

APPENDIX K

INVENTORIED ENERGY PROGRAM

III.K Inventoried Energy Program

For the winters of 2023-2024 and 2024-2025, the ISO shall administer an inventoried energy program in accordance with the provisions of this Appendix K.

III.K.1. Submission of Election Information

Participation in the inventoried energy program is voluntary. To participate in both the forward and spot components of the program, the information listed in this Section III.K.1 must be submitted to the ISO no later than the October 1 immediately preceding the start of the relevant winter period (a separate election submission must be made for each winter) and must reflect an ability to provide the submitted inventoried energy throughout the relevant winter period. To participate in the spot component of the program only, the information listed in this Section III.K.1 may be submitted to the ISO through the end of the relevant winter period, in which case participation will begin (prospectively only) upon review and approval by the ISO of the information submitted.

- (a) A list of the Market Participant's assets that will participate in the inventoried energy program, with a description for each such asset of: the Market Participant's Ownership Share in the asset; the types of fuel it can use; the approximate maximum amount of each fuel type that can be stored on site or, in the case of natural gas, the amount that is subject to a contract meeting the requirements described in Section III.K.1(a)(iii), as measured pursuant to the provisions of Section III.K.3.2.1.1(a); and a list of other assets at the same facility that share the fuel inventory (or, in the case of natural gas, a list of assets at the same or any other facility that can also take fuel pursuant to the same contract).
 - (i) The following asset types may not be included in a Market Participant's list of assets: assets that run on coal, nuclear, biomass or hydropower (excluding pumped hydro that participates in the New England Markets as an Electric Storage Facility); Settlement Only Resources; assets not located in the New England Control Area; assets being compensated pursuant to a cost-of-service agreement (as described in Section III.13.2.5.2.5) during the relevant winter period; and assets that cannot operate on stored fuel (or natural gas subject to a contract as described in Section III.K.1(a)(iii)) at the ISO's direction.
 - (ii) A Demand Response Resource with Distributed Generation may be included in a Market Participant's list of assets.

- (iii) For any asset listed that will participate in the inventoried energy program using natural gas as a fuel type, the Market Participant must also submit one or more executed contracts for supply and firm transportation of natural gas for the duration of the relevant winter period. Any such contract(s) must include no limitations that would further restrict when natural gas can be called during a day beyond the North American Energy Standards Board Wholesale Gas Quadrant scheduling and nominations standards, and must specify the parties to the contract, the volume of gas to be supplied over the relevant winter period, the maximum daily volume of gas to be delivered on a firm basis as described in this Section K.1(a)(iii), the price to be paid for that gas, the pipeline delivery point name and gas meter number of the listed asset, terms related to pipeline transportation to the meter of the listed asset (with indication of whether the gas supplier or another entity is providing the transportation), and all other terms, conditions, or related agreements affecting whether and when gas will be delivered, the volume of gas to be delivered, and the price to be paid for that gas. For any such contract(s) that specify an indexed strike price, the specified index must be at one of the Northeast trading locations for which Platt's publishes a daily value.
- (b) A detailed description of how the Market Participant's energy inventory will be measured after each Inventoried Energy Day in accordance with the provisions of Section III.K.3.2.1.1 and converted to MWh (including the rates at which fuel is converted to energy for each asset). Where assets share fuel inventory, the Market Participant shall include an allocation methodology to share fuel inventory among the relevant assets. Such methodology must be consistent with any applicable contract provisions and maximum daily production limits of the assets sharing fuel inventory.
- (c) Whether the Market Participant is electing to participate in only the spot component of the inventoried energy program or in both the forward and spot components.
- (d) If electing to participate in both the forward and spot components of the program, the total MWh value for which the Market Participant elects to be compensated at the forward rate (the "Forward Energy Inventory Election"). This MWh value must be less than or equal to the combined MW output that the assets listed by the Market Participant (adjusted to account for Ownership Share) could provide over a period of 72 hours, as limited by the maximum amount of each fuel type that can be stored on site for each asset and as limited by the terms of any natural gas contracts submitted pursuant to Section III.K.1(a)(iii). If the Market Participant is submitting one or more

contracts for natural gas, the Market Participant must indicate whether any of the suppliers listed in those contracts have the capability to deliver vaporized liquefied natural gas to New England, and if so, what portion of its Forward Energy Inventory Election, in MWh, should be attributed to liquefied natural gas (the “Forward LNG Inventory Election”). (For Market Participants electing to participate in only the spot component of the program, the Forward Energy Inventory Election and Forward LNG Inventory Election shall be zero.)

