

additional financial assurance provided by a Designated FTR Participant in connection with an unsuccessful bid in an FTR Auction which, as a result of such bid being unsuccessful, is in excess of its FTR Financial Assurance Requirements will be held by the ISO and will be applied against future FTR bids by and awards to that Designated FTR Participant unless that Designated FTR Participant requests in writing to have such excess financial assurance returned to it. Prior to returning any financial assurance to a Designated FTR Participant, the ISO shall use such financial assurance to satisfy any overdue obligations of that Designated FTR Participant. The ISO shall only return to that Designated FTR Participant the balance of such financial assurance after all such overdue obligations have been satisfied.

VII. ADDITIONAL PROVISIONS FOR FORWARD CAPACITY MARKETS

Any Lead Market Participant, including any Provisional Member that is a Lead Market Participant, transacting in the Forward Capacity Market that is otherwise required to provide additional financial assurance under the ISO New England Financial Assurance Policy (each a “Designated FCM Participant”), is required to provide additional financial assurance meeting the requirements of Section X below in the amounts described in this Section VII (such amounts being referred to in the ISO New England Financial Assurance Policy as the “FCM Financial Assurance Requirements”). If the Lead Market Participant for a Resource changes, then the new Lead Market Participant for the Resource shall become the Designated FCM Participant.

A. FCM Delivery Financial Assurance

A Designated FCM Participant must include, for the Capacity Supply Obligation of each resource in its portfolio other than the Capacity Supply Obligation associated with any Energy Efficiency measures, FCM Delivery Financial Assurance in the calculation of its FCM Financial Assurance Requirements under the ISO New England Financial Assurance Policy. If a Designated FCM Participant’s FCM Delivery Financial Assurance is negative, it will be used to reduce the Designated FCM Participant’s Financial Assurance Obligations (excluding FTR Financial Assurance Requirements), but not to less than zero. FCM Delivery Financial Assurance is calculated according to the following formula:

FCM Delivery Financial Assurance = [DFAMW x PE x max[(ABR – CWAP), 0.1] x SF
~~x DF~~] – IMC – MCC

Where:

MCC (monthly capacity charge) equals monthly capacity payments incurred in previous months, but not yet billed. The MCC is estimated from the first day of the current delivery month until it is replaced by the actual settled MCC value when settlement is complete.

IMC (intra-month collateral) equals estimated monthly capacity payments incurred during the current delivery month and, for each Designated FCM Participant, shall be updated two (2) days after publication of the most recent FCM Preliminary Capacity Performance Score report (or equivalent report) on the Market Information Server and shall be – The IMC shall be estimated from the first day of the current delivery month until the end of the current delivery month and limited by the monthly stop loss as described in Section III.13.7.3.1 of Market Rule 1.

DFAMW (delivery financial assurance MW) equals the sum of the Capacity Supply Obligations of each resource in the Designated FCM Participant’s portfolio for the month, excluding the Capacity Supply Obligation of any resource that has reached the annual stop-loss as described in Section III.13.7.3.2 of Market Rule 1. If the calculated DFAMW is less than zero, then the DFAMW will be set equal to zero.

PE (potential exposure) is a monthly value calculated for the Designated FCM Participant’s portfolio as the difference between the Capacity Supply Obligation weighted average Forward Capacity Auction Starting Price and the Capacity Supply Obligation weighted average capacity price for the portfolio, excluding the Capacity Supply Obligation of any resource that has reached the annual stop-loss as described in Section III.13.7.3.2 of Market Rule 1. The Forward Capacity Auction Starting Price shall correspond to that used in the Forward Capacity Auction corresponding to the ~~instant~~ current Capacity Commitment Period and the capacity prices shall correspond to those used in the calculation of the Capacity Base Payment for each Capacity Supply Obligation in the delivery month.

In the case of a resource subject to a multi-year Capacity Commitment Period election made in a Forward Capacity Auction prior to the ninth Forward Capacity Auction as described in Sections III.13.1.1.2.2.4 and III.13.1.4.1.1.2.7 of Market Rule 1, the Forward Capacity Auction Starting Price shall be replaced with the applicable Capacity Clearing Price (indexed for inflation) in the above calculation until the multi-year election period expires.

ABR (average balancing ratio) is the duration-weighted average of all of the system-wide Capacity Balancing Ratios calculated for each system-wide Capacity Scarcity Condition occurring in the relevant group of months in the three Capacity Commitment Periods immediately preceding the ~~instant-current~~ Capacity Commitment Period and those occurring in the months within the relevant group that are prior to the current month of the current Capacity Commitment Period. Three separate groups of months shall be used for this purpose: June through September, December through February, and all other months. Until data exists to calculate this number, the temporary ABR for June through September shall equal 0.90; the temporary ABR for December through February shall equal 0.70; and the temporary ABR for all other months shall equal 0.60. As actual data becomes available for each relevant group of months, calculated values for the relevant group of months will replace the temporary ABR values after the end of each group of months each year until all ~~three-years-ABR values~~ reflect actual data.

CWAP (capacity weighted average performance) is the capacity weighted average performance of the Designated FCM Participant's portfolio. For each resource in the Designated FCM Participant's portfolio, excluding any resource that has reached the annual stop-loss as described in Section III.13.7.3.2 of Market Rule 1, and excluding from the remaining resources the resource having the largest Capacity Supply Obligation in the month, the resource's Capacity Supply Obligation shall be multiplied by the average performance of the resource. The CWAP shall be the sum of all such values, divided by the Designated FCM Participant's DFAMW. If the DFAMW is zero, then the CWAP is set equal to one.

The average performance of a resource is the Actual Capacity Provided during Capacity Scarcity Conditions divided by the product of the resource's Capacity Supply Obligation and the equivalent hours of Capacity Scarcity Conditions in the relevant group of months in the three Capacity Commitment Periods immediately preceding the ~~instant-current~~ Capacity Commitment Period and those occurring in the months within the relevant group that are prior to the current month of the current Capacity Commitment Period.

Three separate groups of months shall be used for this purpose: June through September, December through February, and all other months. Until data exists to calculate this number, the temporary average performance for gas-fired steam generating resources, combined-cycle combustion turbines and simple-cycle combustion turbines shall equal 0.90; the temporary average performance for coal-fired steam generating resources shall equal 0.85; the temporary average performance for oil-fired steam generating resources shall equal 0.65; the temporary average performance for all other resources shall equal 1.00. As actual data for each resource becomes available for each relevant group of months, calculated values for the relevant group of months will replace the temporary average performance values after the end of each group of months each year until all ~~three years average performance values~~ reflect actual data. The applicable temporary average performance value will be used for new and existing resources until actual performance data is available.

SF (scaling factor) is a month-specific multiplier, as follows:

~~June and December~~ _____ 2.000;

~~December and July and January~~ 1.732;

~~January and August and February~~ 1.414;

All other months 1.000.

~~DF (discount factor) is a multiplier that for the three Capacity Commitment Periods beginning June 1, 2018 and ending May 31, 2021, DF shall equal 0.75; and thereafter, DF shall equal 1.00.~~

B. Non-Commercial Capacity

Notwithstanding any provision of this Section VII to the contrary, a Designated FCM Participant offering Non-Commercial Capacity for a Resource that elected existing