need. If the appropriate governmental agency(ies) and/or authority(ies) makes a final determination that an alternative regulated solution is the preferred solution to a Reliability Need and that the regulated backstop solution should not be implemented, implementation of the alternative regulated solution will be the responsibility of the Transmission Owner or Other Developer that proposed the alternative regulated solution, and the Responsible Transmission

Owner will not be responsible for addressing the Reliability Need through the implementation of its regulated backstop solution. Should the alternative regulated solution not be implemented, the ISO may request a Gap Solution pursuant to Section 31.2.5.10 of this Attachment Y.

31.2.5.7.2 If the ISO determines that it is necessary for the Responsible Transmission Owner to proceed with a regulated backstop solution evaluated in the CRP in parallel with a market-based solution in order to ensure that a Reliability Need is met in a timely manner, the Responsible Transmission Owner shall proceed with due diligence to develop it in accordance with Good Utility Practice unless or until notified by the ISO that it has determined that the regulated backstop solution is no longer needed.

31.2.5.7.3 If, after consultation with the Responsible Transmission Owner, the ISO determines that the Responsible Transmission Owner has not submitted its proposed regulated backstop solution for necessary regulatory action within a reasonable period of time, or that the Responsible Transmission Owner has been unable to obtain the approvals or property rights necessary under applicable law to construct the project, the ISO shall submit a report to the Commission for its consideration and determination of whether any action is appropriate under federal law.

31.2.5.8 Process for Consideration of Regulated Backstop Solution and Alternative Regulated Solutions

Upon a determination by the ISO under Section 31.2.5.7 that a regulated solution should proceed, the Responsible Transmission Owner will make a presentation to the ESPWG that will provide a description of the regulated backstop solution. The presentation will include a non-

binding preliminary cost estimate of that backstop solution; provided, however, that a Responsible Transmission Owner shall be entitled to full recovery of all reasonably incurred costs related to the regulated backstop solution. Any alternative regulated solution proponent seeking regulated cost recovery for its project will also make a presentation to the ESPWG at the time of the above finding by the ISO providing a description of the alternative regulated solution, including a non-binding preliminary cost estimate of the project. The ISO and stakeholders through this process will have the opportunity to review and discuss the scope of the projects and their associated non-binding preliminary cost estimates prior to implementation.

31.2.5.9 Regulated Backstop Solution to Proceed in Parallel with a Market-based Solution

If the ISO determines that it is necessary for the Responsible Transmission Owner to proceed with a regulated backstop solution to be conducted in parallel with a market-based solution in order to ensure that a Reliability Need is met in a timely manner, the CRP will so state.

31.2.5.10 Gap Solutions

31.2.5.10.1 If the ISO determines that neither market-based proposals nor regulated proposals can satisfy the Reliability Needs in a timely manner, the ISO will set forth its determination that a Gap Solution is necessary in the CRP. The ISO will also request the Responsible Transmission Owner to seek a Gap Solution**.** Gap Solutions may include generation, transmission, or demand side resources.

31.2.5.10.2 If there is an imminent threat to the reliability of the New York State Power System, the ISO Board, after consultation with the NYDPS, may request

the appropriate Transmission Owner or Transmission Owners to propose a Gap Solution outside of the normal planning cycle.

31.2.5.10.3 Upon the ISO's determination of the need for a Gap Solution, pursuant to Sections 31.2.5.10.1 or 31.2.5.10.2 above, the Responsible Transmission Owner will propose such a solution as soon as reasonably possible, for consideration by the ISO and NYDPS.

31.2.5.10.4 Any party may submit an alternative Gap Solution proposal to the ISO and the NYDPS for their consideration. The ISO shall evaluate all Gap Solution proposals to determine whether they will meet the Reliability Need or imminent threat. The ISO will report the results of its evaluation to the party making the proposal as well as to the NYDPS and/or other appropriate governmental agency(ies) and/or authority(ies) for consideration in their review of the proposals. The appropriate governmental agency(ies) and/or authority(ies) with jurisdiction over the implementation or siting of Gap Solutions will determine whether the Gap Solution or an alternative Gap Solution will be implemented to address the identified Reliability Need.

