23.7 Bid Restrictions for Incremental Energy Bids and Minimum Generation Bids for NYCA Resources

23.7.1

The rules set forth in this Section 23.7 are necessary to implement the Bid Restrictions set forth in Section 21 of the ISO Services Tariff. These rules apply to Day-Ahead and real-time Incremental Energy Bids and Minimum Generation Bids submitted for NYCA Resources that exceed $1,000/MWh. The rules in Section 23.7 apply in addition to, *not* in lieu of, any other market power mitigation measure, requirement, obligation, penalty or sanction set forth in the ISO's Tariffs.

23.7.2 Cost Comparison

If an Incremental Energy Bid or Minimum Generation Bid submitted on behalf of a NYCA Resource exceeds $1,000/MWh and complies with the requirements of Sections 23.7.3 (for Generators) or 23.7.4 (for Demand Side Resources) below, then the ISO shall compare the Bid to a cost-based reference level developed in accordance with Sections 23.3.1.4.1.3 and/or 23.3.1.4.2.1, and 23.3.1.4.6 of these Mitigation Measures for Generators, or in accordance with Section 23.7.4 for Demand Side Resources, to determine if it must apply a Bid Restriction.

23.7.2.1 If any component of an Incremental Energy Bid exceeds $1,000/MWh or if a Minimum Generation Bid exceeds $1,000/MWh, then the ISO shall use cost-based reference levels to determine if a Bid Restriction should be applied, and to test all components of the Incremental Energy Bid or the Minimum Generation Bid for possible mitigation in accordance with these Mitigation Measures.

23.7.2.1.1 The ISO does not ordinarily include adders above cost in cost-based reference levels. *See* Section 23.3.1.4.1.3 of these Mitigation Measures. If the

ISO ever decides to allow adders above cost to be included in the cost-based based reference levels it uses to determine if a Bid Restriction should be applied, then the combined impact of all of the adders above cost included in the reference level(s) shall be limited to no more than $100/MWh.

23.7.2.2 If the cost-based reference level the ISO uses to perform the comparison is less than or equal to $1,000/MWh, then the ISO shall restrict the Incremental Energy Bid or Minimum Generation Bid that exceeds $1,000/MWh to $1,000/MWh. Some components of an Incremental Energy Bid curve might exceed $1,000/MWh while other components of the Bid curve might be less than $1,000/MWh. If so, the Bid Restriction will apply to the components of the Incremental Energy Bid curve that exceed $1,000/MWh, for which the associated cost-based reference level is less than or equal to $1,000/MWh.

23.7.2.2.1 The NYISO shall test all Incremental Energy Bids and Minimum Generation Bids that have been restricted to $1,000/MWh for possible mitigation in accordance with the rules set forth in these Mitigation Measures.

23.7.2.3 If the cost-based reference level the ISO uses to perform the comparison is greater than $1,000/MWh but not more than $2,000/MWh, then the ISO shall use the Incremental Energy Bids and Minimum Generation Bids that are less than or equal to that cost-based reference level in its Day-Ahead Market or Real-Time Market (as appropriate). Bids that exceed the cost-based reference level that the NYISO uses to perform the comparison shall be reduced to equal the cost-based reference level. This process may result in some components of an Incremental Energy Bid curve being reduced, but not others.

23.7.2.4 If the cost-based reference level the ISO uses to perform the comparison is greater than $2,000/MWh, then the ISO shall use the Incremental Energy Bids and Minimum Generation Bids that are less than or equal to $2,000/MWh in its Day-Ahead Market or Real-Time Market (as appropriate). Incremental Energy Bids and Minimum Generation Bids that exceed $2,000/MWh shall be recorded by the ISO but the Bids shall be restricted to a maximum of $2,000/MWh for use in the ISO's Day-Ahead Market or Real-Time Market (as appropriate).

23.7.2.4.1 Verified Bid costs that exceed $2,000/MWh may be recovered through a Bid Production Cost Guarantee payment in accordance with Section 18 of the ISO Services Tariff.

23.7.2.5 Cost components of Incremental Energy Bids and Minimum Generation Bids above $1,000/MWh that are not included in the reference level that the ISO uses to perform the cost comparison in this Section 23.7.2 may be eligible for recovery through a Bid Production Cost Guarantee payment following an after-the-fact review, in accordance with Sections 23.7.3.3 and 23.7.4.6 below.

23.7.3 Submission and verification of Incremental Energy Bids and Minimum Generation Bids above $1,000/MWh, and updates to Generators' cost-based reference levels.

23.7.3.1 All NYCA Generators that submit Incremental Energy or Minimum Generation Bids that exceed $1,000/MWh are required to submit revised fuel type or fuel price information to the NYISO's Market Information System along with their Day-Ahead and real-time Bids in order to facilitate NYISO's review and validation of the Bids that exceed $1,000/MWh. ISO Procedures shall specify the revised fuel type or fuel price information that must be submitted to the NYISO's

Market Information System along with the Incremental Energy and Minimum Generation Bids. Failure to submit required fuel type or fuel price information to the NYISO's Market Information System along with an Incremental Energy and/or Minimum Generation Bid that exceeds $1,000/MWh will result in the Bids being automatically rejected by the ISO.

Real-Time Market Bids that include revised fuel type or fuel price information must be submitted prior to market close for the relevant Real-Time Market hour in order to be evaluated. Day-Ahead Market Bids that include revised fuel type or fuel price information must be submitted at least 15 minutes prior to the close of the Day-Ahead Market (*i.e.*, by 4:45 a.m.) in order to be evaluated.

