



October 29, 2009

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

RE: **ISO New England Inc., Updated Tariff Sheets for Compliance With Order No. 614; Docket No. ER10- -000**

Dear Secretary Bose:

In compliance with Order No. 614,<sup>1</sup> ISO New England Inc. (the “ISO”)<sup>2</sup> hereby submits an original and six copies of this transmittal letter and tariff sheets reflecting the repositioning of tariff sheet revisions filed in Docket No. ER09-1546-000. A review of the tariff sheets filed in that docket on August 5, 2009 revealed that the changes reflected therein were made to a version of the tariff sheets that is not yet effective. Accordingly, the ISO is filing the enclosed tariff sheets to bring them into conformance with the currently effective Tariff.

On April 28, 2009, the ISO and the New England Power Pool (“NEPOOL”) Participants Committee (collectively, the “Filing Parties”) filed in Docket No. ER09-1051-000 revisions to Appendix A of Market Rule 1 in compliance with Order No. 719 (the “Order 719 Revisions”).<sup>3</sup> The Commission has not yet issued an order on the Order 719 Revisions. On August 5, 2009, the Filing Parties filed in Docket No. ER09-1546-000 (the “RCM Filing”) revisions to Appendix A regarding reliability commitment mitigation and other supporting revisions to Appendix A (the “RCM Revisions”).<sup>4</sup> On

<sup>1</sup> *Designation of Electric Rate Schedule Sheets*, Order No. 614, 90 FERC ¶ 61,352 (2000).

<sup>2</sup> Capitalized terms used but not defined in this filing are intended to have the meaning given to such terms in the ISO New England Inc. Transmission, Markets and Services Tariff, FERC Electric Tariff No. 3 (the “Tariff”), the Second Restated New England Power Pool Agreement, and the Participants Agreement. Market Rule 1 is Section III of the ISO Tariff.

<sup>3</sup> *See* Filing of ISO New England Inc. and New England Power Pool, Docket No. ER09-1546-000 (August 5, 2009).

<sup>4</sup> *See* Filing of ISO New England Inc. and New England Power Pool, Docket No. ER09-1051-000 (April 28, 2009).

October 2, 2009, the Commission issued an order conditionally accepting the RCM Revisions (the “RCM Order”).<sup>5</sup> Pursuant to the RCM Order, Phase I of the RCM Revisions became effective on October 5, 2009.<sup>6</sup>

In filing the RCM Revisions in August, the ISO used as a base Tariff document the version of Appendix A that contained the Order 719 Revisions. The Commission has not issued an order addressing the Order 719 Revisions. Therefore, the ISO is filing herewith tariff sheets containing Phase I of the RCM Revisions applied to the currently effective version of Appendix A, *i.e.*, the version that does not contain the Order 719 Revisions.<sup>7</sup> To create these tariff sheets, the ISO has taken the revised language from the Phase I tariff sheets submitted as part of the RCM Filing and transferred that language to the applicable provisions in the currently effective version of Appendix A. Blacklined and clean tariff sheets are Attachments 1 and 2, respectively, to this letter.

The ISO is submitting the enclosed tariff sheets for compliance with Order No. 614, to be effective as of October 5, 2009, which is the date the Phase I RCM Revisions became effective. To avoid uncertainty, the ISO is posting the enclosed tariff sheets to the published version of Market Rule 1 on the date of this transmittal, subject ultimately to the Commission’s acceptance of this filing.

---

<sup>5</sup> See *ISO New England Inc. and New England Power Pool*, 129 FERC ¶ 61,008 (2009).

<sup>6</sup> The RCM Revisions are effective subject to the ISO making a compliance filing with the Commission within thirty days of the issuance of the RCM Order to provide further support regarding one prong of the Reliability Commitment Mitigation test and to allow Market Participants additional time for making Section 205 filings under the new Section III.A.10 of Appendix A.

<sup>7</sup> Phase II of the RCM Revisions are to become effective on or after January 1, 2010, with two weeks notice of the actual effective date to be provided to the Commission by the ISO. In the event the Commission has not issued an order in Docket No. ER09-1051-000 regarding the Order 719 Revisions at the time Phase II of the RCM Revisions is to become effective, the ISO will file the updated tariff sheets for Phase II with its two-week notice of the applicable effective date.

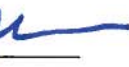
Please acknowledge receipt of the foregoing by date-stamping and returning to our messenger the enclosed extra copies of this filing.

