Capacity Auction Reforms (CAR) Proposal Information

This document summarizes where content related to CAR proposal workstreams is captured in presentation material across the NEPOOL Technical Committees and the NEPOOL Budget & Finance Subcommittee. It also summarizes areas of additional interest raised by committee stakeholders on a given subject. The workstreams captured include:

- CAR – Deactivation Design Material
- CAR – Prompt Design Material
- CAR – Seasonal/ Accreditation Key Directional Design Decisions

Last Update: July 7, 2025

CAR – Deactivation Design Material

Content	Summary	More Detailed Information	Additional Stakeholder Topics of Interest
Design Objectives	Objective 1 - Efficient deactivation decisions Objective 2 - Cost-effective deactivation response Objective 3 - Simplicity	January 2025 MC • Slides 9-14 (objectives guiding design) June 2025 MC • Slides 6-10 (proposed Tariff Changes) June 2025 TC • Slides 6-9 (proposed Tariff Changes) July 2025 MC • Slide 9 (rules moved to OATT)	
Notification Timeline	The proposed notification deadline is 12 months ahead of the start of a Capacity Commitment Period (CCP).	January 2025 MC • Slides 15-20 (rationale for 2 years ahead of CCP)* February 2025 MC • Slides 4-5 (further rationale for 2 years ahead of CCP)* • Slides 6-7 (how the notification timeline allows for a market response)* July 2025 MC • Slides 7-13 (shortened notification timeline) ○ Slides 11-13 (revocation considerations)	

Notification Submissions	All resources will utilize the same deactivation process and notification submissions will be binding. Resources that pass both the deactivation reliability review and market power review are eligible to request acceleration of their deactivation.	February 2025 MC • Slides 10-14 (design introduction) March 2025 MC • Page 9, *Repowering in the ISO Interconnection Procedures and the FCM, and Considerations related to Capacity Auction Reforms* memo (repowering vs. deactivation) May 2025 MC • Slides 7-12 (deactivation acceleration)	• Deactivation interactions with other processes such as interconnection studies
Information Release	The ISO will publicly release all submitted deactivations within 10 business days following a notification deadline.	February 2025 MC • Slides 18-19 (design introduction)	
Resource MW Reductions (CNRC, NRC, QC)	Deactivations will reduce the MW capability for the submitting resource on its deactivation date.	February 2025 MC • Slides 20-21 (design introduction) March 2025 MC • Slide 6 (clarify CNR/NR adjustments for partial deactivations)	• Deactivation impacts by resource types such as partial deactivation and import interconnection rights • Details on the timing and triggers of interconnection service termination
Reliability Reviews	The ISO will analyze deactivations for local transmission security within 90 days from the deactivation submission deadline.	March 2025 MC • Slides 4-7 (design detail)	
Market Power Assessment (MPA) and Mitigation	Elements of the proposed MPA and mitigation process include: Cost workbook – Collect a deactivating resource's future costs, expected revenues, and market assumptions to evaluate the resource's economic situation Conduct test - Analyze the cost workbook to determine whether the deactivation is consistent with the resource's economics	March 2025 MC • Slides 9-11 (overview and comparison with FCA framework)* • Slides 13-17 (need for MPA and mitigation) • Slides 19-23 (process overview)* • Slides 25-28 (cost workbook introduction) • Slides 30-34 (conduct test introduction) • Slides 36-40 (NPB test introduction) • Slides 42-46 (mitigation introduction)* • Slides 55-56 (conduct test examples) • Slides 57-64 (NPB test example) April 2025 MC	• Additional examples or analysis on capacity market price impacts from deactivations

	Net portfolio benefit (NPB) test - If the resource is determined in the conduct test to be profitable beyond the deactivation date, assess the NPB for the participant from deactivating it Mitigation - If there are positive NPB, employ a proxy supply offer that addresses the price impact of physical withholding	• Slides 9, 14-15 (cost workbook assumptions)assumptions) • Slides 13 and 17 (MPC timing rationale)* • Slides 19-29, 38-40 (detail on baseline and counterfactual NPB case) May 2025 MC • Slides 5-6 (MPC removal from design) • Slide 14 (NPB test: additional information on deactivating resources in export-contained zones) • Slides 15-18 (NPB Test: Case Construction) July 2025 MC • Slides 14-21 (proxy capacity offer design detail) ○ Slides 31-34 (example) • Slides 22-24 (Deactivation notification in cost workbooks)	

Note: * indicates this aspect is no longer incorporated or has been modified in the current design.

