

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

New York Independent System Operator, Inc.)

Docket No. ER24-____-000

**PETITION FOR PROSPECTIVE TARIFF WAIVER,
FOR EXPEDITED ACTION, AND FOR WAIVER OF COMMENT PERIOD OF
THE NEW YORK INDEPENDENT SYSTEM OPERATOR, INC.**

In accordance with Rule 207(a)(5) of the Federal Energy Regulatory Commission’s (“Commission” or “FERC”) Rules of Practice and Procedure,¹ the New York Independent System Operator, Inc. (“NYISO”) hereby respectfully requests a one-time prospective waiver of Sections 5.11.4 and 5.11.4(c) of its Market Administration and Control Area Services Tariff (“Services Tariff”). The requested waiver would clarify that the NYISO may revise the Locational Minimum Installed Capacity Requirement² (“LCR”) for Load Zone J (i.e., New York City) for the upcoming 2024-2025 Capability Year (i.e., the period from May 1, 2024 to April 30, 2025). The revision would account for an error in calculating the applicable transmission security limit (“TSL”) floor value that the NYISO used to initially determine the Load Zone J LCR. Making the revision also results in an LCR that is consistent with the tariff-established intent to achieve the reliability objective at the lowest determined cost. The NYISO is seeking the tariff waiver out of an abundance of caution because: (i) it concerns rules that are not expressly stated in the Services Tariff but that are expressly incorporated by reference into it; and (ii) limited time was available to evaluate the TSL floor value error and devise a response.

¹ 18 C.F.R. § 385.207(a)(5) (2023).

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

If left uncorrected, the erroneously computed LCR for Load Zone J would have a significant impact on market results and prices. For example, if Load Serving Entities (“LSEs”) purchased the full quantity of their capacity requirements in the ICAP Spot Market Auctions without any bilateral market purchases of other hedging mechanisms, the use of the incorrect LCR for Load Zone J could result in excessive capacity procurement costs of approximately \$15-20 million per month for LSEs in Load Zone J.

The NYISO is therefore requesting an expedited tariff waiver that would allow it to implement the corrected Load Zone J LCR in time for the May 2024 ICAP Spot Market Auction. The NYISO would also apply the corrected LCR to all subsequent capacity auctions in the 2024-2025 Capability Year. Time is of the essence because the TSL floor value calculation error and resulting impact on the LCR for Load Zone J was identified very recently and because the start of the May 2024 ICAP Spot Market Auction is imminent. The NYISO therefore respectfully requests that the Commission act as expeditiously as possible to grant the NYISO’s requested waiver. The NYISO also asks that the Commission waive the normal comment period and adopt an abbreviated comment deadline of one day from the date of this filing (i.e., April 19, 2024).

The NYISO respectfully informs the Commission that, unless it is instructed to do otherwise on or before April 19, 2024, it intends to implement the revised 2024-2025 Capability Year LCR for Load Zone J by April 22, 2024, i.e., the certification deadline for the upcoming May 2024 ICAP Spot Market Auction. The NYISO can only effectuate the correction of the Load Zone J LCR in time for the May 2024 ICAP Spot Market Auction if it commits to doing so prior to the certification deadline. Given the likely significant impact of the error on auction results if not corrected, the NYISO believes that it must take corrective action as soon as possible. The NYISO takes its statutory and tariff compliance obligations seriously. It is only

proposing to move forward without Commission pre-authorization in this instance because the financial stakes are significant, the need for a correction is so clear, and the time to take corrective action is limited.

As explained below, the NYISO has confirmed that its TSL floor value computation error: (i) did not impact any other LCRs; and (ii) did not cause the NYISO to violate any reliability criteria. The NYISO is therefore not seeking any waivers related to Localities other than Load Zone J or to reliability matters in connection with this submittal.

In addition, the LCRs that result from the NYISO's studies serve as the basis for various processes related to the administration of the capacity market (for purposes of this filing, the "Downstream Processes"). These include, but are not limited to, the determination of Capacity Accreditation Factors ("CAFs"), the availability of capacity import rights, and the translation of ICAP Demand Curves to Unforced Capacity ("UCAP") terms for purposes of conducting the monthly spot auctions for the 2024-2025 Capability Year.³ The Downstream Processes were completed based on the initially calculated LCRs that reflected the incorrectly computed TSL floor value for Load Zone J and its resulting impact on the initially determined LCR for Load Zone J. At this time, the NYISO is not proposing to make changes, or seeking waivers related to, any of the Downstream Processes. It would not be feasible for the NYISO to make such adjustments prior to the May 2024 ICAP Spot Market Auction. Moreover, the potential financial impacts of revising the results of the Downstream Processes appear to be limited based on the information currently available, especially in comparison to the potential financial impact of using an incorrect LCR for Load Zone J.