Respectfully submitted,

**ISO NEW ENGLAND INC.**

By: James H. Douglass 

James H. Douglass, Esq.  
Christopher J. Hamlen, Esq.  
ISO New England Inc.  
One Sullivan Road  
Holyoke, MA 01040-2841  
Tel: (413) 540-4585  
Fax: (413) 535-4379  
E-mail: [jdouglass@iso-ne.com](mailto:jdouglass@iso-ne.com)  
[chamlen@iso-ne.com](mailto:chamlen@iso-ne.com)

By: Howard H. Shafferman 

Howard H. Shafferman, Esq.  
Ballard Spahr Andrews & Ingersoll, LLP  
601 13th Street NW  
Suite 1000 South  
Washington, DC 20005-3807  
Tel: (202) 661-2200  
Fax: (202) 661-2299  
E-mail: [hhs@ballardspahr.com](mailto:hhs@ballardspahr.com)

**Attachments**

cc: David T. Doot, Esq. and Emile G. Buzaid, Esq., NEPOOL legal counsel

## **Attachment 1**

## APPENDIX A

### MARKET MONITORING, REPORTING AND MARKET POWER MITIGATION

Table of Contents	Page
III.A.1. Purpose and Objectives .....	7406
III.A.1.1. Thresholds.....	7406
III.A.1.2. Other Conduct.....	7407
III.A.1.3. Reserved.....	7407
III.A.2. Monitoring and Mitigation Principles.....	7408
III.A.2.1. Conduct Subject to Mitigation.....	7408
III.A.2.2. Conditions for the Imposition of Mitigation Measures.....	7408
III.A.2.2.1. <u>Imposing Mitigation</u> Market Impact.....	7408
III.A.2.2.2. Conduct Inconsistent with a Competitive Market.....	7408
III.A.2.3. Categories of Conduct that May Warrant Mitigation or Sanctions.....	7409
III.A.2.3.1. In General.....	7409
III.A.2.3.2. Conduct Not Deemed Anti-Competitive.....	7409
III.A.2.3.3. Physical Withholding by a Market Participant.....	7410
III.A.2.3.4. Other Withholding of Supply Offers.....	7411
III.A.2.3.5. Anti-Competitive Increment Offers and Decrement Bids.....	7411
III.A.2.3.6. Other Conduct.....	7411
III.A.2.3.7. Market Behavior Rules.....	7412
III.A.2.4. Other Monitoring Objectives.....	7413

---

III.A.5.2.1. In General.....	7422
III.A.5.2.2. Pivotal Supplier.....	7423
III.A.5.3. Thresholds for Identifying Economic Withholding.....	7423
III.A.5.3.1. General Thresholds.....	7423
III.A.5.3.2. Reserved.....	7424
III.A.5.3.3. Additional Thresholds Applicable in Constrained Areas.....	7424
III.A.5.4. Threshold for Identifying Uneconomic Production.....	7425
III.A.5.5. Hourly Market Impact and <u>General</u> NCPC Thresholds.....	7426
III.A.5.5.1. Initial Investigation.....	7426
III.A.5.5.2. Market Impact Thresholds.....	7427
III.A.5.5.3. Calculation of Price Impact.....	7427
III.A.5.6. Calculation of Resource Reference Levels.....	7428
III.A.5.6.1. Methods for Determining Reference Levels.....	7428
III.A.5.6.2. Insufficient Data.....	7430
III.A.5.7. Mitigation Measures.....	7431
III.A.5.7.1. Manual Review Prior to Mitigation.....	7431
III.A.5.7.2. Conditions for Imposition of Mitigation Measures.....	7431
III.A.5.7.3. Level of Default Offers.....	7431
III.A.5.7.4. Implementation.....	7432
III.A.5.8. <u>Reliability Commitment Mitigation Regulation</u> .....	7433
<u>III.A.5.8.1 Applicability</u> .....	<u>7433</u>
<u>III.A.5.8.2 Duration</u> .....	<u>7433</u>
III.A.6. Reliability Agreements.....	7434
III.A.6.1. Mitigation Agreements.....	7434

---

## III.A.2. Monitoring and Mitigation Principles

**III.A.2.1. Conduct Subject to Mitigation.** Mitigation Measures may be applied to Supply Offers, Increment Offers, Demand Bids, Decrement Bids, and offers relating to Installed Capacity, as well as to the scheduling or operation of a generation unit or transmission facility.