31.2.5.10.5 Gap Solution proposals submitted under Sections 31.2.5.10.3 and 31.2.5.10.4 shall be designed to be temporary solutions and to strive to be compatible with permanent market-based proposals.

31.2.5.10.6 A permanent regulated solution, if appropriate, may proceed in parallel with a Gap Solution.

31.2.5.11 Confidentiality of Solutions

31.2.5.11.1 The term "Confidential Information" shall include all types of solutions to Reliability Needs that are submitted to the ISO as a response to Reliability Needs identified in any RNA issued by the ISO as part of the Reliability Planning Process if the Developer of that solution designates such reliability solutions as "Confidential Information."

31.2.5.11.2 For regulated backstop solutions and plans submitted by the Responsible Transmission Owner in response to the findings of the RNA, the ISO shall maintain the confidentiality of same until the ISO and the Responsible Transmission Owner have agreed that the Responsible Transmission Owner has submitted sufficient regulated backstop solutions and plans to meet the Reliability Needs identified in an RNA. Thereafter, the ISO shall disclose the regulated backstop solutions and plans to the Market Participants; however, any preliminary cost estimates that may have been provided to the ISO shall not be disclosed.

31.2.5.11.3 For an alternative regulated response, the ISO shall determine, after consulting with the Developer thereof, whether the response would meet part or all of the Reliability Needs identified in an RNA, and thereafter disclose the alternative regulated response to the Market Participants and other interested parties; however, any preliminary cost estimates that may have been provided to the ISO shall not be disclosed.

31.2.5.11.4 For a market-based response, the ISO shall maintain the confidentiality of same during the Reliability Planning Process and in the CRP, except for the following information which may be disclosed by the ISO: (i) the type of resource proposed (e.g., generation, transmission, demand side); (ii) the size of

the resource expressed in megawatts of equivalent load that would be served by that resource; (iii) the subzone in which the resource would interconnect or otherwise be located; and (iv) the proposed in-service date of the resource.

31.2.5.11.5 In the event that the Developer of a market-based response has made a public announcement of its project or has submitted a proposal for interconnection with the ISO, the ISO shall disclose the identity of the market-based Developer and the specific project during the Reliability Planning Process and in the CRP.

31.2.6 Comprehensive Reliability Plan

Following the ISO's evaluation of the proposed market-based and regulated solutions to Reliability Needs, the ISO will prepare a draft CRP. The draft CRP shall set forth the ISO's findings and recommendations, including any determination that implementation of a regulated solution (which may be a Gap Solution) is necessary to ensure system reliability.

31.2.6.1 Collaborative Governance Process

The ISO staff shall submit the draft CRP to TPAS and ESPWG for review and comment. The ISO shall make available to any interested party sufficient information to replicate the results of the draft CRP. The information made available will be electronically masked and made available pursuant to a process that the ISO reasonably determines is necessary to prevent the disclosure of any Confidential Information or Critical Energy Infrastructure Information contained in the information made available. Following completion of the TPAS and ESPWG review, the draft CRP reflecting the revisions resulting from the TPAS and ESPWG review shall be forwarded to the Operating Committee for a discussion and action. The ISO shall notify the Business Issues Committee of the date of the Operating Committee meeting at which the draft

CRP is to be presented. Following the Operating Committee vote, the draft CRP will be transmitted to the Management Committee for a discussion and action.

31.2.6.2 Board Action

Following the Management Committee vote, the draft CRP, with working group, Operating Committee, and Management Committee input, will be forwarded to the ISO Board for review and action. Concurrently, the draft CRP will also be provided to the Market Monitoring Unit for its review and consideration of whether market rule changes are necessary to address an identified failure, if any, in one of the ISO's competitive markets. The Board may approve the draft CRP as submitted or propose modifications on its own motion. If any changes are proposed by the Board, the revised CRP shall be returned to the Management Committee for comment. The Board shall not make a final determination on the draft CRP until it has reviewed the Management Committee comments. Upon final approval by the Board, the ISO shall issue the CRP to the marketplace by posting on its website. The ISO will provide the CRP to the appropriate regulatory agency(ies) for consideration in their review of the proposals.