³ The NYISO conducts monthly, mandatory ICAP Spot Market Auctions that utilize the ICAP Demand Curves. These auctions serve to ensure that LSEs procure, and resources have obligations to supply, the necessary quantities of capacity to meet the established statewide (i.e., the IRM) and locational capacity requirements (i.e., the LCRs) in New York.

The NYISO's decision not to seek waivers or other action related to the Downstream Processes at this time is not intended to foreclose the NYISO from addressing the Downstream Processes (on a prospective basis) in the future. The NYISO will continue to collaborate with its stakeholders to assess the feasibility, implications, timelines and required actions to pursue any corrective action for the Downstream Processes on a prospective basis. If this assessment demonstrates that further Commission action is needed to address Downstream Processes, the NYISO would promptly request any necessary additional relief in a future filing.

Finally, the NYISO has discussed the TSL floor value calculation error for Load Zone J, the NYISO's response, and the proposals contained in this filing with its stakeholders and the independent Market Monitoring Unit, Potomac Economics, Ltd. (the "MMU"). The NYISO understands that the MMU supports the NYISO's decisions to seek a prospective waiver with respect to revising the Load Zone J LCR for the May 2024 ICAP Spot Market Auction (and future auctions), the NYISO's request for expedited action, and the NYISO's decision not to seek any changes with respect to Downstream Processes at this time.

I. BACKGROUND

A. Establishing the Installed Reserve Margin, the Statewide Installed Capacity Requirement, TSL Floor Values, and LCRs

Since the NYISO was established, resource adequacy in New York State has been maintained through a series of related state-administered and Commission-jurisdictional NYISO tariff processes to set installed reserve margins and LCRs. These mechanisms build on capacity arrangements that were introduced decades earlier.

Each year, the New York State Reliability Council, L.L.C. ("NYSRC") establishes the New York Control Area ("NYCA") Installed Reserve Margin ("IRM") for the upcoming Capability Year. The IRM is expressed as a percentage, and the NYISO multiplies this value by

the forecasted peak load for the NYCA to calculate the statewide minimum ICAP requirement for each Capability Year, which is expressed in megawatts (“MW”).

The NYISO’s capacity market⁴ rules require all LSEs to purchase a specified amount of capacity to count toward this statewide minimum ICAP requirement, based on each LSE’s coincident peak load. LSEs with customers in certain transmission-constrained areas, defined as “Localities,” must also fulfill a portion of their respective purchase obligations from capacity resources electrically located within those areas, i.e., LCRs. The NYISO has designated three such Localities within the southeastern/downstate region of New York State: the G-J Locality, which is composed of Load Zones G, H, I, and J; New York City (i.e., Load Zone J), which is nested within the G-J Locality; and Long Island (i.e., Load Zone K). Since 2019, the NYISO has set LCRs using an economic optimization algorithm to minimize the total cost of capacity for the NYCA.⁵

Section 5.11.4 of the Services Tariff specifies that LCRs shall be computed taking into account “all relevant considerations” including a number of specified factors. Section 5.11.4(a) emphasizes that the calculation should “minimize the total cost of capacity at the prescribed level of excess” Of particular relevance to this filing, Section 5.11.4(c) states that LCR calculations must ensure that “the transmission security limits determined by the ISO in accordance with this paragraph and ISO Procedures, are respected.” In particular, “the ISO will

⁴ The NYISO’s ICAP market is designed to ensure that there is sufficient generating capacity available to supply energy needs while providing adequate operating reserves. The product bought and sold in the capacity market is called UCAP. UCAP represents the amount of ICAP that is available at a particular time; it is the amount of ICAP available, adjusted for periods that resources are not available to supply ICAP due to forced outages or other limitations on the operating capability of a resource.

⁵ See *N.Y. Indep. Sys. Operator, Inc.*, 165 FERC ¶ 61,011 (2018); *order on reh’g*, 170 FERC ¶ 61,051 (2020).

determine these limits using inputs consistent with the NYSRC Installed Reserve Margin base case for the Capability Year to which the [LCRs] will apply.”

Section 5.11.4 also states that LCR computations shall be made “in accordance with ISO Procedures.” For purposes of this filing, the relevant “ISO Procedures” are those set forth in the publicly posted document titled “Locational Minimum Installed Capacity Requirements Determination Process” (“LCR Determination Process.”).⁶ Section 2.1 of the LCR Determination Process states that the “database available from the [IRM] study is used, adjusted to the IRM value approved by the NYSRC” in setting LCRs. Section 2.1.1 requires the NYISO to use a “target” loss of load expectation (“LOLE”) that is “the lesser of (a) 0.100 days/year and (b) the LOLE that results from the NYSRC Installed Capacity Subcommittee’s adjustment to the IRM database (specified with three decimal point precision).” Section 2.2 further establishes that “[a]ll NYISO runs under this process occur with the NYCA Minimum Installed Capacity Requirement set using the approved IRM.” Equations included in the LCR Determination Process describe how the optimization algorithm operates, including its use of transmission security limits.

