

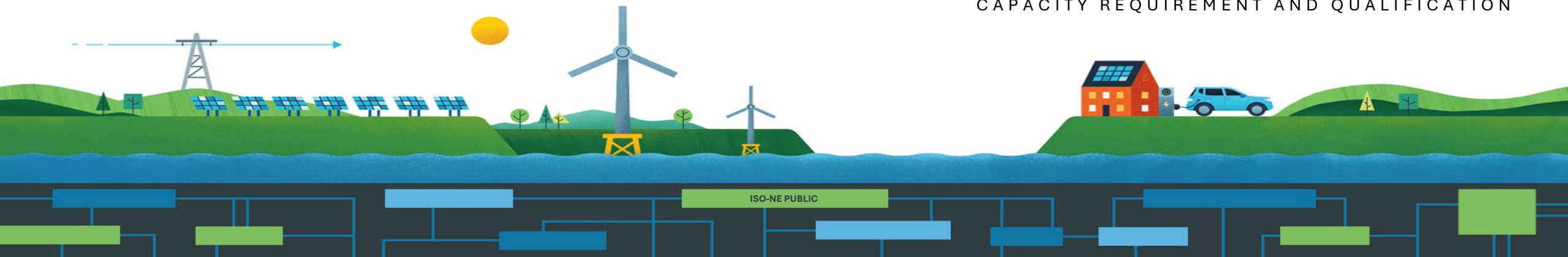


Capacity Auction Reforms – Prompt/Deactivations (CAR-PD)

Resuming discussions of resource reactivation (i.e., a return to service following deactivation to re-enter the markets)

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CAPACITY REQUIREMENT AND QUALIFICATION



Project Title: Capacity Auction Reforms (CAR) Reactivation of a Resource under CAR-PD

WMPP ID:
184

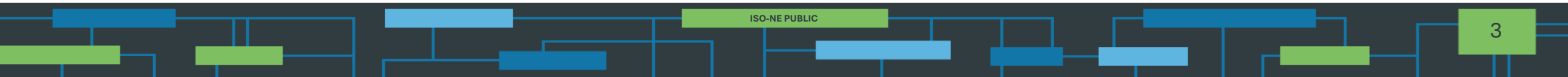
Proposed Effective Date: Q2-Q3 2026

- 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 resumes the discussion of updating the rules for reactivating a resource
 - In past discussions, this was referred to as “return to service” and/or “re-entry”
 - Additional background on the topic is referenced in subsequent slides
- The content reflects the ISO’s current thinking and how to address reactivation with CAR-PD
 - The ISO had earlier communicated that this scope was deferred pending details of the prompt design



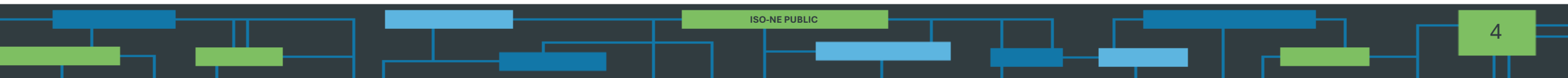
Background

- The objective of the reactivation proposal is (and was) to support the potential cost-effective and timely re-entry of previously deactivated resources, while also limiting potential market distortions
- The ISO views this as a beneficial feature for system reliability and market efficiency
- In a [Dec-2023 presentation](#), the ISO had discussed its completed proposal and Tariff redlines (notably, then under the FCM rule structures)
 - This was the fourth of the ISO's presentations on this topic, which occurred over the months of Aug, Sep, and Nov of 2023 as the proposal was developed
 - This project, receiving priority in the work plan, was motivated by the discussions led by Sigma Consulting in the 2021 timeframe
- In a [Jan-2024 memo](#), the ISO shared its understanding of concerns with a reactivation proposal in the context of the FCM rules and its intention to resume consideration of the proposal and possibly for the CCP19 (2028-29) period



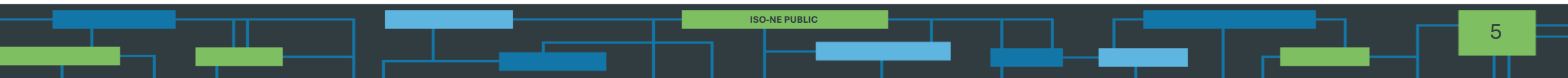
Background (cont.)