The responsibilities of the Market Monitoring Unit that are addressed in the above section of Attachment Y to the ISO OATT are also addressed in Section 30.4.6.8.3 of the Market Monitoring Plan, Attachment O to the ISO OATT.

31.2.6.3 Reliability Disputes

Notwithstanding any provision to the contrary in this Attachment, the ISO OATT, or the NYISO Services Tariff, in the event that a Market Participant or other interested party raises a dispute solely within the NYPSC's jurisdiction concerning ISO's final determination in the CRP that a proposed solution will or will not meet a Reliability Need, a Market Participant or other interested party seeking further review shall refer such dispute to the NYPSC for resolution, as

provided for in the ISO Procedures. The NYPSC's final determination of such disputes shall be binding, subject only to judicial review in the courts of the State of New York pursuant to Article 78 of the New York Civil Practice Law and Rules.

31.2.7 Monitoring of Reliability Project Status

31.2.7.1 The ISO will monitor and report on the status of market-based solutions to ensure their continued viability to meet Reliability Needs on a timely basis in the CRP. The ISO's criteria to assess the continued viability of such projects are included in the ISO Procedures.

31.2.7.2 The ISO will monitor and report on the status of regulated solutions to ensure their continued viability to meet Reliability Needs on a timely basis in the CRP. The ISO's criteria to assess the continued viability of such projects are included in the ISO Procedures.

31.2.7.3 The ISO will apply the criteria in this Section 31.2.7.3 for halting a regulated backstop solution that is already underway because the ISO has determined that a viable market-based solution will meet the same Reliability Need. These criteria shall also include a cut-off point as provided in Section 31.2.7.3.2 following which a regulated backstop solution may not be halted regardless of the status of a market-based solution.

31.2.7.3.1 The ISO shall review proposals for market-based solutions, pursuant to Section 31.2.5.3 of this Attachment Y. If, based on the availability of market-based solution(s) to meet the identified Reliability Need, the ISO determines that the regulated backstop solution is no longer needed and should be halted, it will immediately notify the Responsible Transmission Owner and will so state in the

CRP. If a regulated backstop solution is halted by the ISO, all of the costs incurred and commitments made by the Responsible Transmission Owner up to that point, including reasonable and necessary expenses incurred to implement an orderly termination of the project, will be recoverable by the Responsible Transmission Owner under the cost recovery mechanism in Rate Schedule 10 of this tariff regardless of the nature of the solution.

31.2.7.3.2 Once the Responsible Transmission Owner submits its application for state regulatory approval of the regulated backstop solution, pursuant to Section 31.2.5.7 of this Attachment Y, or, if state regulatory approval is not required, once the Responsible Transmission Owner submits its application for any necessary regulatory approval, the entry of a market-based solution will not result in the halting by the ISO of the regulated backstop solution. The ISO, however, will continue to monitor proposed market-based solutions to determine their ability to meet the identified Reliability Need, and will provide the results of its review to the Responsible Transmission Owner, Market Participants and the appropriate state regulatory agency(ies).

31.2.7.3.3 If a material modification to the regulated backstop solution is proposed by any federal, state or local agency, the Responsible Transmission Owner will request the ISO to conduct a supplemental reliability review. If the NYISO identifies any reliability deficiency in the modified solution, the ISO will so advise the Responsible Transmission Owner and the appropriate federal, state or local regulatory agency(ies).

31.2.7.3.4 If the appropriate federal, state or local agency(ies) does not approve a necessary authorization for the regulated backstop solution, all of the necessary and reasonable costs incurred and commitments made up to the final federal, state or local regulatory decision, including reasonable and necessary expenses incurred to implement an orderly termination of the project, will be recoverable by the Responsible Transmission Owner under the ISO cost recovery mechanism in Rate Schedule 10 of this tariff regardless of the nature of the solution.

31.2.7.3.5 The ISO is not required to review market-based solutions to determine whether they will meet the identified Reliability Need in a timely manner after the regulated backstop solution has received federal and state regulatory approval, unless a federal or state regulatory agency requests the ISO to conduct such a review. The ISO will report the results of its review to the federal or state regulatory agency, with copies to the Responsible Transmission Owner.