TSL floor values are input constraints used in the LCR optimization process to ensure the LCRs are set at or above a floor that accounts for reliability requirements to maintain transmission security. Starting with the 2023-2024 Capability Year, the NYISO’s method for calculating TSL floor values was updated to primarily use a market Equivalent Demand Forced Outage Rate (“Market EFORd”) methodology which considers five years of historical performance to be consistent with how data is used in the market.⁷ This involves the use of a

⁶ The LCR Determination Process is posted at < <https://www.nyiso.com/documents/20142/21537892/LCR-determination-process-2021.pdf>>.

⁷ See, e.g., NYISO, *Transmission Security Limit Floor: Capability Year 2024-2025* at Slide 7 (presented at the October 26, 2023 Installed Capacity Working Group (“ICAPWG”) meeting), available at:

derating factor calculated based on the forced outages of the resource fleet for each Locality over a five-year historical data period. For the 2024-2025 Capability Year, the applicable five-year period should have included data for the 2018-2022 period, which is consistent with the five-year period used in determining historical performance of traditional (thermal) generation resources in the NYSRC study that determined the IRM applicable for the 2024-2025 Capability Year. As described further below, the derating factor initially used to compute the TSL floor value for Load Zone J mistakenly used 2017-2021 data.

B. NYISO-Administered Installed Capacity Market Auctions and the Auction Schedule for the Upcoming 2024-2025 Capability Year

The NYISO enables LSEs to satisfy their obligations by administering three types of auctions -- Capability Period Auctions (which are often referred to as “strip auctions”), Monthly Auctions that are held prior to the beginning of an upcoming month (an “Obligation Procurement Period”) and include all remaining months for the applicable Capability Period, and ICAP Spot Market Auctions. Combined, these auctions are designed to send price signals to investors to build and retain capacity where and when it is needed.

The ICAP Spot Market Auctions are held immediately before a monthly Obligation Procurement Period (i.e., a calendar month) and lock in LSEs’ purchases and ICAP Suppliers’ obligations to provide Installed Capacity for that period. ICAP Spot Market Auction results are determined using the ICAP Demand Curves. The ICAP Spot Market Auctions ensure that the minimum capacity requirements in the NYCA and its Localities are being met to maintain grid

<<https://www.nyiso.com/documents/20142/40834869/Final%20TSL%20Floors%20-%20Capability%20Year%202024-2025.pdf>>. For purposes of the 2024-2025 Capability Year, certain additional adjustments were included to address the introduction of offshore wind for the first time. *See, e.g.*, NYISO, *Transmission Security Limit Floor Proposal: Capability Year 2024-2025* (presented at the September 5, 2023 ICAPWG meeting) at 11-13, available at: <<https://www.nyiso.com/documents/20142/39768278/TSL%20Floor%20Proposal%20-%20Capability%20Year%202024-2025.pdf>>.

reliability. Participation in ICAP Spot Market Auctions is mandatory for all LSEs. The ICAP Spot Market Auctions reflect positions previously taken in the Capability Period Auctions and Monthly Auctions as well as bilaterally contracted positions. ICAP Spot Market Auctions only address the single calendar month encompassed by an Obligation Procurement Period. LSEs are required to cover any remaining capacity requirements in the ICAP Spot Market Auctions which also provide an opportunity for parties to sell or resell UCAP and to cover any shortfalls. ICAP Suppliers that clear the ICAP Spot Market Auction or that have certified forward auction or bilateral sales of UCAP prior to the ICAP Spot Market Auction are obligated as Installed Capacity Suppliers for the entirety of that month and may be subject to penalties and sanctions if they cannot fully comply with these obligations.

Capability Period Auctions are conducted for each seasonal six month “Capability Period” (winter and summer) for a given Capability Year. Participation in this auction is voluntary and any capacity purchases that result are financial obligations only. Capability Period Auctions are required to be held at least thirty days prior to the start of each Capability Period.

Monthly Auctions are conducted to allow parties to adjust their net position in the market for the upcoming month or any remaining month in the Capability Period. Participation in the Monthly Auctions is voluntary, with the results continuing to be financial in nature. Participants may bid or offer for any month remaining in the Capability Period. Monthly Auctions are required to be held at least fifteen days prior to the start of each calendar month.