### III.A.2.2. Conditions for the Imposition of Mitigation Measures.

**III.A.2.2.1. Imposing MitigationMarket Impact.** To achieve the foregoing purpose and objectives, Mitigation Measures should only be imposed to remedy conduct that would substantially distort or impair the competitiveness of any of the markets administered by the ISO. Accordingly, and as more fully described in Sections III.A.5, III.A.6, III.A.8, and III.A.9 below, the ISO shall seek to impose Mitigation Measures only to remedy conduct that:

- (a) is significantly inconsistent with competitive conduct as discussed below in Section III.A.2.2.2; and
- (b) would result in a change in one or more prices in the New England Markets or NCP payments to a Market Participant beyond the thresholds defined in *Exhibit 1*, *Exhibit 2*, or Section III.A.5.3-3 or Section III.5.8 of this Appendix A, as appropriate.

**III.A.2.2.2. Conduct Inconsistent with a Competitive Market.** In general, the ISO shall consider a Market Participant's conduct to be inconsistent with competitive conduct if

the conduct would (i) reduce the net revenue associated with the Resource, but for the effect of the conduct on market outcomes, or (ii) reduce the capability of the Transmission System resulting in a price impact in the New England Markets or NCPC payments in excess of either of the thresholds in *Exhibit 1*, ~~*Exhibit 2*~~, or Section III.A.5.3.3, or Section III.A.5.8 of this Appendix A, as appropriate.

### **III.A.2.3. Categories of Conduct that May Warrant Mitigation or Sanctions.**

**III.A.2.3.1. In General.** The categories of conduct set forth below, whether conduct by a single Market Participant or by multiple Market Participants acting in concert, including actions involving more than one Resource, may cause a material effect on prices or other payments in the New England Markets if exercised from a position of market power. Accordingly, the ISO shall monitor the New England Markets for such conduct, and shall impose appropriate Mitigation Measures if such conduct is detected and the other applicable conditions for the imposition of Mitigation Measures are met.

**III.A.2.3.2. Conduct Not Deemed Anti-Competitive.** As more fully described in Section III.B.3.2.6. of *Appendix B* to this Market Rule, certain economic decisions shall not be deemed a form of withholding or otherwise inconsistent with competitive conduct.

### **III.A.5. Economic Withholding and Uneconomic Production**

**III.A.5.1. Purpose.** This Section addresses mitigation relating to ~~defines thresholds of~~ economic withholding, uneconomic production and reliability commitment in constrained areas. If conduct is detected that exceeds one or more of the thresholds specified in Sections III.A.5.3 or III.A.5.4 and the ISO determines that there is a market impact to the extent required under, ~~as provided in~~ Section III.A.5.5, the conduct shall be remedied by the prospective application of a Default Offer as described in Section III.A.5.7. If conduct is detected that fails the Commitment Offer Test in Section III.A.5.8.3 relating to reliability commitment mitigation, the conduct shall be remedied by the application of mitigation as described in Section III.A.5.8.4.

#### **III.A.5.2. Applicability.**

**III.A.5.2.1. In General.** Only Resources required to offer in the Day-Ahead market will be evaluated for economic withholding in the Day-Ahead market. All Supply Offers will be evaluated in the Real-Time market. In the event a Mitigation Measure is imposed on a Supply Offer for a Resource pursuant to Section 5.8 of this Appendix A, the Resource's NCPC payments shall not be mitigated under Section 5.7 for the same Operating Day.

---

been provided, shall be mitigated to the Reference Level determined as specified in Section III.A.5.6, unless an agreement has been negotiated under the procedures set forth in *Exhibit 2* to this *Appendix A*.

(a) For Supply Offers for the Real-Time Market: for intervals in which a generating Resource is dispatched for the purpose of relieving a transmission constraint above the level at which it otherwise would have been dispatched (“Constrained Hours”), the ISO shall assess the market impact of any Supply Offers (Section III.A.5.5.2(b)) that meet the following thresholds:

(i) Energy Offer Price – an increase of \$25 or 50%, whichever is lower, above the Reference Level; or

(ii) Start-Up or No-Load Price – an increase of 25% above the Reference Level.

(b) For Supply Offers for the Day-Ahead Market: for all Constrained Hours (as defined above) the ISO shall assess the market impact of any Supply Offers for the generating Resource that meet a threshold determined in accordance with the formula specified in subsection (a).

**III.A.5.4. Threshold for Identifying Uneconomic Production.** In addition to the thresholds governing forms of economic withholding in Section III.A.5.3.3, the ISO will monitor for actions not consistent with competitive conduct, as defined in Section III.A.2.2.2, involving uneconomic production. The following thresholds may warrant the imposition of a Mitigation

---

Measure as provided in Section III.A.5.7-4: (i) Energy scheduled at an LMP that is less than 20% of the applicable Reference Level and that causes transmission congestion; or (ii) Real-Time output from a Resource that exceeds 110% of the ISO's Dispatch Rate, and causes transmission congestion.