- At present, there are clearer expectations and clarity over the structures that would support the reactivation process, e.g.:
 - The prompt auction processes and timelines are being established with the CAR-PD
 - The removal of the “New” versus “Existing” participation distinctions with CAR-PD
 - The interconnection processes under the approved Order No. 2023 compliance proposal
- Additionally, addressing the reactivation process may help provide clarity on participation paths for resources that may deactivate under the new process
- Absent a revision, the current FCM rules require that a reactivating resource demonstrate investment exceeding a minimum threshold to participate as a “New” resource in the FCA
 - This threshold was near \$417 per kW (as of FCA 18) per Market Rule 1, Section III.13.1.1.1.2



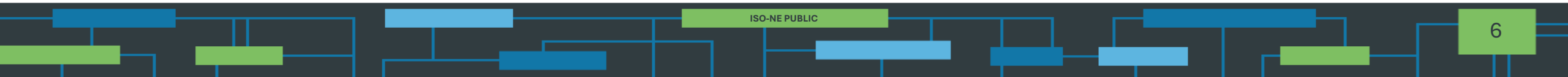
REACTIVATION PROPOSAL UNDER CAR-PD

Proposed qualification treatment for reactivation under the prompt design



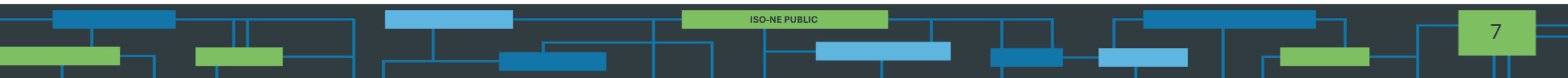
Reactivation proposal summary

- The reactivation proposal considers resources that formerly-deactivated and relinquished capacity interconnection service (in full or partially)
- The reactivation proposal involves two elements:
 - Removing the investment requirement for re-entry (same as past proposal)
 - Requiring that a cost-of-service agreement (COSA) for a resource deactivating with a reliability agreement include a “claw-back” (slight modification on past proposal)
- In all other ways, a reactivation project would have the same interconnection, qualification, and mitigation review treatment as any other new resource for entry and participation in the market



Reactivation proposal rationale discussion

- The two elements of the reactivation proposal apply the same rationale as ISO and stakeholders considered under the past proposal
- Removing the investment requirement for re-entry:
 - *To support the potential cost-effective and timely re-entry of previously deactivated resources and avoid having the investment threshold be a deterrent to re-entry or encouraging investment that is not actually productive (occurs to satisfy the threshold)*
- Requiring that a COSA, if applicable, include a claw-back:
 - *To help deter incentives for a supplier to seek private benefits (risk-free capital expense recovery under reliability agreement) at direct cost to consumers that, if unmitigated, can diminish competitive returns for other market suppliers*

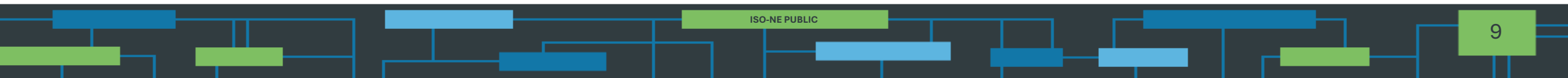


Many elements of the past reactivation proposal will no longer be relevant in our current context

- Limiting eligibility only to fully deactivated resources
 - For the past proposal, it was necessary to distinguish the eligibility for reactivation treatment because only that one investment threshold was being removed
 - With CAR-PD, the ISO plans remove all investment thresholds in Section III.13.1.1.1.2, which we will discuss soon
- Application of special IMM cost review on re-entry
 - The past proposal included the application of seller-side market power (SSMP) to re-entering resources to avoid resource bypassing mitigation review by being “New” under FCM rules
 - With CAR-PD, there is no longer the marked difference between the treatment of "New" and "Existing" resources from a mitigation perspective, and all priced supply offers will have lane assignment for appropriate offer mitigation review (including full SSMP review for competitive entrants)
- Consideration of MW size on re-entry treatment
 - The past proposal had a 20 MW threshold for application of SSMP review, which is also no longer relevant per the explanation above
- Provision of a time component on re-entry treatment
 - The past proposal included a time component where SSMP review would be applicable for a resource returning from a “more recent” deactivation, but there was no sit-out period
 - With CAR-PD, the timeline for re-establishing interconnection service for reactivation and completing steps for auction qualification would involve at least one year out of market participation

