

Talking Points from Select Generator~~Load~~ Parties

1. Pricing Agreement. Starting with the 2013/2014 Capacity Commitment Period and continuing until the ~~2020/2021~~2023/2024 Capacity Commitment Period, there shall be a price collar with a floor of \$~~3~~2.95/kW-mo (as adjusted by an applicable average or rolling Handy-Whitman Index of Public Utility Construction Costs~~index~~) and a fixed ceiling of \$~~8.75~~7.95/kW-mo. Any cleared new entry will continue to receive its necessary capacity clearing price for the number of capacity commitment periods it elected during the qualification process. All existing cleared resources will be subject to the collar.
2. If the auction clears at the floor price, resources will have the option of prorating their cleared MWs after the Forward Capacity Auction. Note that resources will continue to have the option to prorate by price.
3. APR. Adopt NextEra ISO proposal; ~~described in Section 1 of the DBD with the following exceptions. If APR 1 and APR 2 are triggered in a Capacity Zone, then the Capacity Clearing Price in that Capacity Zone shall be, generally, the lesser of: (a) \$0.01 below the price [at which the first new resource which would have otherwise cleared but for the cleared OOM withdrew (still reviewing/developing this concept)]; or (b) CONE.~~
 - a. APR Trigger. The APR should be triggered when any of the following conditions arises:
 1. an OOM resource clears an FCA;
 2. a De-List Bids or Non-Price Retirement Request is Rejected for Reliability Reasons; or
 3. there is a positive amount of Past Excess OOM Resources.
 - b. General APR Pricing Rule. The FCA Capacity Clearing Price is reset upwards to the lower of (a) \$0.01 below the price at which there were sufficient offers from resources, excluding current-year OOM Capacity, Past Excess OOM Resources, and De-List Bids Rejected for Reliability Reasons, or (b) CONE.
 1. “Between” Resources Rule. Any Existing Generating Capacity Resource or Existing Demand Resource with a cleared De-List Bid that was priced below the reset Capacity Clearing Price has the option to reinstate the de-listed capacity. If any capacity is reinstated under this rule, the Capacity Clearing Price will be reduced so that the total capacity revenues are unchanged.
 2. Rebuttable Presumption. Clarify (i) that there is a rebuttable presumption that all revenues from contracts and power purchase agreements are Out-of-Market Revenues, and (ii) the types of evidence required to be submitted in support of the revenue stream associated with such tradable

sources in order for such revenues not to be treated as Out-of-Market Revenues.

3. Carry Forward Rule. Out-of-Market Capacity will be carried forward as Past Excess Out-of-Market Resources using the following rule (which is parallel to the rule approved in NYISO by FERC in Docket EL07-39):

The length of time (in Commitment Periods) that new OOM Capacity is subject to the Carry Forward Rule shall be based on the following formula: (1) new OOM capacity plus all surplus capacity, divided by (2) the average annual growth in ICR for the three years preceding the current FCA commitment period. If the foregoing calculation extends mitigation to part of a Commitment Period, the new OOM Capacity shall remain as OOM for the entire Commitment Period.

While OOM Capacity cleared in the first three FCAs would not be included in the Past Excess Out-of-Market Capacity for the purposes of triggering the APR, such OOM should be included in the Past Excess Out-of-Market Capacity for purposes of determining the varying length of time that new OOM Capacity is subject to the Carry Forward Rule. Past Excess OOM Capacity would no longer be carried forward after the number of years determined by the rule above.

4. CONE. Adjust CONE by a rolling or average Handy-Whitman Index of Public Utility Construction Costs in years when it is not updated by non-OOM new entry

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- ~~6.~~ 6. Modeling of Zones: If the sum of (existing capacity – permanent de-list bids – non-price retirement requests – all static de-list bids) is less than or equal to the greater of (LSR or TSA), the Zone would be modeled.

~~Only permanent de-list bids will be allowed to trigger modeling of and price formation in the Capacity Zones.~~

~~7.~~

- ~~7. Resources without a Capacity Supply Obligation, to the extent they are available to the ISO to provide energy, shall be obligated to provide energy if requested by the ISO to address and/or avoid an OP4 situation (i.e., emergency) after the ISO has called on all resources with a Capacity Supply Obligation. Resources shall be paid for the energy (details to be worked out).~~

- ~~8. In an effort to find the proper balance between additional reliability and additional capacity market costs for consumers, recognizing that the probability that some amount of the remaining interconnected resources will still be offering into the energy market is certainly not zero, the calculation of the probabilistic local RA requirement/LSR will include and recognize the reliability contribution expected from some amount of the remaining interconnected resources. INITIALLY, SUCH AMOUNT WILL BE ZERO. After the completion of the first two Capacity Commitment Periods, (and then after each subsequent commitment period), based on the actual demonstrated offers into the energy market, ISO-NE shall update the initial amount assumed to properly reflect in the calculation of the probabilistic local RA requirement the reliability contribution of interconnected de-listed/surplus capacity.~~
9. All DR issues and solutions will be addressed in the NEPOOL Participant Process.
8. The internal market monitor shall review and propose how to evaluate incremental megawatts of tie benefits, which would not exist but for new transmission investments and which expand external interface capability, for purposes of out-of-market evaluations under the Alternate Price Rule in advance of FCA5.
9. As part of the filing made prior to each FCA pursuant to Section III.13.8.1, the ISO will file the Internal Market Monitoring Unit's determinations regarding offers of each new resource or new import below 0.75 times CONE, providing information as to how it calculated the long run average cost, net of market revenues, for each such offer including an explanation of the reasons for classifying, or not classifying, any such offers as Out-of-Market. The filing shall identify to the extent possible the components of the offer which were categorized as Out-of-Market revenues and which revenues were considered to not to be Out-of-Market.