Capability Period Auction and Monthly Auctions do not use the ICAP Demand Curves or LCRs. Their results must be certified immediately prior to the applicable ICAP Spot Market Auction(s).

Section 5.3 of the NYISO’s ICAP Manual states that the auction dates are to be specified in the “ICAP Event Calendar” posted on the NYISO’s website.⁸ The NYISO has discretion to revise dates specified in the ICAP Event Calendar subject to certain limitations set forth in the Services Tariff as described above. Currently, the certification deadline for the upcoming May 2024 ICAP Spot Market Auction is April 22, 2024. The offer period for the May 2024 ICAP Spot Market Auction opens at 8:00 AM on April 24, 2024, and ends at 5:00 PM on April 25, 2024. The NYISO is currently scheduled to post the auction results by 5:00 PM on April 29, 2024.

C. The Erroneous Calculation of TSL Floor Values for Load Zone J for the 2024-2025 Capability Year

1. The TSL Floor Value Computation Error and its Implications

The NYSRC established an IRM of 22.0% for the 2024-2025 Capability Year.⁹ The NYISO then coordinated with the NYSRC to prepare an “aligned” base case for the IRM study reflecting the NYSRC-approved IRM (i.e., 22.0%). The aligned base case also accounted for the TSL floor values initially calculated by the NYISO for the 2024-2025 Capability Year (i.e., 81.0% for the G-J Locality, 81.7% for Load Zone J, and 105.3% for Load Zone K). This aligned base case identified a NYCA LOLE of 0.089 loss of load event days per year based on the assumed system conditions, thereby verifying that the NYSRC-approved IRM for the 2024-2025 Capability Year satisfied the LOLE reliability criterion of being no greater than 0.1 loss of load event days per year.

⁸ See http://icap.nyiso.com/ucap/public/evt_calendar_display.do.

⁹ Docket No. ER24-753-000, *New York State Reliability Council, L.L.C.*, Informational Filing of the Revised Installed Capacity Requirement for the New York Control Area (December 18, 2023); and Docket No. ER24-753-000, *supra*, Letter Order (February 15, 2024).

As required by its applicable procedures, the NYISO used this aligned base case, including the “target” LOLE (i.e., 0.089 loss of load event days per year), to conduct the LCR study for the 2024-2025 Capability Year. The initial results of this study identified that the TSL floor values were binding for all three Localities, resulting in LCRs equal to such TSL floor values (i.e., 81.0% for the G-J Locality, 81.7% for Load Zone J, and 105.3% for Load Zone K).¹⁰ The NYISO’s stakeholder Operating Committee approved the results of the LCR study on January 18, 2024.

The case resulting from this study and the resulting Operating Committee-approved LCRs were then utilized for conducting the required capacity market processes for the 2024-2025 Capability Year and upcoming 2024 Summer Capability Period (i.e., the Downstream Processes). As noted above, these Downstream Processes included the establishment of final CAF values for the 2024-2025 Capability Year,¹¹ defining available capacity import rights, as well as the translation of the 2024-2025 Capability Year ICAP Demand Curves to UCAP terms for purposes of conducting the monthly spot auctions for the upcoming 2024 Summer Capability Period.

The NYISO’s processes and procedures to begin preparation for the 2024 Summer Capability Period capacity auctions commenced in January 2024 with the determination of the LCRs for the 2024-2025 Capability Year. Over the next several months, the NYISO completed the necessary activities to develop and disseminate to the market the necessary inputs, details and parameters for administering the capacity market and conducting capacity auctions for the 2024

¹⁰ See, e.g., NYISO, *Final LCR Results: Capability Year 2024-2025* (presented at the January 9, 2024 ICAPWG meeting), available at: <https://www.nyiso.com/documents/20142/42276797/Final%202024-2025%20CY%20LCR%20Results%20-%2001092024%20ICAPWG.pdf>.

¹¹ In compliance with the requirements to provide the final CAF values by March 1st prior to the beginning of each Capability Year, the NYISO posted the final CAF values for the 2024-2025 Capability Year on February 26, 2024.

Summer Capability Period. The NYISO typically provides all necessary information to the marketplace related to administration of the capacity market for a particular Capability Period approximately two weeks prior to the conduct of the Capability Period Auction. The Capability Period Auction for the 2024 Summer Capability Period commenced on March 27, 2024, with results posted on April 1, 2024.