III.K.1.1 ISO Review and Approval of Election Information

The ISO will review each Market Participant's election submission, and may confer with the Market Participant to clarify or supplement the information provided. The submissions are subject to verification by the ISO and must include an affidavit as available on the ISO's website signed by a Senior Officer of the Market Participant attesting that amounts are consistent with asset-specific operational characteristics, terms and conditions associated with submitted contracts, regulatory restrictions, and the requirements of the inventoried energy program. For election information that is submitted no later than October 1, the ISO will report the final program participation values to the Market Participant by the November 1 immediately preceding the start of the relevant winter period, and participation will begin on December 1. For election information that is submitted after October 1 (spot component participation only), the ISO will, as soon as practicable, report the final program participation values and the date that participation will begin to the Market Participant.

- (a) In performing this review, the ISO shall reject all or any portions of a contract for natural gas that:
 - (i) does not meet the requirements of Section III.K.1(a)(iii);
 - (ii) requires (except in the case of an asset that is supplied from a liquefied natural gas facility adjacent and directly connected to the asset) the Market Participant to incur incremental costs to exercise the contract that may be greater than (1) for contracts specifying a fixed strike price, 250 percent of the average of the monthly Dutch TTF Natural Gas Last Day Financial Futures (USD/MMBtu) prices for the December, January, and February of the relevant winter period on the earlier of the day the contract is executed and the first Business Day in October prior to that winter period, or (2) for contracts specifying an indexed strike price, 250 percent of the published Platt's gas daily average price for such index that is applicable during the relevant operating day; or
 - (iii) is not submitted with an accompanying affidavit as available on the ISO's website signed by a Senior Officer of the Lead Market Participant attesting that the reported amount of fuel is available as required by the provisions of the inventoried energy program.
- (b) In performing this review, if the total of the Forward LNG Inventory Elections from all participating Market Participants (excluding amounts to be supplied to an asset from a liquefied

natural gas facility adjacent and directly connected to the asset) exceeds 560,000 MWh, the ISO shall prorate each such Forward LNG Inventory Election such that the sum of such Forward LNG Inventory Elections is no greater than 560,000 MWh, and each Market Participant's Forward Energy Inventory Election shall be adjusted accordingly.

III.K.1.2 Posting of Forward Energy Inventory Election Amount

As soon as practicable after the November 1 immediately preceding the start of the relevant winter period, the ISO will post to its website the total amount of Forward Energy Inventory Elections and Forward LNG Inventory Elections participating in the inventoried energy program for that winter.

III.K.2 Inventoried Energy Base Payments

A Market Participant participating in the forward and spot components of the inventoried energy program shall receive a base payment for each day of the months of December, January, and February for the relevant winter period as calculated pursuant to this section. A Market Participant's base payment shall be equal to the Market Participant's Forward Energy Inventory Election (adjusted as described in Section III.K.1.1) multiplied by the base payment rate as derived below and divided by the total number of days in those three months. The base payment rate shall not exceed \$288/MWh.

The ISO shall establish the base payment rate on August 1 immediately preceding the start of each relevant winter period using the following formula:

$$\text{Base payment rate (\$/MWh)} = 3.25 \frac{\text{MMBtu}}{\text{MWh}} \times \text{Commodity Price} - 0.59 \frac{\text{MMBtu}}{\text{MWh}} \times \text{Liquidation Price} + \$45.98/\text{MWh}$$

Where:

Commodity price (\$/MMBtu): Average of the December, January and February Dutch TTF Natural Gas Last Day Financial Futures (USD/MMBtu) (Source: ICE Futures U.S., contract symbol: TLD) prices for the relevant winter period as determined between July 17-31 immediately preceding the start of the relevant winter period

Liquidation price (\$/MMBtu): Average of the February Algonquin Citygates Fixed Price Future (Source: ICE Futures U.S., contract symbol: ALG) price for the relevant winter period as determined between July 17-31 immediately preceding the start of the relevant winter period

The ISO shall post to its website the final base payment rate on or before August 8 immediately preceding the start of the relevant winter period.

III.K.3 Inventoried Energy Spot Payments

A Market Participant participating in the spot component of the inventoried energy program (whether or not the Market Participant is also participating in the forward component of the program) shall receive a spot payment for each Inventoried Energy Day as calculated pursuant to this Section III.K.3.

III.K.3.1 Definition of Inventoried Energy Day

An Inventoried Energy Day shall exist for any Operating Day that occurs in the months of December, January, or February and for which the average of the high temperature and the low temperature on that Operating Day, as measured and reported by the National Weather Service at Bradley International Airport in Windsor Locks, Connecticut, is less than or equal to 17 degrees Fahrenheit.

III.K.3.2 Calculation of Inventoried Energy Spot Payment

A Market Participant's spot payment for an Inventoried Energy Day, which may be positive or negative, shall equal the Market Participant's Real-Time Energy Inventory minus its Forward Energy Inventory Election, with the difference multiplied by one-tenth of the applicable base payment rate (\$/MWh)..