### **III.A.5.5. Hourly Market Impact and General NCPC Thresholds.**

**III.A.5.5.1. Initial Investigation.** Before imposing any Mitigation Measure as permitted in Section III.A.5.7, with regard to offers and bids identified in accordance with Sections III.A.5.3.1, III.A.5.3.3, and III.A.5.4, the ISO shall investigate the reasons for the change in accordance with the applicable provisions of Section III.A.3. If the offers and bids in question are not explained to the satisfaction of the ISO, the ISO, in consultation with the Independent Market Monitoring Unit, will determine whether the offers and bids in question would, if not mitigated, cause a material effect on the LMP at a Node, or clearing prices in the New England Markets or NCPC charges as provided in Sections III.A.5.5.2 and III.A.5.5.3.

---

**III.A.5.5.2. Market Impact Thresholds.** Before a Mitigation Measure is imposed on offers exceeding the conduct thresholds, the ISO will determine whether there is an impact as follows:

(a) For offers exceeding the thresholds in Section III.A.5.3.1(a), a material effect is one in excess of either of the thresholds in *Exhibit 1*, Section 1 or Exhibit 1, Section 2 as applicable.

(b) For offers exceeding thresholds in Section III.A.5.3.3, a material effect is one in excess of the conduct threshold specified in Section III.A.5.3.3 above or NCPC payment thresholds as specified in *Exhibit 1*, Section 2.

**III.A.5.5.3. Calculation of Price Impact.**

(a) When it has the capability to do so, the Internal Market Monitoring Unit, in consultation with the Independent Market Monitoring Unit, shall determine the effect on prices in constrained areas as the difference between the LMP at the Resource node and the LMP at the Hub. When it has the capability to do so, the Internal Market Monitoring Unit, in consultation with the Independent Market Monitoring Unit, shall determine the effect on prices in unconstrained areas by rerunning the ISO's market settlement software (MSS) through the market operator interface (MOI). The Internal Market Monitoring Unit, in consultation with the Independent Market Monitoring Unit, shall determine the effect on NCPC payments of questioned conduct by comparing NCPC payments calculated using actual offers to NCPC payment calculated using the default offer.

(b) When a determination in accordance with paragraph (a) above is not practicable, including, but not limited to when market operations are being performed in the back-up control center during an Emergency, the ISO, in consultation with the Independent Market Monitoring Unit, shall manually determine the effect on prices or NCPC payments of

In designing and implementing Default Offers, the ISO shall seek to avoid causing a Resource to offer below its marginal cost.

#### **III.A.5.7.4. Implementation.**

(a) The Default Offer may establish a mitigated value for one or more components of the offer for a given Resource equal to a Reference Level for that component of the Resource's offer determined as specified in Section III.A.5.6.1.

(b) A Resource subject to a Default Offer shall be paid the LMP or other market clearing price applicable to the output from the Resource. Accordingly, a Default Offer shall not limit the price that a Resource may receive or pay unless the Default Offer determines the LMP or other market clearing price applicable to that Resource.

(c) Mitigation Measures shall not be applied if the price effects of the measures would cause the average day-ahead energy price in the mitigated locations or zones to rise over the entire day.

(d) Any mitigation measure imposed under this Section III.A.5.7 will be in effect for the following duration: When Mitigation Measures are applied to Offer Data, mitigation shall be imposed from the first hour in which the impact test is met to the last hour in which the impact test is met, or for the duration of the mitigated Resource's minimum run time, whichever is longer.

(i) For mitigation requiring application of the impact test in Section III.A.5.5 above, Mitigation Measures shall be imposed from the first hour in which the impact test is met through the end of the Operating Day, or from the first hour in which the impact test is met through the end of the mitigated Resource's minimum run time, whichever is longer.

(ii) For mitigation not requiring application of the impact test in Section III.A.5.5 above, (a) mitigation of offer parameters expressed in dollars shall be imposed from the first hour in which the applicable conduct threshold is violated through the end of the Operating Day, or from the first hour in which the applicable conduct threshold is violated through the end of the mitigated Resource's minimum run time, whichever is longer, and (b) mitigation of offer parameters expressed other than in dollars will be in effect for the entire first Operating Day and, if the minimum run time of the Resource carries over to the second Operating Day, the entire second Operating Day.

(e) The posting of the Day-Ahead schedule, rebidding period and reliability commitment run may be delayed if necessary for the completion of mitigation procedures.

(f) Mitigation that does not affect the LMP or a clearing price in another ISO market may be applied in the settlement process.