2. The NYISO's Discovery of the Load Zone J TSL Floor Value Computation Error and Evaluation of its Impacts

While conducting unrelated work to assess forced outage rate calculations, the NYISO identified an error in the determination of the derating factor used in calculating the TSL floor value for Load Zone J for the 2024-2025 Capability Year. Specifically, the NYISO determined that the 4.5% derating factor utilized in calculating the TSL floor value for Load Zone J was incorrect because it was based on data from 2017-2021 instead of 2018-2022. The correct derating factor was 2.89%, reflecting data for the five-year period from 2018-2022. Accounting for the correct derating factor produces a TSL floor value of 80.4% for Load Zone J instead of the previously calculated value of 81.7%.¹²

The NYISO conducted supplemental analysis to determine the impact of the incorrect TSL floor value for Load Zone J on the previously calculated LCRs for the 2024-2025 Capability Year. To conduct the supplemental study, the NYISO revised the assumptions in the prior aligned base case to reflect the correct TSL floor value for Load Zone J (i.e., 80.4%). The TSL floor values for the G-J Locality and Load Zone K were maintained, as well as the 22.0%

¹² The NYISO conducted further analysis to confirm that the derating factor calculations for the G-J Locality and Load Zone K were correctly performed using data from 2018-2022. The NYISO's supplemental analysis: (1) concluded that the derating factor calculation error was limited to Load Zone J; and (2) verified that no corrections were required for the derating factors utilized for the G-J Locality and Load Zone K or the respective 2024-2025 Capability Year TSL floor values for such Localities.

IRM approved for the 2024-2025 Capability Year.¹³ The previously determined “target” LOLE of 0.089 loss of load event days per year was not utilized as a binding constraint in the supplemental analysis to permit identification of the resulting LOLE for the system conditions reflecting the correct TSL floor value for Load Zone J. The supplemental analysis identified a minimal impact on the NYCA LOLE, determining that the updated inputs produced a LOLE of 0.090 loss of load event days per year. The supplemental analysis confirmed that the 22.0% IRM in combination with identified LCRs (including the updated Load Zone J LCR) results in a LOLE well within the applicable reliability criteria of no greater than 0.1 loss of load event days per year. Thus, the NYCA system continues to satisfy applicable reliability criteria under conditions that reflect correction of the TSL floor value error of Load Zone J.

Consistent with the outcome of the initial LCR study, the supplemental analysis confirmed that the TSL floor values were binding for all three Localities. For Load Zone J, the supplemental analysis determined a LCR of 80.4% (i.e., equivalent to the updated TSL floor value). The supplemental study also reconfirmed the previously determined LCR values of 81.0% for the G-J Locality and 105.3% for Load Zone K, i.e., the TSL floor value calculation error for Load Zone J did not impact LCRs outside of Load Zone J.

The NYISO also determined that the Load Zone J LCR error would, if not corrected, have a substantial financial impact on the results of the ICAP Spot Market Auctions to be held during the 2024-2025 Capability Year.

¹³ Consistent with the aligned base case used to conduct the initial LCR study for the 2024-2025 Capability Year, the study case used for the supplemental analysis posited system conditions with each Locality set at its applicable TSL floor value, and the NYCA IRM set at the approved value of 22.0%. Unlike the aligned base case; however, Load Zone J was assumed at the corrected TSL floor value of 80.4% instead of the prior 81.7% value.

D. The NYISO's Response to the TSL Computation Error and Upcoming Steps

The NYISO determined that the identified error in calculating the TSL floor value for Load Zone J constituted a potential “Market Problem.” As required by Section 3.5.1 of the Services Tariff, the NYISO reported the matter to FERC’s Office of Enforcement and to the MMU on April 10, 2024.¹⁴ The NYISO also notified the NYSRC of the issue. After completing such initial notifications, the NYISO issued a “Notice of Potential Market Problem” on April 10, 2024, to inform all stakeholders of the issue.¹⁵ The NYISO commenced discussions regarding the issue with its stakeholders at the Operating Committee on April 11, 2024 and the ICAPWG on April 15, 2024. The NYISO also discussed the matter at the NYSRC Executive Committee meeting on April 12, 2024.

The May 2024 Monthly Auction had commenced, and the bid/offer period was active at the time the NYISO identified the TSL floor value calculation error for Load Zone J. As part of issuing the notice of a potential Market Problem to the marketplace, the NYISO also extended the bid/offer period for the May 2024 Monthly Auction until April 11, 2024 to permit auction participants an opportunity to consider the notice in assessing their participation in that auction.

Based on the results of the supplemental analysis conducted to account for the correction of the TSL floor value for Load Zone J, the NYISO recommended seeking Operating Committee approval of the revised LCR value of 80.4% for the 2024-2025 Capability Year. A special meeting of the Operating Committee has been scheduled for April 19, 2024 for this purpose.

¹⁴ See Section 3.5.1 of the Services Tariff.

