

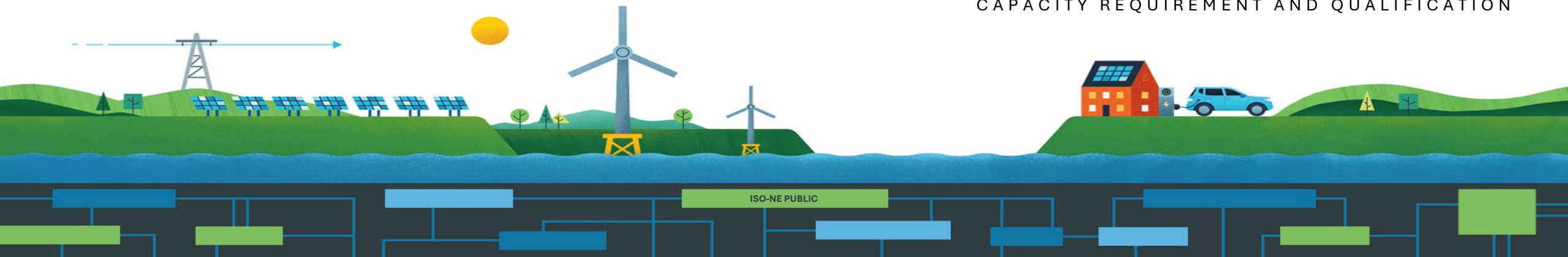


Capacity Auction Reforms – Prompt/Deactivations (CAR-PD)

*Adjusting the resource qualification processes for a
prompt capacity market*

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CAPACITY REQUIREMENT AND QUALIFICATION



Proposed Effective Date: Q2-Q3 2026

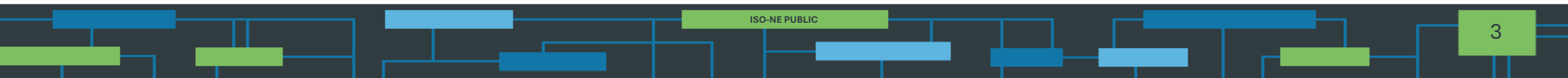
- The CAR project includes a change in auction timing, where a prompt auction held shortly before the start of the Capacity Commitment Period (CCP) would replace the current Forward Capacity Auction
 - The necessary updates to the schedule present trade-offs among design considerations and some opportunities to streamline administration
- This presentation addresses elements of the ISO's proposal for CAR-PD to adjust resource qualification for the prompt auction timing
 - The content reflects the ISO's current thinking and features may evolve with ongoing assessment and discussion
- Today's discussion provides updates on some proposal elements presented at the [June MC](#)
 - Transition for FCM non-commercial capacity (projects previously-awarded CSO and on monitoring)
 - And treatment of FCM multi-year rate lock obligations (previously-awarded for CCP19 or beyond)
 - Discussion of ISO's current thinking on capacity demonstration and performance history requirements
- Additional resource qualification elements will be discussed at the August MC



Adjusting resource qualification for CAR-PD

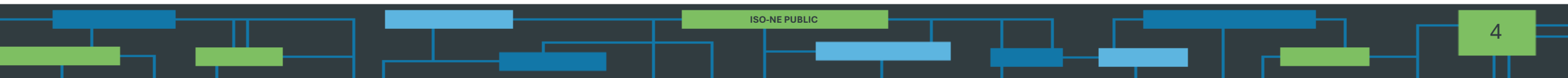
Proposed adjustments are focused on prompt timing

- Two changes proposed under CAR-PD drive the modifications of resource qualification:
 1. Shifting the **annual capacity auction (ACA) schedule** to occur immediately ahead of the CCP
 2. Requiring **capacity to be commercial** before acquiring a capacity supply obligation (CSO)
- Qualification activities will take place as close as possible to the annual auction and monthly trading activities to increase opportunities for new projects to participate
- Transitional rules are needed for the 2028/29 Capacity Commitment Period (CCP19) to bridge the forward design, ongoing interim qualification, and proposed prompt designs
 - Today's presentation mainly addresses transitional rules for moving to the prompt design
- The CAR - Seasonal/Accreditation (CAR-SA) project will address modifications to resource qualification criteria