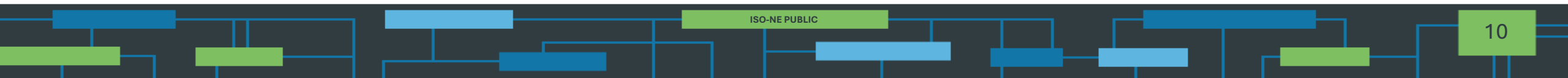
CONCLUSION

Summary and schedule

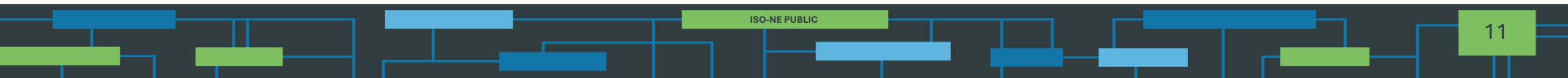


Conclusion

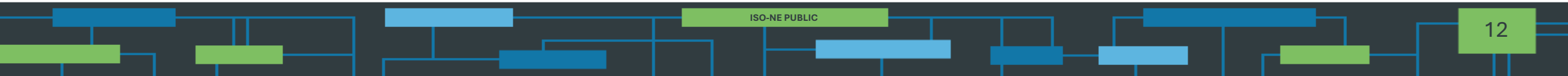
- The ISO believes there is sufficient clarity about auction timeliness and the interconnection process to understand how a reactivation would work mechanically under prompt to resume consideration of the reactivation path for a formerly-deactivated resource
- The reactivation proposal elements are narrower than under the FCM, since aside from the COSA claw-back provision for market competitiveness, the requirements for reactivation are no different from other resources
- Please submit any additional questions or feedback following the meeting in writing to James Woods (jwoods@iso-ne.com) by July 21, 2025