¹⁵ The NYISO issued an updated notice on April 12, 2024 to provide the marketplace with additional details regarding the calculation error and its impact. The updated notice: (1) confirmed that the correct derating factor for Load Zone J should have been 2.89%; (2) identified that the resulting TSL floor value for Load Zone J should have been 80.4% instead of the initially calculated 81.7% value; and (3) verified that no corrections were required to the previously calculated derating factor values and TSL floor values for the G-J Locality and Load Zone K.

At the April 15, 2024 ICAPWG meeting, the NYISO discussed the results of its supplemental study accounting for the corrected TSL floor value for Load Zone J, as well as its proposed remedial action plan. The NYISO also described its intent to help mitigate additional, unnecessary market uncertainty by limiting its remedial action to correcting the LCR value for Load Zone J on a prospective basis only. Consequently, the NYISO informed stakeholders that it did not intend to revise the results of Downstream Processes that were based on the initial LCR study at this time. As previously stated, the NYISO will continue to collaborate with its stakeholders to assess the feasibility, implications, timelines and required actions to pursue any corrective action for the Downstream Processes on a prospective basis. If it is determined that additional corrective actions are warranted and feasible, the NYISO will promptly make another filing to seek whatever further prospective relief may be appropriate.

April 22, 2024 is the deadline for certifications for LSEs and Suppliers participating in the May 2024 ICAP Spot Market Auction. If the NYISO is to revise the Load Zone J LCR in time for the May 2024 ICAP Spot Market Auction it must act by this deadline.

The NYISO is already investigating the root cause(s) of the TSL floor value computation error and will take future steps to prevent its recurrence.

II. REQUEST FOR PROSPECTIVE TARIFF WAIVER

The NYISO respectfully requests a prospective waiver of Services Tariff Sections 5.11.4 and 5.11.4(c) to the extent that they prohibit the NYISO from correcting an erroneous TSL floor value that, if corrected, produces a different “target” LOLE from the initial aligned based case from the IRM study. As noted above, the LCR Determination Process is referenced by Section 5.11.4 and expressly requires use of such aligned base case and the “target” LOLE associated therewith (i.e., the lesser of 0.1 loss of load event days per year or the LOLE represented by the

system conditions in the aligned base case) in determining the LCRs. In addition, Section 5.11.4(c) requires that the TSL floor values be determined in accordance with ISO Procedures, which for purposes of the 2024-2025 Capability Year calculations included the use of generator outage data from the 2018-2022 period. As described above, the supplemental analysis conducted to determine the revised LCR for Load Zone J required certain adjustments to the initial aligned base case that reflected the erroneous TSL floor value for the Load Zone J. Namely, the supplemental analysis corrected the erroneous TSL floor value for Load Zone J and determined a resulting LOLE for the system with the revised inputs to ensure continued compliance with the reliability criteria of maintaining a LOLE of no greater than 0.1 loss of load event days per year.

Although the affected procedural requirements are not expressly stated in Sections 5.11.4 and 5.11.4(c), the NYISO is seeking a tariff waiver of out of an abundance of caution to ensure its own compliance with its tariff obligations and to provide market certainty regarding the correction of the Load Zone J LCR. Time is of the essence to implement the correction of the Load Zone J LCR. The May 2024 ICAP Spot Market Auction is imminent. This is the first mandatory auction for the 2024-2025 Capability Year that directly utilizes the LCRs. Leaving the Load Zone J TSL floor value computation error uncorrected will have a substantial price impact on that auction. To effectuate timely implementation of the revised LCR for Load Zone J that accounts for the correction of the prior computation error, the NYISO will need to correct the Load Zone J LCR error by the April 22, 2024 certification deadline for the May 2024 ICAP Spot Market Auction. The limited time available to pursue appropriate corrective action with respect to the Load Zone J LCR is a consequence of how recently the error was discovered and

the unavoidable need for the NYISO to take time to analyze the error, discuss it with stakeholders, and develop a remedial action plan.

The requested waiver is prospective in nature because the NYISO is seeking it prior to the start of the first mandatory auction in which the revised LCR for Load Zone J would first be used (i.e., the May 2024 ICAP Spot Market Auction).¹⁶ The Summer 2024 Capability Period Auction and May 2024 Monthly Auction that have already completed are voluntary auctions that did not directly use the ICAP Demand Curves or LCRs. The NYISO is not seeking any waiver or other relief with respect to such previously completed auctions.