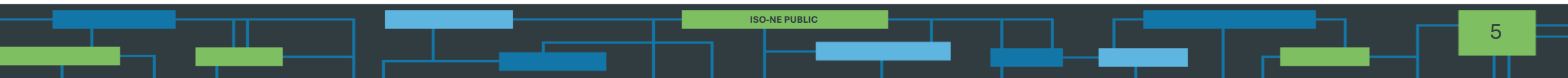
NON-COMMERCIAL CAPACITY

Proposed treatment for non-commercial capacity (that previously acquired CSO) to move to a prompt auction with only commercial participation



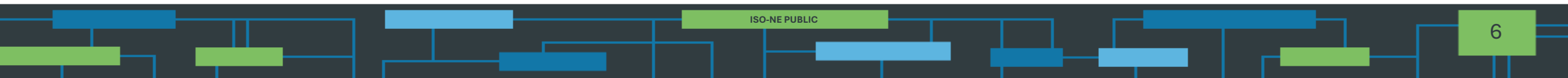
Treatment of FCM non-commercial capacity

- Why is this relevant?
 - The FCM rules allowed non-commercial participation and required Critical Path Schedule (CPS) monitoring for projects that acquired CSO in an FCA to track its completion (reaching commercial demonstration) or would allow for the project to be withdrawn or terminated if not meeting CPS requirements
- Conceptual approach (details on next slides)
 - CPS monitoring will be in effect per current Tariff rules until June 30, 2028
 - CPS monitoring of non-commercial capacity will end on June 30, 2028
 - Transitional provisions for projects still on CPS monitoring as of June 30, 2028, will be required to bridge from the FCM rules to prompt market rules
 - The ISO's approach seeks to facilitate the move to only commercial participation in prompt auctions and consider participant actions under prior rules



Treatment of FCM non-commercial capacity (cont.)

- Current CPS monitoring rules will remain in effect through June 30, 2028
- Ending CPS monitoring at the end of June is consistent with current practice meant to allow performance demonstration for commercial determination during the first summer month
 - e.g., for IPRs that require minimum 30 days performance for the summer SCC calculation
- For any project on CPS monitoring that opts to withdraw or triggers a termination provision in the Tariff before that time, the ISO would follow the project consultation and termination process in Section III.13.3.4A of the Tariff
- At the conclusion of CPS monitoring, the ISO will perform a final qualification process cost reimbursement deposit (QPCRD) true-up and issue invoice/remittance, as appropriate
- Note that the following slide references distinctions between the ISO interconnection process and state interconnection process, and relevant Capacity Network Resource Capability (CNRC) rules for projects; these concepts are further explained in:
 - The forthcoming presentation on Order No. 2023 conforming changes at the [July 2025 RC/TC](#) meeting
 - The [Interconnection Process Guide](#) and associated materials on the ISO's website

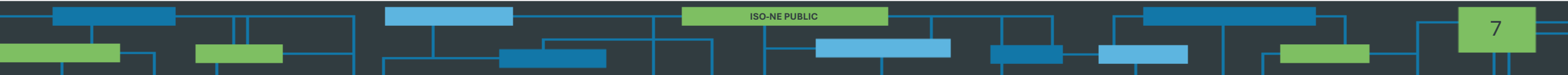


Treatment of FCM non-commercial capacity (cont.)

Case	NCC FA	NCC Trading FA	If ISO interconnect. process	If state interconnect. process
Project on CPS that opts to withdraw or triggers termination before 6/30/28	Drawn down (i.e., is forfeited)	Drawn down, if applicable	Lose CNRC; unless CNRC established after Sep 4 2025*	Lose equivalent CNRC
Project on CPS that first cleared in FCA 18 and that is non-commercial on 6/30/28	Returned (i.e., not forfeited)	Drawn down, if applicable	Maintain CNRC, project monitored through the interconnection process	Lose equivalent CNRC
Project on CPS that first cleared in FCA 17 or prior and that is non-commercial on 6/30/28	Returned if CPS is substantially complete <u>or</u> drawn down if not	Drawn down, if applicable	Maintain CNRC, project monitored through the interconnection process	Lose equivalent CNRC
Project on CPS only (i.e., did not acquire CSO in an FCA) that is non-commercial on 6/30/28**	Not applicable	Not applicable	Maintain CNRC, project monitored through the interconnection process	Lose equivalent CNRC