31.2.7.3.6 If a necessary federal, state or local authorization for a regulated backstop solution is withdrawn, all expenditures and commitments made up to that point including reasonable and necessary expenses incurred to implement an orderly termination of the project, will be recoverable under the ISO cost recovery mechanism in Rate Schedule 10 of this tariff by the Responsible Transmission Owner regardless of the nature of the solution. When an alternative regulated solution proposed by a Transmission Owner or Other Developer has been determined by the NYPSC or other State authorities to be the preferred solution to a Reliability Need and the Transmission Owner or Other Developer makes all best efforts to obtain necessary federal, state or local authorization, but these

authorizations are not granted or are withdrawn, then all reasonably incurred expenditures and necessary expenses incurred to implement an orderly termination of the project will be recoverable under the ISO cost recovery mechanism in Rate Schedule 10 of this tariff by the Transmission Owner or Other Developer, provided that such expenditures and commitments were before the NYPSC or other State authorities when it made its determination that the alternative regulated solution is the preferred solution.

31.2.7.4 The ISO will apply the criteria in this Section 31.2.7.4 for determining the cutoff date for a determination that a market-based solution will not be available to meet a Reliability Need on a timely basis.

31.2.7.4.1 In the first instance, the ISO shall employ its procedures for monitoring the viability of a market-based solution to determine when it may no longer be viable. Under the conditions where a market-based solution is proceeding after the Trigger Date for the relevant regulated backstop solution, it becomes even more critical for the ISO to conduct a continued analysis of the viability of such market-based solutions.

31.2.7.4.2 The Developer of such a market-based solution shall submit updated information to the ISO twice during each Reliability Planning Process cycle, first during the input phase of the RNA, and again during the solutions phase during the period allowed for the solicitation for market-based and regulated backstop solutions. If no solutions are requested in a particular year, then the second update will be provided during the ISO's analysis of whether existing solutions continue to meet identified Reliability Needs. The updated information of the

project status shall include: status of final permits, status of major equipment, current status of construction schedule, estimated in-service date, any potential impediments to completion by the Target Year, and any other information requested by the ISO.

31.2.7.4.3 The Developer shall immediately report to the ISO when it has any indication of a material change in the project status or that the project in-service date may slip beyond the Target Year. A material change shall include, but not be limited to, a change in the financial viability of the Developer, a change in siting status, or a change in a major element of the project development.

31.2.7.4.4 Based upon the above information, the ISO will perform an independent review of the development status of the market-based solution to determine whether it remains viable to meet the identified Reliability Need in a timely manner. If the ISO, at any time, learns of a material change in the project status of a market-based solution, it may, at that time, make a determination as to the continued viability of such project.

31.2.7.4.5 The ISO, prior to making a determination about the viability of a specific proposed solution, will communicate its intended determination to the project Developer along with the basis for its intended determination. The ISO shall provide the Developer a reasonable period (not more than 2 weeks) to respond to the ISO's intended determination, including an opportunity to provide additional information to the ISO to support the continued viability of the proposed solution.

31.2.7.4.6 If the ISO determines that a market-based solution that is needed to meet an identified Reliability Need is no longer viable, it will request that the

Responsible Transmission Owner proceed with the regulated backstop solution, or to seek other measures including, but not limited to, a Gap Solution, to ensure the reliability of the system.

31.2.7.4.7 If the ISO determines that the market-based solution is still viable, but that its in-service date is likely to slip beyond the Target Year, the ISO will request the Responsible Transmission Owner to prepare a Gap Solution in accordance with the provisions of this Attachment Y.

31.3 Economic Planning Process

31.3.1 Congestion Assessment and Resource Integration Study for Economic Planning

31.3.1.1 General

The ISO shall prepare and publish the CARIS as described below. Each CARIS shall (1) develop a ten-year projection of congestion and shall identify, rank, and group the most congested elements on the New York bulk power system based on historic and projected congestion; and (2) include three studies, selected pursuant to Section 31.3.1.2.2, of the potential impacts of generic solutions to mitigate the identified congestion. The CARIS will align with the Reliability Planning Process.