III.K.3.2.1 Calculation of Real-Time Energy Inventory

A Market Participant's Real-Time Energy Inventory for an Inventoried Energy Day shall be the sum of the Real-Time Energy Inventories for each of the Market Participant's assets participating in the program (adjusted as described in Section III.K.3.2.1.2); provided, however, that where more than one Market Participant has an Ownership Share in an asset, the asset's Real-Time Energy Inventory will be apportioned based on each Market Participant's Ownership Share.

III.K.3.2.1.1 Asset-Level Real-Time Energy Inventory

Each asset's Real-Time Energy Inventory will be determined as follows:

- (a) The Lead Market Participant must measure the Real-Time Energy Inventory for each of the assets participating in the program between 7:00 a.m. and 8:00 a.m. on the Operating Day immediately following each Inventoried Energy Day. The Real-Time Energy Inventory must be reported to the ISO by 1:00 p.m. on the second Business Day following the Inventoried Energy Day and must be stated both in MWh and in units appropriate to the fuel type and measured in accordance with the following provisions:
 - (i) Oil. The Real-Time Energy Inventory of an asset that runs on oil shall be the number of barrels of oil dedicated for the sole and exclusive use of the asset that are stored in an in-service tank (located on site or at an adjacent location with direct pipeline transfer

capability to the asset), excluding any amount that is unobtainable or unusable (due to priming requirements, sediment, volume below the suction line, or any other reason).

- (ii) Natural Gas. The Real-Time Energy Inventory for an asset that runs on natural gas shall be the amount of natural gas available to the asset pursuant to the terms of the relevant contracts submitted pursuant to Section III.K.1(a)(iii), adjusted to reflect any limitation that the suppliers listed in the contracts may have on the capability to deliver natural gas. The Lead Market Participant must specify what portion of the asset's Real-Time Energy Inventory, in MWh, is associated with liquefied natural gas.
 - (iii) Refuse. The Real-Time Energy Inventory of an asset that runs on refuse shall be the number of metric tons of the relevant material stored on site, excluding any amount that is unobtainable or unusable for any reason.
 - (iv) Electric Storage Facility. The Real-Time Energy Inventory of an Electric Storage Facility shall be its available energy in MWh.
- (b) If the Lead Market Participant fails to measure or report the energy inventory or fuel amounts for an asset as required, that asset's Real-Time Energy Inventory for the Inventoried Energy Day shall be zero.
 - (c) The Lead Market Participant must limit each asset's Real-Time Energy Inventory as appropriate to respect federal and state restrictions on the use of the fuel (such as emissions limitations).
 - (d) Where assets share fuel inventory, the Lead Market Participant must provide the individual asset fuel inventory values allocated pursuant to the methodology described under Section III.K.1(b).
 - (e) The reported amounts are subject to verification by the ISO and must include an affidavit as available on the ISO's website signed by a Senior Officer of the Lead Market Participant attesting that the reported amount of fuel was available to the Lead Market Participant as required by the provisions of the inventoried energy program.
 - (f) In determining final Real-Time Energy Inventory amounts for each asset, the ISO will:

- (i) adjust the reported amounts consistent with the results of any verification performed pursuant to Section III.K.3.2.1.1(e); and;
- (ii) limit each asset's Real-Time Energy Inventory to the asset's average available outage-adjusted output on the Inventoried Energy Day for a maximum duration of 72 hours.

III.K.3.2.1.2 Proration of Liquefied Natural Gas

If the total amount of Real-Time Energy Inventory associated with liquefied natural gas (excluding amounts to be supplied to an asset from a liquefied natural gas facility adjacent and directly connected to the asset) exceeds 560,000 MWh, then the ISO shall prorate such Real-Time Energy Inventory associated with liquefied natural gas as follows:

- (a) any Real-Time Energy Inventory associated with liquefied natural gas that corresponds to a Market Participant's Forward LNG Inventory Election (prorated as described in Section III.K.1.1(b)) shall be counted without reduction; and
- (b) any Real-Time Energy Inventory associated with liquefied natural gas that does not correspond to a Market Participant's Forward LNG Inventory Election (prorated as described in Section III.K.1.1(b)) shall be prorated such that the sum of the Real-Time Energy Inventory associated with liquefied natural gas (including the amount described in Section III.K.3.2.1.2(a)) does not exceed 560,000 MWh.

III.K.4 Cost Allocation

Costs associated with the inventoried energy program shall be allocated on a regional basis to Real-Time Load Obligation, excluding Real-Time Load Obligation associated with Storage DARDs and Real-Time Load Obligation associated with Coordinated External Transactions. Costs associated with base payments shall be allocated across all days of the months of December, January, and February for the relevant winter period; costs associated with spot payments shall be allocated to the relevant Inventoried Energy Day.