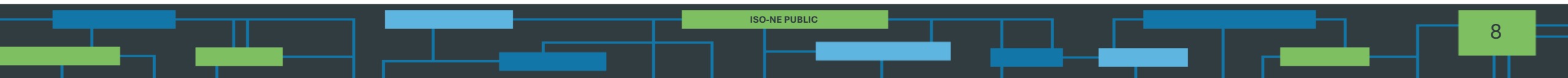
**Sep 4, 2025 – Order No. 2023 CNRC Transition Deadline. CNRC established after September 4, 2025, will be through the Order No. 2023 Cluster Study process, Transitional Cluster Study (TCS) or Transitional CNR Group Study (TCNRGS)*

***This could be applicable for non-commercial resources qualified through the Interim RA Qualification process.*



Treatment of FCM non-commercial capacity (cont.)

- The logic of these treatments involves considered rationale for a transition to prompt markets
- Non-Commercial Capacity Financial Assurance (NCC FA)
 - Is returned for a project that first cleared in FCA18 since the project will not be afforded the typical two-year delay beyond the start of the CCP for which it first received CSO (CCP18)
 - Is returned for a project that first cleared in FCA17 (or prior) if its CPS milestones are substantially complete and is drawn down otherwise since the project had at least the two-year delay and is not nearing completion
 - The [June MC](#) materials outlined the approach the ISO proposes to use for the substantially complete determination
- Non-Commercial Capacity Trading FA (NCC Trading FA)
 - Is drawn down in all cases, if applicable, since these rules were established to prevent trading profits being realized on projects that do not achieve commercial operation
- Projects in the ISO interconnection process
 - These projects maintain their CNRC and, provided they complete the interconnection process and demonstrate commercial operation, could then qualify the resource to participate in the capacity market
- Projects in state interconnection process
 - With CPS monitoring concluded, the ISO will no longer have a mechanism to track these projects or their equivalent CNRC values
 - These projects, provided they are completed, can qualify for the capacity market and establish their equivalent CNRC according to the in-effect processes (presently being discussed with RC/TC)

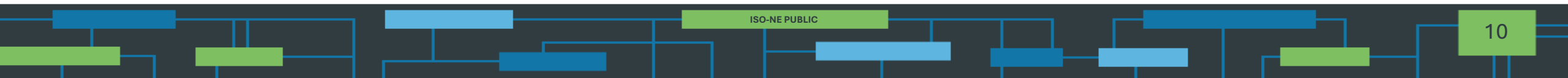


Treatment of FCM multi-year rate lock obligations

- Why is this relevant?
 - Some multi-year rate lock obligations (MRECO) established in FCA15 (2024-25), or prior, remain active for CCP19 (2028-29) or beyond
 - The last period for which a MRECO term could have been established is CCP21(2030-31)
 - MRECO was available to “New” capacity and could be acquired by a non-commercial project
 - A few such projects are not yet commercial and still on CPS monitoring
 - Under Section III.13.3.4A of the Tariff, the ISO may terminate a project (after consulting with the Project Sponsor and a FERC ruling) that is over two years late even for a project in good standing (i.e., meeting milestone and NCC FA requirements) although the ISO does not have to terminate
- Conceptual approach (detail on next slides)
 - MW associated with a MRECO that achieve(d) commercial operation are “business as usual”
 - MW associated with a MRECO active for CCP19 (or beyond) that are not in-service before the Capacity Demonstration (CD) deadline for ACA19 could maintain the MRECO for its remaining term by being in-service prior to the CD deadline for ACA20 (2029-30)
 - As discussed previously, some non-commercial MW on CPS monitoring may complete CPS requirements and demonstrate commercial operation after the start of CCP19

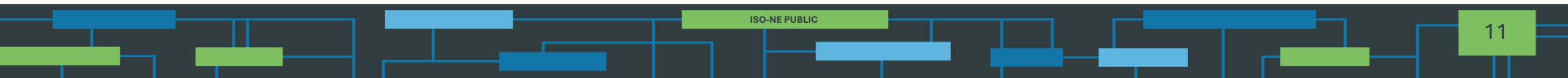
Treatment of FCM multi-year rate lock obligations (cont.)