23.7.3.2 Submission of cost information to support Incremental Energy Bids and Minimum Generation Bids that exceed $1,000/MWh. In order for an Incremental Energy Bid or a Minimum Generation Bid that exceeds $1,000/MWh to be considered verified, cost information sufficient to justify the Bids must be submitted to the ISO and included by the ISO in the Generator's cost-based reference level for the relevant Day-Ahead or Real-Time Market hour.

23.7.3.3 A Market Party shall only be eligible to recover risk adders that were included in the cost-based Incremental Energy or Minimum Generation reference levels that the ISO used to perform the cost comparison described in Section 23.7.2 above for the relevant Day-Ahead or Real-Time Market hour. Other costs that were Bid, but that were not included in the cost-based Incremental Energy or Minimum Generation reference levels that the ISO used to perform the cost comparison described in Section 23.7.2 above, are eligible for recovery through a Bid Production Cost Guarantee payment in accordance with Section 18 of the ISO Services Tariff if the Market Party demonstrates that they were incurred in an after-the-fact review.

23.7.4 Development of Cost Based Reference Levels and Submission of Incremental Energy and Minimum Generation Bids that Exceed $1,000/MWh by eligible Demand Side Resources.

23.7.4.1 These rules apply to Incremental Energy Bids (including incremental Curtailment Bids) and Minimum Generation Bids (including minimum Curtailment initiation Bids) submitted for Demand Side Resources participating in the Day-Ahead Demand Response Program or the Demand Side Ancillary Service Program. No other Demand Side Resources are eligible to submit Incremental Energy Bids or Minimum Generation Bids that exceed $1,000/MWh.

23.7.4.2 Reference Level Development. Market Parties that submit Incremental Energy Bids or Minimum Generation Bids on behalf of Demand Side Resources that want to be able to submit Incremental Energy Bids or Minimum Generation Bids that exceed $1,000/MWh when such Bids are consistent with a Demand-Side Resource's costs must complete the following procedures to develop cost based Incremental Energy and Minimum Generation reference levels for their Demand Side Resource.

At least 30 days prior to the start of the Capability Period for which the Market Party wants to have cost based reference levels in place for an existing Demand Side Resource, or prior to the completion of the ISO's registration process for Demand Side Resources that are entering the NYISO markets for the first time, the Market Party must develop and provide to the ISO a detailed estimate of the Demand Side Resource's incremental costs of providing load reduction and participate in a reference level development consultation with the ISO. *See* Section 23.3.3.1.4 of these Mitigation Measures.

Once a reference level has been developed for a Demand Side Resource, the Market Party is responsible for informing the ISO of substantial changes to its Demand Side Resource's incremental costs of providing load reduction, and must submit updated cost information to the ISO at least annually.

If the ISO does not have an up-to-date cost based reference level in place for a Demand Side Resource, then the Market Party will not be permitted to submit Incremental Energy Bids or Minimum Generation Bids that exceed $1000/MWh for that Demand Side Resource.

23.7.4.3 Process for Submitting Incremental Energy and Minimum Generation Bids that exceed $1,000/MWh. A Market Party that timely developed cost based Incremental Energy and/or Minimum Generation reference levels for its Demand Side Resource in accordance with Section 23.7.4.2 and that determines its Demand Side Resource's incremental cost of providing load reduction is expected to exceed $1,000/MWh for an upcoming Day-Ahead or Real-Time Market day must develop and submit to the ISO an updated, detailed estimate of the Demand Side Resource's incremental costs of providing load reduction and contact the ISO to schedule a reference level consultation by no later than 9:00 a.m. on the day before the close of the relevant Day-Ahead Market or Real-Time Market hour.

23.7.4.4 If the Market Party does not timely submit the information required in Section 23.7.4.3, then the ISO shall restrict an Incremental Energy Bid or Minimum Generation Bid that exceeds $1,000/MWh to $1,000/MWh.

23.7.4.5 Demand Side Resources participating in the Demand Side Ancillary Service Program are not eligible to recover costs associated with providing Incremental Energy or Minimum Generation.

23.7.4.6 Demand Side Resources participating in the Day-Ahead Demand Response Program that complied with the requirements of Section 23.7.4.3 shall only be eligible to recover risk adders that were included in the cost-based Incremental Energy or Minimum Generation reference levels that the ISO used to perform the cost comparison described in Section 23.7.2 above for the relevant Day-Ahead Market hour. Other costs that were Bid, but that were not included in the cost-based Incremental Energy or Minimum Generation reference levels that the ISO used to perform the cost comparison described in Section 23.7.2 above, are eligible for recovery through a Bid Production Cost Guarantee payment in accordance with Section 18 of the ISO Services Tariff if the Market Party demonstrates that they were incurred in an after-the-fact review.

23.7.5 Information Requests

If the ISO requests additional information about an Incremental Energy Bid or Minimum Generation Bid that exceed $1,000/MWh or about information supporting such a Bid or supporting a proposed change to the associated reference level, the Market Party shall respond promptly to the ISO's request. Failure to promptly respond may prevent the ISO from verifying a cost and including it in a Generator's or a Demand Response Resource's cost based

Incremental Energy or Minimum Generation reference level.

23.7.6 Penalties for Submitting Inaccurate Cost Information

Submission of inaccurate cost information to the ISO in support of Incremental Energy or Minimum Generation Bids that exceed $1,000/MWh. A Market Party that submits inaccurate cost information to the ISO for a Generator or Demand Side Resource that causes a market clearing price impact or a guarantee payment impact shall be subject to financial penalties in accordance with Section 23.4.3 of these Mitigation Measures. Submission of inaccurate information that causes a market clearing price or a guarantee payment impact shall be penalized for withholding in accordance with Sections 23.4.3.3.1, 23.4.3.3.1.1 and 23.4.3.3.1.2 of these Mitigation Measures, unless a different method of calculating a penalty applies to the behavior.