31.3.1.2 Interested Party Participation in the Development of the CARIS

31.3.1.2.1 The ISO shall develop the CARIS in consultation with Market Participants and all other interested parties. The TPAS will have responsibilities consistent with ISO Procedures for review of the ISO's technical analyses. ESPWG will have responsibilities consistent with ISO Procedures for providing commercial input and assumptions to be used in the development of the congestion assessment and the congestion assessment scenarios provided for under Section 31.3.1.5, and in the reporting and analysis of congestion costs. Coordination and communication will be established and maintained between these two groups and ISO staff to allow Market Participants and other interested parties to participate in a meaningful way during each stage of the economic planning process. The ISO staff shall report any majority and minority views of these collaborative

governance work groups when it submits the CARIS to the Business Issues Committee for a vote, as provided below.

31.3.1.2.2 The ISO, in conjunction with ESPWG, will develop criteria for the selection and grouping of the three congestion and resource integration studies that comprise each CARIS, as well as for setting the associated timelines for completion of the selected studies. Study selection criteria may include congestion estimates, and shall include a process to prioritize the three studies that comprise each CARIS. Criteria shall also include a process to set the cut off date for inputs into and completion of each CARIS study cycle.

31.3.1.2.3 The ISO, in conjunction with ESPWG, will develop a process by which interested parties can request and fund other congestion and resource integration studies, in addition to those included in each CARIS. These individual congestion and resource integration studies are in addition to those studies that a customer can request related to firm point-to-point transmission service pursuant to Section 3.7 of the ISO OATT, or studies that a customer can request related to Network Integration Transmission Service pursuant to Section 4.5 of the ISO OATT, or studies related to interconnection requests under Attachment X or Attachment Z of the ISO OATT.

31.3.1.2.4 The ISO shall post all requests for congestion and resource integration studies on its website.

31.3.1.3 Preparation of the CARIS

31.3.1.3.1 The Study Period for the CARIS shall be the same ten-year Study Period covered by the most recently approved CRP.

31.3.1.3.2 The CARIS will assume a reliable system throughout the Study Period, based first upon the solutions identified in the most recently completed and approved CRP. The baseline system for the CARIS shall first incorporate sufficient viable market-based solutions to meet the identified Reliability Needs as well as any regulated backstop solutions triggered by an ISO request pursuant to Section 31.2.5.7. The ISO, in conjunction with the ESPWG, will develop methodologies to scale back market-based solutions to the minimum needed to meet the identified Reliability Needs, if more have been proposed than are necessary to meet the identified Reliability Needs. Regulated backstop solutions that have been proposed but not triggered pursuant to Section 31.2.5.7 shall also be used if there are insufficient market-based solutions for the ten-year Study Period. Multiple market-based solutions, as well as regulated solutions to Reliability Needs, may be included in the scenario assessments described in Section 31.3.1.5.

31.3.1.3.3 In conducting the CARIS, the ISO shall combine the component studies selected and assess system congestion and resource integration over the Study Period, measuring congestion by the metrics discussed in Appendix A to this Attachment Y. The ISO, in conjunction with the ESPWG, will develop the specific production costing model to be used in the CARIS. All resource types shall be considered on a comparable basis as potential solutions to the congestion identified: generation, transmission, demand response, and energy efficiency. The CARIS may include consideration of the economic impacts of advancing a regulated back stop solution contained in the CRP.

31.3.1.3.4 In conducting the CARIS, the ISO shall conduct benefit/cost analysis of each potential solution to the congestion identified, applying benefit/cost metrics that are described in this Section 31.3.1.3. The principal benefit metric for the CARIS analysis will be expressed as the present value of the NYCA-wide production cost reduction that would result from each potential solution. The present value of the NYCA-wide production cost reduction will be determined in accordance with the following formula:

Present Value in year 1 = Sum of the Present Values from each of the 10 years of the Study Period.

The discount rate to be used for the present value analysis shall be the current after-tax weighted average cost of capital for the Transmission Owners.