Additionally, the Services Tariff does not establish an express date prior to each Capability Year by when the LCRs must be finalized¹⁷ or any express prohibition against correcting LCRs computed based on erroneous inputs, such as a TSL floor value (subject to the considerations identified above related to the database and other inputs used in conducting the LCR study). Although the LCR Determination Process envisions that informational draft LCRs, and related information will be presented to stakeholders by the 4th quarter of every calendar year¹⁸ it does not prohibit subsequent adjustments to previously determined LCRs prior to the start of a Capability Year. The NYISO is following the prescribed steps for adopting final LCRs, including presenting the corrected LCR for Load Zone J to the Operating Committee for approval on April 19, 2024, i.e., before the start of the May 2024 ICAP Spot Market Auction.

The Commission traditionally grants prospective waivers of tariff provisions where: (1) the applicant acted in good faith; (2) the waiver is of limited scope; (3) the waiver addresses a

¹⁶ See, e.g., *Lightsource Renewable Energy Development, LLC*, 181 FERC ¶ 61,187 (2022).

¹⁷ The NYISO's waiver request is therefore distinguishable from requests that the Commission has denied as impermissibly retroactive because they sought relief from deadlines that had already passed. See, e.g., *Bear Ridge Solar, LLC*, 186 FERC ¶ 61,182 (2024).

¹⁸ LCR Determination Process, §2.4.

concrete problem; and (4) the waiver does not have undesirable consequences, such as harming third parties.¹⁹ The NYISO respectfully submits that its requested prospective waiver is fully consistent with all of these criteria.

The NYISO has acted in good faith. Immediately after discovering the TSL floor value computation issue for Load Zone J, the NYISO adhered to its “Market Problem” tariff provisions including providing the required notice to stakeholders. The NYISO acted swiftly to analyze the error and to determine its impacts and potential remedial measures. The NYISO is also taking steps to better understand how the error happened and to avoid its recurrence.

The requested waiver is of limited scope because it is the narrowest feasible solution to the problem created by the TSL floor value computation error for Load Zone J. The NYISO is addressing the TSL floor value computation issue on an expedited basis to correct its impact on the Load Zone J LCR prior to the upcoming May 2024 ICAP Spot Market Auction because it is highly consequential. The NYISO confirmed that the correction is only necessary for Load Zone J for the upcoming Capability Year. The NYISO is not proposing to modify earlier auction results.

The NYISO is also not addressing the Downstream Processes at this time. It is not feasible to complete necessary analyses to fully addresses those processes before the May 2024 ICAP Spot Market Auction. Therefore, attempting to address Downstream Processes at this time could only delay the benefits of addressing the Load Zone J LCR error before the May 2024 ICAP Spot Market Auction. Separate from its waiver request in this proceeding, the NYISO will continue to collaborate with its stakeholders to assess the feasibility, implications, timelines and

¹⁹ See, e.g., New York Independent System Operator, Inc., 171 FERC ¶ 61,042 (2020); Citizens Sycamore-Pensaquitos Transmission LLC, 169 FERC ¶ 61,263 at P 14 (2019).

required actions to pursue any corrective action for the Downstream Processes on a prospective basis.

The correction of the Load Zone J LCR also will not cause reliability issues or require any changes to previously determined 22.0% IRM value for the 2024-2025 Capability Year to maintain compliance with applicable reliability criteria of a NYCA LOLE being no greater than 0.1 loss of load event days per year. In fact, the supplemental analysis conducted by the NYISO identified that the system conditions reflecting correction of the TSL floor value computation error reflect a LOLE of 0.090 loss of load event days per year.

The requested waiver addresses a concrete problem. The TSL floor value calculation error was inconsistent with ISO Procedures as well as the NYISO's presentations to stakeholders describing the use of a five-year derating factor in calculating the TSL floor values. As stated above, the NYISO estimates that leaving the error uncorrected could potentially result in increased capacity procurement costs for LSEs serving load in Load Zone J of up to \$15-20 million per month during the 2024-2025 Capability Year. Such an outcome is inconsistent with the overarching tariff objective that LCRs be calculated in a way that would "minimize the total cost of capacity at the prescribed level of excess" ²⁰ The concrete problem presented by the TSL floor value computation error for Load Zone J can also be readily avoided by prospectively correcting the LCR for Load Zone J for the upcoming May 2024 ICAP Spot Market Auction.

Finally, the requested waiver will not have undesirable consequences. Granting the waiver would not cause any material, legally cognizable, harm to third parties. Capacity prices in Load Zone J are anticipated to be lower than they would have been otherwise absent correction of the erroneous LCR for Load Zone J. That outcome may be contrary to the

²⁰ See Section 5.11.4(a) of the Services Tariff.

economic interests of some market participants, but no stakeholder has a legitimate interest in preventing an error from being corrected for that reason. Moreover, all market participants will benefit from capacity auction prices that accurately reflect the NYISO's methodology for computing TSL floor values.