- Commercial MW
 - MW associated with MRECO that are in-service prior to the CD deadline for ACA19 will participate in the ACA as price-takers for their QC amount and receive their rate lock payment rate for MRECO MW
 - These MW are eligible to receive the rate lock for the remainder of their term, subject to capacity demonstration
- Non-commercial MW
 - MW associated with MRECO that are not in-service in time for ACA19 would forgo the MRECO for CCP19
 - MW that go into service during CCP19, qualify for participation, and acquire CSO in monthly trading activities would receive the transaction price (not the rate lock) consistent with the FCM rules where only CSO acquired in an FCA receives the rate lock price
 - MW associated with MRECO that are not in-service in time for ACA20 would forgo the MRECO for any time remaining in their term



CAPACITY DEMONSTRATION

Discussion following up on in-service operation and estimation processes for projects without necessary performance history

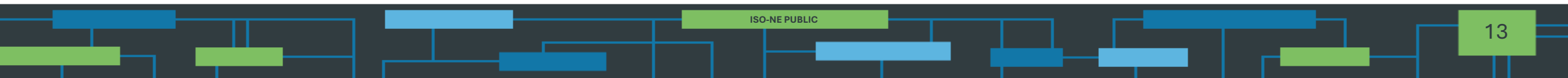


Capacity demonstration discussion

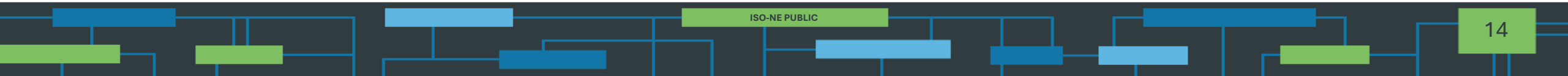
- As discussed at the [June MC](#), resources will need to meet technology-specific audit requirements to demonstrate commercial operation
 - This must be completed before the Capacity Demonstration (CD) deadline
- The demonstration and auditing requirements serve two purposes
 - Verifying that a resource is in-service (i.e., eligible to participate in prompt auction)
 - Determining the amount of Qualified Capacity (QC) (i.e., eligible quantity for acquiring CSO)
- The ISO is still evaluating two aspects of this for CAR-PD design that may affect projects that go into service near the start of CCP19
 - Whether any adjustment to the audit requirements are necessary (e.g., audits are required in specific months for passive demand resources [DR] and not just a season)
 - What processes to use to estimate the amount of QC when sufficient data for the QC determination is lacking (e.g., limited performance data or performance just in one season)

Capacity demonstration discussion (cont.)

- Because the CAR-PD design keeps the annual auction, the existing requirement to determine annualized QC (reflecting both seasons) will be maintained
- With respect to estimating QC without sufficient performance history
 - The biggest estimation challenge appears to be for intermittent technologies, which require 30 days of performance data and may have distinct seasonal performance capabilities
 - For other technologies, existing rules may support use of demonstration in one season as a proxy for the other season (e.g., ambient temperature adjustment)
- Expanded to its full complexity, there are numerous cases to be considered (e.g., combining the performance requirement and available seasonal data)
- The ISO is continuing to work to clarify these cases and reasonable estimation approaches, and welcomes input from stakeholders on a transitional approach