31.3.1.3.5 Additional benefit metrics shall include estimates of reductions in losses, LBMP load costs, generator payments, ICAP costs, Ancillary Services costs, emission costs, and TCC payments. The ISO will work with the ESPWG to determine the most useful metrics for each CARIS cycle, given overall ISO resource requirements. The additional metrics will estimate the benefits of the potential generic solutions in mitigating the congestion identified for information purposes only. All the quantities, except ICAP, will be the result of the forward looking production cost simulation. The additional benefit metrics will be determined by measuring the difference between the CARIS base case system value and a system value when the potential generic solution is added. All four resource types will be considered as potential generic solutions to the congestion identified, such as generation, transmission, and/or demand response. The value

of the additional metrics will be expressed in present value by using the following formula:

Present Value in year 1 = Sum of the Present Values from each of the 10 years of the Study Period.

The discount rate to be used for the present value analysis shall be the current after-tax weighted average cost of capital for the Transmission Owners. The definitions of the LBMP load cost metric, generator payments metric, reduction in losses metric, Ancillary Services costs metric, and TCC payment metric are set forth below.

31.3.1.3.5.1 LBMP load costs measure the change in total load payments and unhedged load payments. Total load payments will include the LBMP payments (energy, congestion and losses) paid by electricity demand (forecasted load, exports, and wheeling). Exports will be consistent with the input assumptions for each neighboring control area. Unhedged load payments will represent total load payments minus the TCC payments.

31.3.1.3.5.2 Reductions in losses measure the change in marginal losses payments. Losses payments will be based upon the loss component of the zonal LBMP load payments.

31.3.1.3.5.3 Generator payments measure the change in generation payments. Generation payments will include the LBMP payments (energy, congestion, losses), and Ancillary Services payments made to electricity suppliers. Ancillary Services costs will include payments for Regulation Services and Operating Reserves, including 10 Minute Synchronous, 10 Minute Non-synchronous and 30 Minute Non-synchronous. Generator payments will be the sum of the LBMP

payments and Ancillary Services payments to generators and imports. Imports will be consistent with the input assumptions for each neighboring Control Area.

31.3.1.3.5.4 The TCC payment metric set forth below will be used for purposes of the study phase of the CARIS process, and will not be used for regulated economic transmission project cost allocation under Section 31.4.3.4. The TCC payment metric will measure the change in total congestion rents collected in the day-ahead market. These congestion rents shall be calculated as the product of the Congestion Component of the Day-Ahead LBMP in each Load Zone or Proxy Generator Bus and the withdrawals scheduled in each hour at that Load Zone or Proxy Generator Bus, minus the product of the Congestion Component of the Day-Ahead LBMP at each Generator Bus or Proxy Generator Bus and the injections scheduled in each hour at that Generator bus or Proxy Generator Bus, summed over all locations and hours.

31.3.1.3.5.5 The emission metric will measure the change in CO_2, NOx, and SO_2, emissions in tons on a zonal basis as well as the change in emission cost by emission type. Emission costs will be reflected in the development of the production cost curve.

31.3.1.3.5.6 The calculation of the ICAP cost metric will be determined as set forth below. The ICAP cost metric will be highly dependent on the rules and procedures guiding the calculation of the IRM, LCR, and the ICAP Demand Curves, both for the next capability period and future capability periods. In each CARIS cycle, the ISO will review, with the ESPWG and, as appropriate, other ISO committees, the results of the ICAP cost metric.

31.3.1.3.5.6.1 The ICAP metric, in the form of a megawatt impact, will be computed for both generic and actual economic project proposals based on a methodology that: (1) determines the base system LOLE for the applicable horizon year; (2) adds the proposed project; and (3) calculates the LOLE for the system with the addition of the proposed project. If the system LOLE is lower than that of the base system, the ISO will reduce generation in all NYCA zones proportionally (*i.e.*, based on proportion of zonal capacity to total NYCA capacity) until the base system LOLE is achieved. That amount of reduced generation is the NYCA megawatt impact.

31.3.1.3.5.6.2 The ISO will calculate both of the following ICAP cost metrics described in subsections (1) and (2) below by first determining the megawatt impact described above in Section 31.3.1.3.5.6.1 and then:

(1) For Rest of State, the ISO will measure the cost impact of a proposed generic project for each planning year by: (i) forecasting the cost per megawatt-year of Installed Capacity in Rest of State under the assumption that the proposed generic project is not in place, with that forecast based on the latest available ICAP Demand Curve for the NYCA and the amount of Installed Capacity available in the NYCA, as shown in the NYISO Load and Capacity Data Report developed for that year; and (ii) multiplying that forecasted cost per megawatt-year for Rest of State in that year by the sum of the megawatt impact for all Load Zones contained within Rest of State, as calculated in accordance with subsection (A) of this Section 31.3.1.3.5.4.