CAR – Prompt Design Material

Content	Summary	More Detailed Information	Additional Stakeholder Topics of Interest
Auction Design & Structure	The capacity auction will take place shortly before the capacity commitment period, reflecting more accurate information about projected electricity supply and demand. The auction structure will use a sealed bid format. Elimination of Annual Reconfiguration Auctions (ARA) No anticipated changes to clearing and pricing rules. Overall CSO trading process remains largely consistent.	March 2025 MC • Slides 10-15 (prompt capacity market overview) • Slides 17-20 (sealed bid format) • Pages 1-12, *Repowering in the ISO Interconnection Procedures and the FCM, and Considerations related to Capacity Auction Reforms* memo June 2025 MC • Slide 3 (prompt capacity market overview continued) • Slide 7 (no cost threshold for repowering) July 2025 MC • Slides 9-18 (rationale for the exclusion of monthly demand curves) • Slides 2-3 (Tariff Revision Approach for CAR-PD) • Slides 4-8 and 10 (Proposed CAR-PD Tariff Reorganization)	• Further detail on repowering and examples under CAR-PD
Treatment of Capacity that is not yet In Service	To effectively and directly address market and reliability concerns related to phantom capacity, resources will have to demonstrate that they are in service ahead of the auction before they can sell capacity.	March 2025 MC • Slides 22-25 (design introduction) June 2025 MC • Slide 6 (pre-primary auction qualification process) July 2025 MC • Slides 4-10 (treatment for non-commercial capacity)	
Primary Auction	The Primary Auction simplifies capacity procurement by treating all resources equally, eliminating "new" vs. "existing" categories. It features a single, organized offer window for participants to submit detailed	June 2025 MC • Slide 5 (Terminology Changes) • Slides 7-12 (process detail) • Slides 13-15 (Trading Activities) • Slide 5 (Capacity Offer Requirement)	• Potential to accommodate more than 5 price/quantity pairs when constructing offers

	pricing. Results are published, but some FERC filings are discontinued, streamlining the process.		

Competitive Offer and Price Formation	A resource's competitive capacity offer price should consider the incremental costs associated with taking on a CSO.
	
	The capacity clearing price is set at the intersection of the capacity supply and demand curves. The demand curve is derived using capacity's MRI-based reliability value. The supply curve is determined by competitively priced supply offers.
	
	Prompt auctions (shorter horizon) are expected to improve accuracy and reduce certain risks in CSO price development
		March 2025 MC
		• Slides 27-39 (offer formation, includes derivation of competitive offer price examples)
		• Slides 41-53 (price formation, includes discussion on the role of price expectations in investment decisions)
		April 2025 MC
		• Slides 10-12 (detail on social surplus)
		• Slides 13-23 (example of offer- and price-formation for an existing resource)
		May 2025 MC
		• Slides 22-31 (additional detail on avoidable costs)
		June 2025 MC
		• Slides 10-25 (Avoidable and Opportunity Cost Accounting)
		  ○ Slides 16-17 (Firm Fuel Costs Calculations)
		  ○ Slides 18-20 (additional detail on deactivation implications)
		  ○ Slides 22-23 (export considerations)
		July 2025 MC
		• Slide 5 (import treatment considerations)
		• Slide 8 (self-supply background)
			• Notify to remind non-offering participants to submit a capacity supply offer

Installed Capacity Requirement (ICR)	The ICR process shifts its timeline under the CAR Prompt auction. Starting approximately one year before the Capacity Commitment Period instead of four, will use inputs that are expected to be more accurate.	April 2025 MC • Slides 7-8 (process changes under Prompt) • Slides 8-10 (ICR process timeline)	• Explain ICR under CAR-SA resource accreditation • Detail ICR impacts on the Impact Assessment