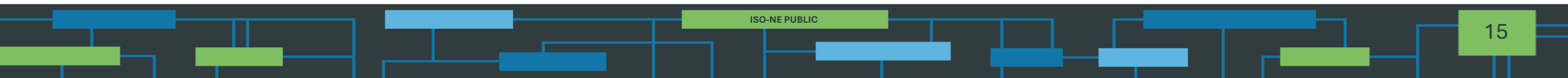


CONCLUSION

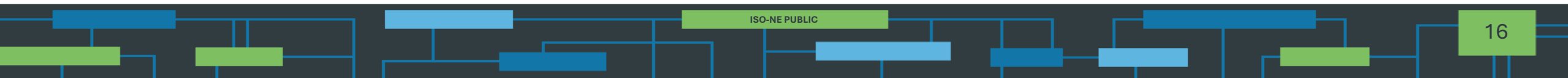


Next Steps and Conclusion

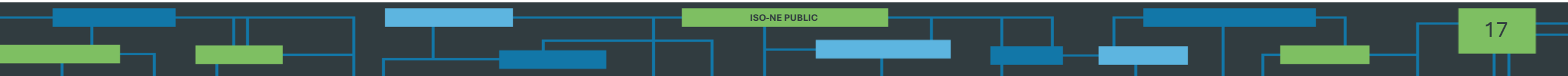
- The ISO's approach to adjusting resource qualification for the CAR-PD proposal is, generally, to extend current methodologies with updates, while also aligning these processes with the prompt design requirement that resources be in-service to sell CSO and revised auction schedules
- The ISO plans to continue discussing the resource qualification proposal elements for CAR-PD at the August MC
- Please submit any additional questions or feedback following the meeting in writing to James Woods (jwoods@iso-ne.com) by July 21, 2025