For each Locality, the ISO will measure the cost impact of a proposed generic project for each planning year by: (i) forecasting the cost per megawatt-year of Installed Capacity in that Locality under the assumption that the proposed generic project is not in place, with that forecast based on the latest available ICAP Demand Curve for that Locality and the amount of Installed Capacity available in that Locality as shown in the relevant NYISO Load and Capacity Data Report developed for that year, and (ii) multiplying that forecasted cost per megawatt-year for that Locality in each year by the sum of the megawatt impact for all Load Zones contained within that Locality, as calculated in accordance with subsection (A) of this Section 31.3.1.3.5.4.

This ICAP cost metric will then be presented for each applicable planning year as a stream of present value benefits for each Locality and for Rest of State. The applicable planning years start with the proposed commercial operation date of the proposed generic project and end ten years after the proposed commercial operation date of the proposed generic project.

(2) For Rest of State, the ISO will measure the cost impact of a proposed economic project for each planning year by: (i) forecasting the cost per megawatt-year of Installed Capacity in Rest of State under the assumption that the proposed generic project is in place, with that forecast based on the latest available ICAP Demand Curve for the NYCA and the amount of Installed Capacity available in the NYCA; (ii) subtracting that forecasted cost per megawatt-year from the forecasted cost per megawatt-year of Installed Capacity in Rest of State calculated in subsection (1) under the assumption that the proposed generic project is not in

place; and (iii) multiplying that difference by fifty percent (50%) of the assumed amount of Installed Capacity available in Rest of State as calculated from the relevant NYISO Load and Capacity Data Report developed for the CARIS process.

For each Locality, the ISO will measure the cost impact of a proposed generic project for each planning year by: (i) forecasting the cost per megawatt-year of Installed Capacity in that Locality under the assumption that the proposed generic project is in place, with that forecast based on the latest available ICAP Demand Curve for that Locality and the amount of Installed Capacity available in that Locality as shown in the relevant NYISO Load and Capacity Data Report developed for that year; (ii) subtracting the greater of that forecasted cost per megawatt-year with the proposed generic project in place or the forecasted Rest of State Installed Capacity cost per megawatt-year with the proposed generic project in place from the forecasted cost of Installed Capacity in that Locality calculated in subsection (1) under the assumption that the proposed generic project is not in place; and (iii) multiplying that difference by fifty percent (50%) of assumed amount of Installed Capacity available in that Locality, as taken from the relevant Load and Capacity tables developed for the CARIS process.

This ICAP cost metric will then be represented for each applicable planning year as a stream of present value benefits for each Locality and for Rest of State. The applicable planning years start with the proposed commercial operation date of the proposed generic project and end with the earlier of: (i) the year when the system, with the proposed generic project in place, reaches an LOLE of 0.1, or (ii)

ten years after the proposed commercial operation date of the proposed generic project.

(3) The forecast of Installed Capacity costs per megawatt-year are developed by: first, escalating the Net Cost of New Entry ("CONE") for the NYCA or a Locality from the most recently completed ICAP Demand Curves for each year of the planning period; second, determining the future proxy Locational Minimum Installed Capacity Requirement or Minimum Installed Capacity Requirement for the NYCA as the actual amount of Installed Capacity in the Locality or the NYCA for the year that NYCA reaches 0.1 LOLE; third, reducing the cost per megawatt-year in each year from the escalated Net CONE to reflect the excess Installed Capacity from the NYISO Load and Capacity Data Report above the future proxy Minimum Installed Capacity Requirement with the adjustment calculated from the excess and the slope of the ICAP Demand Curve.