To the extent that some stakeholders believe that changes should be made to certain Downstream Processes granting the requested waiver will not prejudice them. It is not feasible to make any such adjustments to Downstream Processes in advance of the May 2024 ICAP Spot Market Auction regardless of whether the Load Zone J LCR is corrected. The NYISO, however, will continue to collaborate with its stakeholders to assess the feasibility, implications, timelines and required actions to pursue any corrective action for the Downstream Processes on a prospective basis.

III. THE NYISO'S PROPOSED APPROACH TO THE DOWNSTREAM PROCESSES

The NYISO is not, at this time, proposing to make any changes or corrections related to the Downstream Processes that made use of the erroneously computed Load Zone J LCR. This is principally because: (i) it would not be feasible for the NYISO to make any such adjustments in time for the May 2024 ICAP Spot Market Auction; and (ii) the impacts on ICAP Spot Market Auction results of any such changes appear to be limited based on the information currently available, especially in comparison to the potential financial impact of using an incorrect LCR for Load Zone J. By contrast, the TSL floor value computation error and its resulting impact on the LCR for Load Zone J can be readily corrected to ameliorate the significant financial consequences expected to result from failing to correct for this error.

The NYISO's decision not to seek action related to the Downstream Processes as part of this request is not intended to foreclose the potential for addressing the Downstream Processes

(on a prospective basis) in the future. The NYISO will continue developing its analysis of the considerations related to the Downstream Processes. The NYISO will also continue to collaborate with its stakeholders to assess the feasibility, implications, timelines and required actions to pursue any corrective action for the Downstream Processes on a prospective basis. If it is determined that additional relief from the Commission is warranted the NYISO will promptly seek it in a future filing. However, at this time, the NYISO does not believe that any tariff waivers are necessary to allow the NYISO to leave the results of the Downstream Processes undisturbed even with the implementation of corrections for the TSL floor value computation error for Load Zone J.

IV. REQUEST FOR EXPEDITED COMMISSION ACTION AND FOR PROCEDURAL WAIVERS

The NYISO respectfully requests the Commission act expeditiously and grant the requested prospective waiver of Sections 5.11.4 and 5.11.4(c) of the Services Tariff. The NYISO also requests that the Commission waive the normal comment period and adopt an abbreviated comment deadline of one day from the date of this filing (i.e., April 19, 2024), so that the Commission may issue an order as expeditiously as possible.

As discussed above, expedited action is both necessary and justified here. The May 2024 ICAP Spot Market Auction, the first mandatory auction for the 2024-2025 Capability Year, is imminent. Leaving the Load Zone J TSL floor value computation error uncorrected will have a substantial price impact on that auction. To effectuate timely implementation of the revised LCR for Load Zone J that accounts for the correction of the prior computation error, the NYISO will need to correct the Load Zone J LCR error by the April 22, 2024 certification deadline for the May 2024 ICAP Spot Market Auction. As a result, the NYISO must commit to correcting the error prior to such certification deadline.

Because the Load Zone J TSL floor value computation error is consequential, can be addressed quickly, and the MMU supports action to address it, the NYISO intends to correct the error before the certification deadline unless the Commission instructs it not to do so by April 19, 2024. The NYISO understands that it will almost certainly not be practicable for the Commission to issue an order within a few days of this filing. The timing problem is a consequence of how recently the error was discovered and the unavoidable need for the NYISO to take time to analyze the error, discuss it with stakeholders, and develop a remedial action plan. The NYISO takes its compliance obligations seriously and is only proposing to act without Commission pre-authorization because of the specific facts and circumstances that exist in this instance. The expeditious issuance of a Commission order granting the waiver will confirm that the NYISO's compliance with its statutory and tariff obligations. It will also provide market participants with certainty going forward.

As noted above, the NYISO has informed its stakeholders of the underlying TSL floor value calculation error for Load Zone J, explained that it would be making this filing, and has described the scope of the waivers that the NYISO is, and is not, seeking at this time. Stakeholders have thus been on notice of the existence of the issue addressed in this filing since the NYISO's first disclosed the existence of a potential Market Problem on April 10, 2024. An abbreviated comment deadline will therefore not be as burdensome to potential commenters in this proceeding as it might be absent advance notice.

V. COMMUNICATIONS

All communications, pleadings, and orders with respect to this proceeding should be directed to the following individuals:

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VI. CONCLUSION

WHEREFORE, for the reasons specified above, the New York Independent System Operator, Inc., respectfully requests the Commission act expeditiously to grant the NYISO's request for: (i) a prospective waiver of Sections 5.11.4 and 5.11.4(c) of the Services Tariff; and (ii) the procedural waivers discussed in Section IV above, as soon as possible.

Respectfully submitted,

/s/ Ted J. Murphy.

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April 18, 2024

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