~~(g) A Mitigation Measure imposed in a constrained area in accordance with the conduct thresholds of Section III.A.5.3 and the impact thresholds of Section III.A.5.5 shall remain in effect for the duration of any day in which there is an interval for which such mitigation is deemed warranted.~~

### **III.A.5.8. Reliability Commitment Mitigation Regulation**

**III.A.5.8.1. Applicability.** The Mitigation Measures prescribed in this Section III.A.5.8 shall apply to Supply Offers for Resources that are committed to provide or Resources that are required to remain online to provide:

- (a) outside of the Day-Ahead Energy Market, local first contingency protection or local second contingency protection;
- (b) voltage support or voltage control; or
- (c) Special Constraint Resource Service.

Notwithstanding the foregoing, the Mitigation Measures prescribed in this Section III.A.5.8 shall not apply if an agreement has been negotiated under the procedures set forth in Exhibit 2 to this Appendix A.

**III.A.5.8.2. Duration.** Any Mitigation Measure imposed pursuant to this Section III.A.5.8 will be in effect for the following duration.

- (a) *Resources with a Minimum Run Time Carryover.* For a Resource with a minimum run time that carries over from one Operating Day to the following Operating Day, mitigation will be in effect for the entire first Operating Day through the minimum run time of the Resource. Notwithstanding the foregoing, if the resource is selected for one of the reasons in Section III.A.5.8.1 after the start of the Operating Day, then mitigation will be in effect from the time of such selection.

---

~~The ISO, in consultation with the Independent Market Advisor, will monitor the Regulation Market for conduct that it determines constitutes an abuse of market power. If the ISO, in consultation with the Independent Market Advisor, identifies any such conduct, it may make a filing under Section 205 of the Federal Power Act with the Commission requesting authorization to apply appropriate Mitigation Measures or to revise the Market Rule to address such conduct (or both). The ISO may make such a filing at any time it deems necessary, and may request expedited treatment from the Commission. Any such filing shall identify the particular conduct the ISO, in consultation with the Independent Market Advisor, believes warrants mitigation or revisions to the Market Rule (or both), shall propose a specific mitigation measure for the conduct or revision to the Market Rule (or both), and shall set forth the ISO's justification for imposing that mitigation measure or revision to the Market Rule (or both).~~

## EXHIBIT 1

### MARKET IMPACT AND NCPC THRESHOLDS

#### 1. MARKET IMPACT THRESHOLD

An increase of 200 % or \$100/MW, whichever is lower, in the LMP and 200 % or \$25, whichever is lower, in any other New England Market.

#### 2. GENERAL NCPC THRESHOLD

An increase of more than 100 % in NCPC Credits due to the Market Participant exceeding a conduct threshold~~faci~~ng mitigation in a dispatch day, provided that the increase also exceeds \$10/MWh, compared to the NCPC Credits calculated using Reference Levels ~~as determined in Section 4.5~~ and the physical bid characteristics for the Resource. This calculation is as follows:

$$OR_e = \text{StartupPrice} + \sum_t [\text{NoLoadPrice}_t + (\text{SE}_t \times \text{EBB}_t) - (\text{SE}_t \times \text{LMP}_t)]$$

Where:

OR <sub>e</sub>	=	Operating Reserve Energy Market Component
StartupPrice	=	Bid Startup Price (or Reference Level)
NoLoad Price	=	Bid No-Load Price (or Reference Level)
SE	=	Supplied Energy (or Reference Economic Minimum)
EBB	=	Energy Bid Block Prices (or Reference Levels)

## **Attachment 2**

---

**APPENDIX A**

**MARKET MONITORING, REPORTING AND MARKET POWER MITIGATION**

<b>Table of Contents</b>	<b>Page</b>
III.A.1. Purpose and Objectives .....	7406
III.A.1.1. Thresholds.....	7406
III.A.1.2. Other Conduct.....	7407
III.A.1.3. Reserved.....	7407
III.A.2. Monitoring and Mitigation Principles.....	7408
III.A.2.1. Conduct Subject to Mitigation.....	7408
III.A.2.2. Conditions for the Imposition of Mitigation Measures.....	7408
III.A.2.2.1. Imposing Mitigation.....	7408
III.A.2.2.2. Conduct Inconsistent with a Competitive Market.....	7408
III.A.2.3. Categories of Conduct that May Warrant Mitigation or Sanctions. ....	7409
III.A.2.3.1. In General.....	7409
III.A.2.3.2. Conduct Not Deemed Anti-Competitive.....	7409
III.A.2.3.3. Physical Withholding by a Market Participant. ....	7410
III.A.2.3.4. Other Withholding of Supply Offers. ....	7411
III.A.2.3.5. Anti-Competitive Increment Offers and Decrement Bids. ....	7411
III.A.2.3.6. Other Conduct.....	7411
III.A.2.3.7. Market Behavior Rules. ....	7412
III.A.2.4. Other Monitoring Objectives.....	7413