The forecasts of Installed Capacity costs for Localities or Rest of State performed in subsections (1) and (2) above shall, in addition to the assumptions listed above, be based upon: (i) the forecasted Net CONE for the Locality (the NYCA in the case of the Rest of State forecast); (ii) the amount of Installed Capacity required to meet the future proxy Locational Minimum Installed Capacity Requirement (the Minimum Installed Capacity Requirement for the NYCA in the case of the Rest of State forecast); (iii) the slope of the relevant ICAP Demand Curve, and (iv) the smallest quantity where the cost of Installed Capacity on that ICAP Demand Curve reaches zero.

31.3.1.4 Planning Participant Data Input

At the ISO's request, Market Participants, Developers, and other parties shall provide, in accordance with the schedule set forth in the ISO Procedures, the data necessary for the development of the CARIS. This input will include but not be limited to existing and planned additions and modifications to the New York State Transmission System (to be provided by Transmission Owners and municipal electric utilities); proposals for merchant transmission facilities (to be provided by merchant Developers); generation additions and retirements (to be provided by generator owners and Developers); demand response programs (to be provided by demand response providers); and any long-term firm transmission requests made to the ISO. The relevant Transmission Owners will assist the ISO in developing the potential solution cost estimates to be used by the ISO to conduct benefit/cost analysis of each of the potential solutions.

31.3.1.5 Congestion and Resource Integration Scenario Development

The ISO, in consultation with the ESPWG, shall develop congestion and resource integration scenarios addressing the Study Period. Variables for consideration in the development of these congestion and resource integration scenarios include but are not limited to: load forecast uncertainty, fuel price uncertainty, new resources, retirements, emission data, the cost of allowances and potential requirements imposed by proposed environmental and energy efficiency mandates, as well as overall ISO resource requirements. The ISO shall report the results of these scenario analyses in the CARIS.

31.3.1.6 CARIS Report Preparation

Once all the analyses described above have been completed, ISO staff will prepare a draft of the CARIS including a discussion of its assumptions, inputs, methodology, and the results of its analyses.

31.3.2 CARIS Review Process and Actual Project Proposals

31.3.2.1 Collaborative Governance Process

The draft CARIS shall be submitted to both TPAS and the ESPWG for review and comment. The ISO shall make available to any interested party sufficient information to replicate the results of the draft CARIS. The information made available will be electronically masked and made available pursuant to a process that the ISO reasonably determines is necessary to prevent the disclosure of any Confidential Information or Critical Energy Infrastructure Information contained in the information made available. Following completion of that review, the draft CARIS reflecting the revisions resulting from the TPAS and ESPWG review shall be forwarded to the Business Issues Committee and the Management Committee for discussion and action.

31.3.2.2 Board Action

Following the Management Committee vote, the draft CARIS, with Business Issues Committee and Management Committee input, will be forwarded to the ISO Board for review and action. Concurrently, the draft CARIS will be provided to the Market Monitoring Unit for its review and consideration. The Board may approve the CARIS as submitted, or propose modifications on its own motion. If any changes are proposed by the Board, the revised CARIS shall be returned to the Management Committee for comment. The Board shall not make a final determination on a revised CARIS until it has reviewed the Management Committee comments.

Upon approval by the Board, the ISO shall issue the CARIS to the marketplace by posting it on its website.

The responsibilities of the Market Monitoring Unit that are addressed in the above section of Attachment Y to the ISO OATT are also addressed in Section 30.4.6.8.4 of the Market Monitoring Plan, Attachment O to the ISO OATT.

31.3.2.3 Public Information Sessions

In order to provide ample exposure for the market place to understand the content of the CARIS, the ISO will provide various opportunities for Market Participants and other potentially interested parties to discuss final CARIS. Such opportunities may include presentations at various ISO Market Participant committees, focused discussions with various industry sectors, and /or presentations in public venues.

31.3.2.4 Actual Project Proposals

As discussed in Section 31.3.1 of this Attachment Y, the CARIS analyzes system congestion over the Study Period and, for informational purposes, provides benefit/cost analysis and other analysis of potential generic solutions to the congestion identified. If, in response to the CARIS, a Developer proposes an actual project to address specific congestion identified in the CARIS, then the ISO will process that project proposal in accordance with the relevant provisions of Sections 31.4.1, 31.4.3 and 31.4.4 of this Attachment Y.