Activity Schedule	Key dates and deadlines associated with the prompt auction. • Primary capacity auction is one month prior to CCP	March 2025 MC • Slides 8-9 (overview) May 2025 MC • Slides 13-18 (primary and monthly auction steps and timeline)	• Deliver an updated and final activity schedule
Market Power and Mitigation for the Prompt Auction	Prompt capacity auction mitigation framework to mirror forward capacity auction structure for seller-side mitigation	April 2025 MC • Slide 7 (seller-side mitigation overview) • Slides 12-14 (Capacity Cost Review Threshold) • Slides 15-19 (IMM Review of Priced Offers) • Slides 20-21 (Pivotal Supplier Test) • Slides 24-28 (offer requirements and mitigation method) May 2025 MC • Slide 4 (import treatment) • Slide 5 (self-supply treatment) • Slide 6 (binding mitigation recourse (supply side)) • Slides 7-18 (buyer-side mitigation overview) • Slide 19 (buyer-side market power reviews for new resources) June 2025 MC • Slides 8-9 (tentative BSMP timeline) July 2025 MC • Slides 9-10 (updates to buyer side mitigation review timing) • Slides 13-25 (detail on cost workbooks)	• Define "control" and "affiliated" for pivotal supplier portfolio assessment • Further consideration of forced outage units not seeking to deactivate • Consideration of a subsequent BSMP review should cost projections change substantially
Resource Qualification	Capacity must be commercial to participate in auctions Existing mechanisms (e.g. deliverability, significant decrease process) are maintained	May 2025 MC • Slide 6 (timeline) • Slide 7 (primary auction qualification process) • Slides 8-14 (QC calculation) June 2025 MC • Slides 4-5 (Capacity Offer Requirement) • Slides 10-14 (DCR QC calculation)	• Treatment of non-intermittent daily-cycle hydro units • Potential to reset audit values if a resource's capability changes due to equipment breakage • Provide more detail on intermittent (i.e., wind) QC calculations • Clarify the derivation of maximum performance values and resource

		• Slides 15-22 (qualification for monthly CSO) July 2025 MC • Slides 6-10 (current resource reactivation design, aka return-to-service proposal) • Slides 4-10 (treatment for non-commercial capacity) • Slides 11-13 (current view on capacity demonstration)	classes for the capacity factor approach
Reliability reviews via outage coordination	Outage coordination processes will capture reliability reviews under prompt timing to preserve the flexibility to plan for asset outages and availability, facilitate necessary maintenance work, and manage the system reliability. Reliability reviews for primary auctions and monthly transactions would not continue under the CAR design	May 2025 MC • Slides 6-11 (use of outage coordination process for reliability reviews) June 2025 MC • Slides 4-8 (outage coordination proposed adjustments) • Slides 9-10 (monthly CSO changes)	

CAR-Seasonal, Accreditation (CAR-SA) Key Directional Design Decisions

Content	Summary	More Detailed Information	Additional Stakeholder Topics of Interest
Sequential Auction Framework	For CCP 19, the capacity auction for each season will be conducted independently (i.e., sequentially). Participants will submit auction parameters for a single season that is then run ahead of that season.	October 2024 MC • Slides 15-16 (rationale) November 2024 MC • Slides 5-14 (further rationale)	
Seasonal Structure	The proposed seasonal auction structure for CAR-SA: • Summer season: May 1 – October 31 • Winter season:	March 2025 MC • Slide 3 (seasonal structure for CAR-SA) • Slides 4-8 (decision factors)	• Additional information on gas availability during tight system conditions • Further detail on CAR-SA design such as parameters for seasonal risk split, deactivation reliability review

	November 1 – April 30		
Ambient Temperature Derates	Further adjustments for ambient temperature are outside the CAR scope as analysis shows a low impact on thermal units. Additional assessment planned as part of post-CAR roadmap.	November 2024 MC • Slides 15-20 (not in CAR scope rationale) April 2025 MC • Slides 4-14 (analyses on impact of ambient temperatures on thermal units) • Slide 15 (implications for CAR)	