---

III.A.5.2.1. In General.....	7422
III.A.5.2.2. Pivotal Supplier.....	7423
III.A.5.3. Thresholds for Identifying Economic Withholding.....	7423
III.A.5.3.1. General Thresholds.....	7423
III.A.5.3.2. Reserved.....	7424
III.A.5.3.3. Additional Thresholds Applicable in Constrained Areas.....	7424
III.A.5.4. Threshold for Identifying Uneconomic Production.....	7425
III.A.5.5. Hourly Market Impact and General NCPC Thresholds.....	7426
III.A.5.5.1. Initial Investigation.....	7426
III.A.5.5.2. Market Impact Thresholds.....	7427
III.A.5.5.3. Calculation of Price Impact.....	7427
III.A.5.6. Calculation of Resource Reference Levels.....	7428
III.A.5.6.1. Methods for Determining Reference Levels.....	7428
III.A.5.6.2. Insufficient Data.....	7430
III.A.5.7. Mitigation Measures.....	7431
III.A.5.7.1. Manual Review Prior to Mitigation.....	7431
III.A.5.7.2. Conditions for Imposition of Mitigation Measures.....	7431
III.A.5.7.3. Level of Default Offers.....	7431
III.A.5.7.4. Implementation.....	7432
III.A.5.8. Reliability Commitment Mitigation.....	7433
III.A.5.8.1 Applicability.....	7433
III.A.5.8.2 Duration.....	7433
III.A.6. Reliability Agreements.....	7434
III.A.6.1. Mitigation Agreements.....	7434

## **III.A.2. Monitoring and Mitigation Principles**

**III.A.2.1. Conduct Subject to Mitigation.** Mitigation Measures may be applied to Supply Offers, Increment Offers, Demand Bids, Decrement Bids, and offers relating to Installed Capacity, as well as to the scheduling or operation of a generation unit or transmission facility.

### **III.A.2.2. Conditions for the Imposition of Mitigation Measures.**

**III.A.2.2.1. Imposing Mitigation.** To achieve the foregoing purpose and objectives, Mitigation Measures should only be imposed to remedy conduct that would substantially distort or impair the competitiveness of any of the markets administered by the ISO. Accordingly, and as more fully described in Sections III.A.5, III.A.6, III.A.8, and III.A.9 below, the ISO shall seek to impose Mitigation Measures only to remedy conduct that:

(a) is significantly inconsistent with competitive conduct as discussed below in Section III.A.2.2.2; and

(b) would result in a change in one or more prices in the New England Markets or NCP payments to a Market Participant beyond the thresholds defined in *Exhibit 1*, or Section III.A.5.3 or Section III.5.8 of this Appendix A, as appropriate.

**III.A.2.2.2. Conduct Inconsistent with a Competitive Market.** In general, the ISO shall consider a Market Participant's conduct to be inconsistent with competitive conduct if

the conduct would (i) reduce the net revenue associated with the Resource, but for the effect of the conduct on market outcomes, or (ii) reduce the capability of the Transmission System resulting in a price impact in the New England Markets or NCPC payments in excess of either of the thresholds in *Exhibit 1*, Section III.A.5.3 or Section III.A.5.8 of this Appendix A, as appropriate.

### **III.A.2.3. Categories of Conduct that May Warrant Mitigation or Sanctions.**

**III.A.2.3.1. In General.** The categories of conduct set forth below, whether conduct by a single Market Participant or by multiple Market Participants acting in concert, including actions involving more than one Resource, may cause a material effect on prices or other payments in the New England Markets if exercised from a position of market power. Accordingly, the ISO shall monitor the New England Markets for such conduct, and shall impose appropriate Mitigation Measures if such conduct is detected and the other applicable conditions for the imposition of Mitigation Measures are met.

**III.A.2.3.2. Conduct Not Deemed Anti-Competitive.** As more fully described in Section III.B.3.2.6. of *Appendix B* to this Market Rule, certain economic decisions shall not be deemed a form of withholding or otherwise inconsistent with competitive conduct.