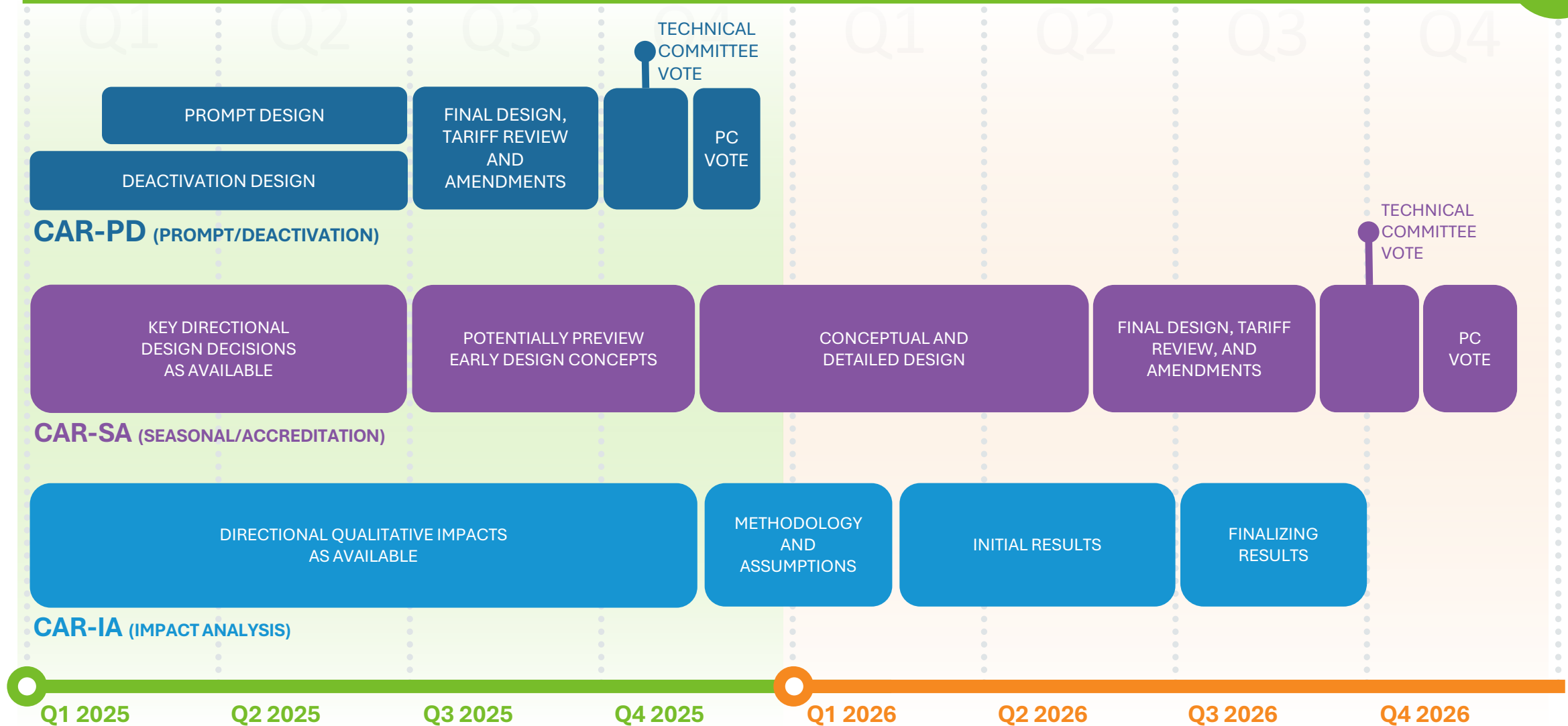
Questions

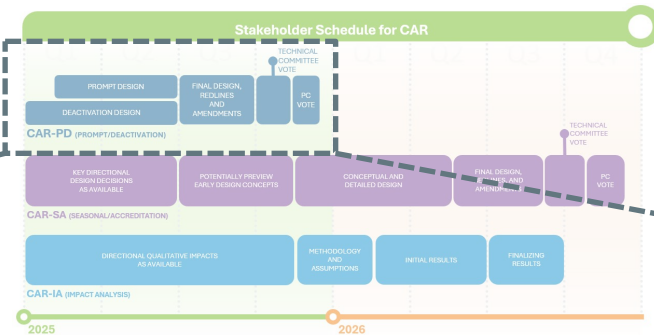


STAKEHOLDER SCHEDULE

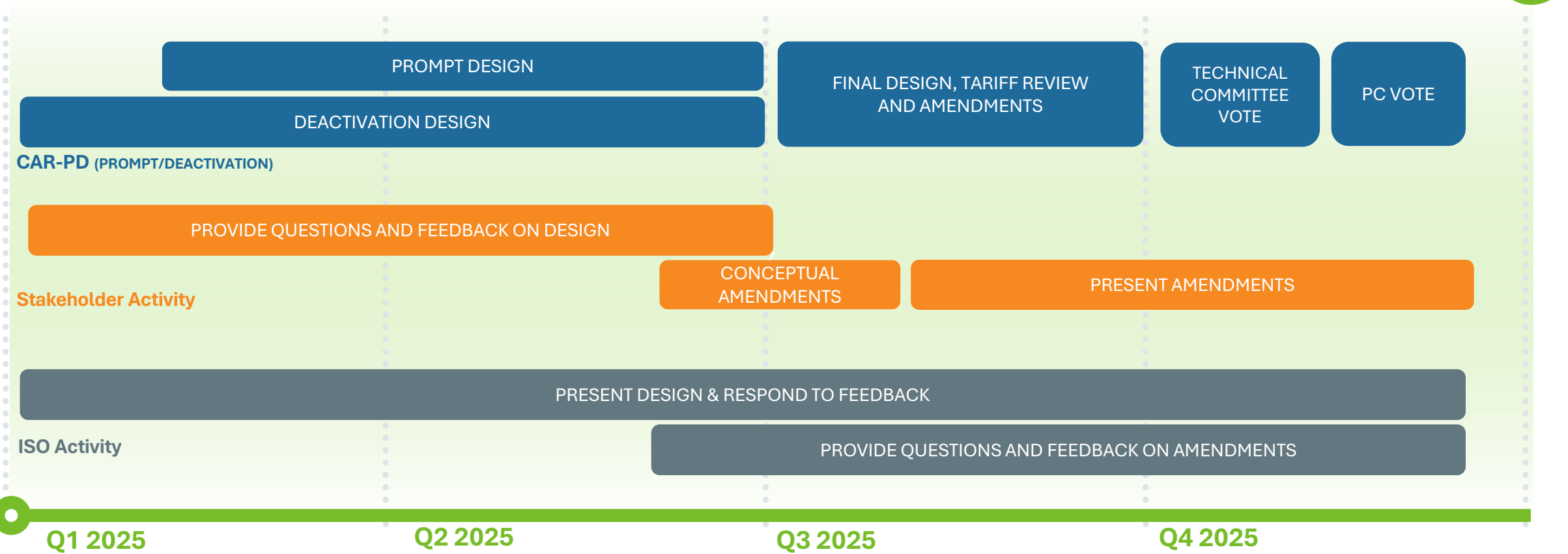


Stakeholder Schedule for CAR





Stakeholder Schedule for CAR



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