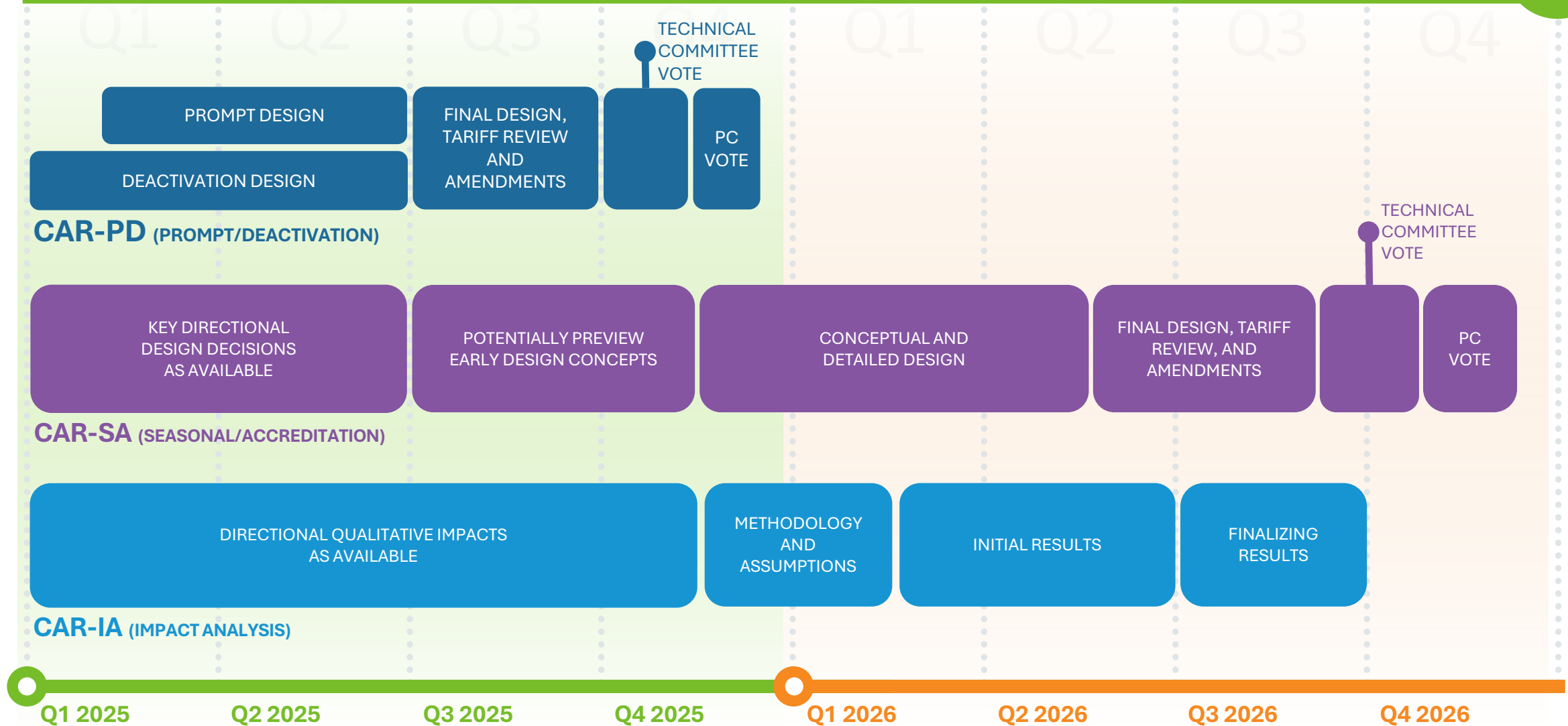
Questions

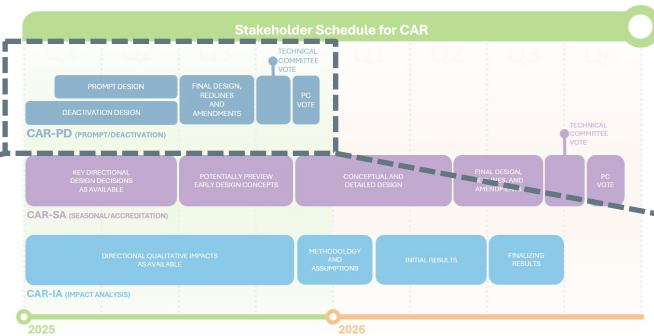


STAKEHOLDER SCHEDULE

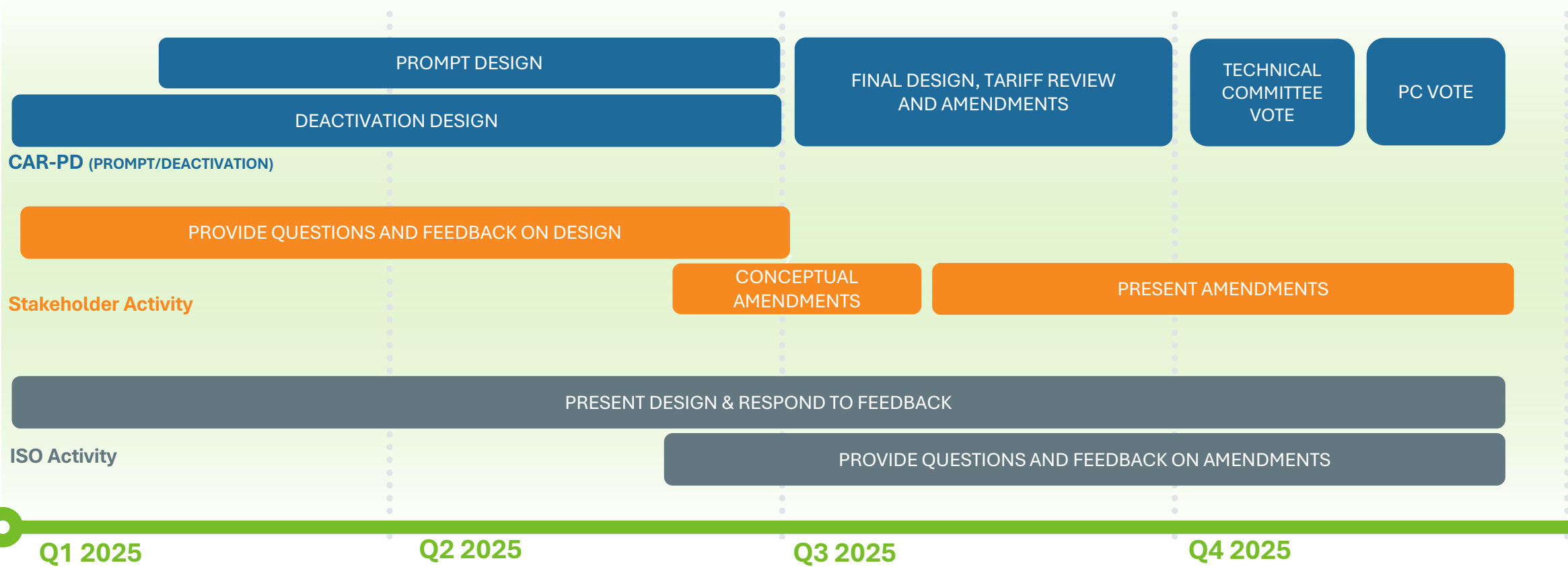


Stakeholder Schedule for CAR





Stakeholder Schedule for CAR



Q1 2025

Q2 2025

Q3 2025

Q4 2025

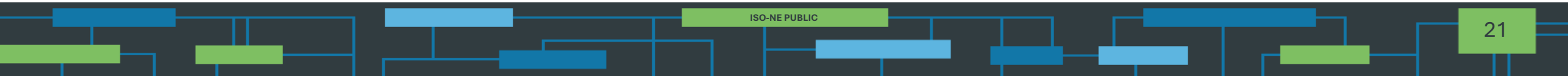
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CAR-PD Schedule Projection

- **July**
 - **Budget and Finance Subcommittee:** July 18th introduction to Financial Assurance Policy conforming changes
- **August**
 - **MC/RC/TC Joint Meeting:** A summary of the CAR-PD design will be provided, review detailed design refinements and review core Prompt Tariff revisions. Stakeholders proposing conceptual amendments should contact the MC Secretary for time on the agenda by July 21, 2025
- **September**
 - **MC:** Review design refinements and continue review of Tariff revisions. Stakeholders proposing amendments should contact the MC Secretary for time on the agenda by August 27, 2025
 - **RC:** Review design refinements and continue review of Tariff revisions. Stakeholders proposing amendments should contact the RC Secretary for time on the agenda by September 3, 2025
 - **TC:** Review design refinements and continue review of Tariff revisions. Stakeholders proposing amendments should contact the TC Secretary for time on the agenda by September 11, 2025
- **October – Technical Committee Votes**
- **November – Participants Committee (PC) Vote**

All NEPOOL members are invited to attend meetings where CAR topics are discussed

APPENDIX



Appendix:

FCM multi-year rate mechanics

- The forward market allowed projects to work towards FCM Commercial Operation for the future period that they acquired CSO