### **III.A.5. Economic Withholding and Uneconomic Production**

**III.A.5.1. Purpose.** This Section addresses mitigation relating to economic withholding, uneconomic production and reliability commitment. If conduct is detected that exceeds one or more of the thresholds specified in Sections III.A.5.3 or III.A.5.4 and the ISO determines that there is a market impact to the extent required under Section III.A.5.5, the conduct shall be remedied by the prospective application of a Default Offer as described in Section III.A.5.7. If conduct is detected that fails the Commitment Offer Test in Section III.A.5.8.3 relating to reliability commitment mitigation, the conduct shall be remedied by the application of mitigation as described in Section III.A.5.8.4.

#### **III.A.5.2. Applicability.**

**III.A.5.2.1. In General.** Only Resources required to offer in the Day-Ahead market will be evaluated for economic withholding in the Day-Ahead market. All Supply Offers will be evaluated in the Real-Time market. In the event a Mitigation Measure is imposed on a Supply Offer for a Resource pursuant to Section 5.8 of this Appendix A, the Resource's NCPC payments shall not be mitigated under Section 5.7 for the same Operating Day.

---

been provided, shall be mitigated to the Reference Level determined as specified in Section III.A.5.6, unless an agreement has been negotiated under the procedures set forth in *Exhibit 2* to this *Appendix A*.

(a) For Supply Offers for the Real-Time Market: for intervals in which a generating Resource is dispatched for the purpose of relieving a transmission constraint above the level at which it otherwise would have been dispatched (“Constrained Hours”), the ISO shall assess the market impact of any Supply Offers (Section III.A.5.5.2(b)) that meet the following thresholds:

(i) Energy Offer Price – an increase of \$25 or 50%, whichever is lower, above the Reference Level; or

(ii) Start-Up or No-Load Price – an increase of 25% above the Reference Level.

(b) For Supply Offers for the Day-Ahead Market: for all Constrained Hours (as defined above) the ISO shall assess the market impact of any Supply Offers for the generating Resource that meet a threshold determined in accordance with the formula specified in subsection (a).

**III.A.5.4. Threshold for Identifying Uneconomic Production.** In addition to the thresholds governing forms of economic withholding in Section III.A.5.3, the ISO will monitor for actions not consistent with competitive conduct, as defined in Section III.A.2.2.2, involving uneconomic production. The following thresholds may warrant the imposition of a Mitigation

---

Measure as provided in Section III.A.5.7: (i) Energy scheduled at an LMP that is less than 20% of the applicable Reference Level and that causes transmission congestion; or (ii) Real-Time output from a Resource that exceeds 110% of the ISO's Dispatch Rate, and causes transmission congestion.

### **III.A.5.5. Hourly Market Impact and General NCPC Thresholds.**

**III.A.5.5.1. Initial Investigation.** Before imposing any Mitigation Measure as permitted in Section III.A.5.7, with regard to offers and bids identified in accordance with Sections III.A.5.3.1, III.A.5.3.3, and III.A.5.4, the ISO shall investigate the reasons for the change in accordance with the applicable provisions of Section III.A.3. If the offers and bids in question are not explained to the satisfaction of the ISO, the ISO, in consultation with the Independent Market Monitoring Unit, will determine whether the offers and bids in question would, if not mitigated, cause a material effect on the LMP at a Node, or clearing prices in the New England Markets or NCPC charges as provided in Sections III.A.5.5.2 and III.A.5.5.3.

---

**III.A.5.5.2. Market Impact Thresholds.** Before a Mitigation Measure is imposed on offers exceeding the conduct thresholds, the ISO will determine whether there is an impact as follows:

(a) For offers exceeding the thresholds in Section III.A.5.3.1, a material effect is one in excess of either of the thresholds in *Exhibit 1*, Section 1 or *Exhibit 1*, Section 2 as applicable.

(b) For offers exceeding thresholds in Section III.A.5.3.3, a material effect is one in excess of the conduct threshold specified in Section III.A.5.3.3 above or NCPC payment thresholds as specified in *Exhibit 1*, Section 2.

**III.A.5.5.3. Calculation of Price Impact.**

(a) When it has the capability to do so, the Internal Market Monitoring Unit, in consultation with the Independent Market Monitoring Unit, shall determine the effect on prices in constrained areas as the difference between the LMP at the Resource node and the LMP at the Hub. When it has the capability to do so, the Internal Market Monitoring Unit, in consultation with the Independent Market Monitoring Unit, shall determine the effect on prices in unconstrained areas by rerunning the ISO's market settlement software (MSS) through the market operator interface (MOI). The Internal Market Monitoring Unit, in consultation with the Independent Market Monitoring Unit, shall determine the effect on NCPC payments of questioned conduct by comparing NCPC payments calculated using actual offers to NCPC payment calculated using the default offer.

(b) When a determination in accordance with paragraph (a) above is not practicable, including, but not limited to when market operations are being performed in the back-up control center during an Emergency, the ISO, in consultation with the Independent Market Monitoring Unit, shall manually determine the effect on prices or NCPC payments of

---

In designing and implementing Default Offers, the ISO shall seek to avoid causing a Resource to offer below its marginal cost.

#### **III.A.5.7.4. Implementation.**

(a) The Default Offer may establish a mitigated value for one or more components of the offer for a given Resource equal to a Reference Level for that component of the Resource's offer determined as specified in Section III.A.5.6.1.

(b) A Resource subject to a Default Offer shall be paid the LMP or other market clearing price applicable to the output from the Resource. Accordingly, a Default Offer shall not limit the price that a Resource may receive or pay unless the Default Offer determines the LMP or other market clearing price applicable to that Resource.

(c) Mitigation Measures shall not be applied if the price effects of the measures would cause the average day-ahead energy price in the mitigated locations or zones to rise over the entire day.

(d) Any mitigation measure imposed under this Section III.A.5.7 will be in effect for the following duration:

(i) For mitigation requiring application of the impact test in Section III.A.5.5 above, Mitigation Measures shall be imposed from the first hour in which the impact test is met through the end of the Operating Day, or from the first hour in which the impact test is met through the end of the mitigated Resource's minimum run time, whichever is longer.

(ii) For mitigation not requiring application of the impact test in Section III.A.5.5 above, (a) mitigation of offer parameters expressed in dollars shall be imposed from the first hour in which the applicable conduct threshold is violated through the end of the Operating Day, or from the first hour in which the applicable conduct threshold is violated through the end of the mitigated Resource's minimum run time, whichever is longer, and (b) mitigation of offer parameters expressed other than in dollars will be in effect for the entire first Operating Day and, if the minimum run time of the Resource carries over to the second Operating Day, the entire second Operating Day.

(e) The posting of the Day-Ahead schedule, rebidding period and reliability commitment run may be delayed if necessary for the completion of mitigation procedures.

(f) Mitigation that does not affect the LMP or a clearing price in another ISO market may be applied in the settlement process.

---

### **III.A.5.8. Reliability Commitment Mitigation**

**III.A.5.8.1. Applicability.** The Mitigation Measures prescribed in this Section III.A.5.8 shall apply to Supply Offers for Resources that are committed to provide or Resources that are required to remain online to provide:

- (a) outside of the Day-Ahead Energy Market, local first contingency protection or local second contingency protection;
- (b) voltage support or voltage control; or
- (c) Special Constraint Resource Service.

Notwithstanding the foregoing, the Mitigation Measures prescribed in this Section III.A.5.8 shall not apply if an agreement has been negotiated under the procedures set forth in Exhibit 2 to this

***Appendix A.***

**III.A.5.8.2. Duration.** Any Mitigation Measure imposed pursuant to this Section III.A.5.8 will be in effect for the following duration.

- (a) *Resources with a Minimum Run Time Carryover.* For a Resource with a minimum run time that carries over from one Operating Day to the following Operating Day, mitigation will be in effect for the entire first Operating Day through the minimum run time of the Resource. Notwithstanding the foregoing, if the resource is selected for one of the reasons in Section III.A.5.8.1 after the start of the Operating Day, then mitigation will be in effect from the time of such selection.

---

## EXHIBIT 1

### MARKET IMPACT AND NCPC THRESHOLDS

#### 1. MARKET IMPACT THRESHOLD

An increase of 200 % or \$100/MW, whichever is lower, in the LMP and 200 % or \$25, whichever is lower, in any other New England Market.

#### 2. GENERAL NCPC THRESHOLD

An increase of more than 100 % in NCPC Credits due to the Market Participant exceeding a conduct threshold, provided that the increase also exceeds \$10/MWh, compared to the NCPC Credits calculated using Reference Levels and the physical bid characteristics for the Resource. This calculation is as follows:

$$OR_e = \text{StartupPrice} + \sum_t [\text{NoLoadPrice}_t + (\text{SE}_t \times \text{EBB}_t) - (\text{SE}_t \times \text{LMP}_t)]$$

Where:

OR <sub>e</sub>	=	Operating Reserve Energy Market Component
StartupPrice	=	Bid Startup Price (or Reference Level)
NoLoad Price	=	Bid No-Load Price (or Reference Level)
SE	=	Supplied Energy (or Reference Economic Minimum)
EBB	=	Energy Bid Block Prices (or Reference Levels)