 - And projects may be able to extend their commercial operation date beyond that period per the CPS monitoring requirements
- MW associated with a MRECO are acquired through an FCA and CSO MW corresponding to the MRECO quantity are established for participation in each subsequent FCA for the rate lock term
- Non-commercial MW associated with MRECO are not “disturbed” prior to the project completing commercial demonstration
 - However, if the non-commercial MW are withdrawn or terminated on CPS, the MW associated with the MRECO are removed
 - And, if the completed project cannot demonstrate or cannot maintain its qualified capacity (QC) for the total MRECO MW, MRECO MW can be removed
- There are two mechanisms that prevent a participant from realizing market revenues associated with a resource’s non-commercial MW (until it becomes commercial):
 1. The **Failure-to-Cover Charge**, which produces a settlement charge for any CSO MW that was not shed up-to or including ARA3 and exceeds the resource’s demonstrated capability (the charge rate is established from ARA 3 as-is market conditions)
 2. The **Non-Commercial Capacity Trading FA** (“NCC Trading FA”), which establishes a collateral obligation for any transactions shedding CSO MW associated with non-commercial capacity where the base CSO payment rate exceeds the charge rate associated with the transaction to transfer the CSO
- These two mechanisms effectively put non-commercial MW in a neutral profit condition until commercial operation is achieved
- If the project completes CPS monitoring and commercial operation, the NCC Trading FA is returned to the participant
 - Thus, provided the project is completed, it can realize all base payments and trading revenue associated with the CSO MW

