



Pay-For-Performance Revisions:

Performance Payment Rate (PPR) Proposed Change

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Background: What is the PPR?

- The Performance Payment Rate (PPR) is the \$ per MWh rate at which capacity resource over and underperformance during Capacity Scarcity Conditions (CSC) is settled
- The PPR does not directly impact wholesale energy consumers as it represents a financial transfer between suppliers, but they may be impacted when capacity sellers consider the PPR in their capacity offer prices
- *Next: How the PPR Impacts Market Outcomes*

The PPR's Impact on Wholesale Market Outcomes

- The PPR can impact market outcomes in several ways
- It (along with energy market prices) creates incentives for resources to perform to maximum capability during Capacity Scarcity Conditions (CSC)
- It also may impact the costs of selling capacity, and therefore may affect capacity supplier offer prices and capacity clearing prices, through several avenues:
 - The PPR is an input into the ‘common value component’ which may inform a resource’s capacity offer price and represents the expected incremental revenue from capacity performance payments that it would give up by taking on a CSO
 - A higher PPR may increase the financial risk associated with underperformance during CSCs
 - A higher PPR increases the risk that resources will reach the stop loss limits, which can result in costs being borne by other CSO holders

Historic PPR Values

- 2014: Pay for Performance is filed and approved with a series of transitional rates
- 2018 – 2021: \$2,000
- 2021 – 2024: \$3,500
- 2024 – 2025: \$5,455
- 2025 – Present: \$9,337

Historic Basis for Setting the PPR

- The ISO proposed the \$5,455 value in its 2014 filing to provide sufficiently large performance incentives to avoid ‘money for nothing’
 - Based on formula that considers Net CONE value and expected number of scarcity events (when the system is at-criteria)
- As part of this filing, it proposed \$2,000 and \$3,500 as interim values
- The ISO updated the \$5,455 value to \$9,337 using updated assumptions and inputs in 2021

Concerns About the Current PPR

- Some stakeholders have raised concerns that the current \$9,337 is higher than necessary to incent strong resource performance
 - When combined with the high energy market prices during CSCs (which include RCPFs), the total incentive is ~\$12,000 per MWh
- If the PPR is set higher than necessary to incent performance, it may increase costs to sellers (via performance and stop loss risk) and to consumers (via higher capacity clearing prices reflecting the higher-priced bids) with little corresponding reliability benefit
- Some resources may find the increased PPR, and the volatility associated with it, makes the risks and potential costs of selling capacity too high
 - This could result in retirements from resources that can still make meaningful contributions to system reliability
 - Such outcomes run directly counter to the objectives of Pay for Performance
- CAR also seeks to improve performance incentives by more closely linking accreditation to resource performance

ISO Analysis of Resource Performance Under PFP

- In response to earlier stakeholder questions and input, the ISO assessed the impact of Pay for Performance on resource performance across a number of dimensions
- Results of that assessment were shared with stakeholders in [a memo in September 2022](#)
- Key finding: As of 2022, Pay for Performance materially improved resource performance across numerous dimensions:
 - Dual fuel capability
 - Generator availability
 - Resource start performance
- At the time of these findings, the effective PPR was \$3,500 suggesting that Pay for Performance was incenting the desired resource behavior before reaching the \$5,455 and \$9,337 values

ISO Proposes to Update PPR to \$3,500

- Continues to create strong performance incentives for all resources (~\$6,000 between PPR and energy market LMP)
 - History suggests that resources make investments and perform strongly at this rate
- Reduces the risk of selling capacity to help:
 - Incent continued capacity market participation among existing resources
 - Reduce capacity costs borne by consumers
- Decouples PPR from Net CONE and RAA model outputs, which may change under CAR-SA

PPR Update Will Proceed as Standalone Item

- The ISO proposes to bring the updated PPR to stakeholders and FERC as a standalone item, with the aim of filing and implementing the change as soon as possible
- Updated PPR would go into effect after FERC approval, rather than waiting until the next capacity auction in 2028
- This approach is consistent with the ISO's goal of bringing forward design changes expeditiously when possible

Key Takeaways and Next Steps

- ISO Proposes to Update PPR to \$3,500 with the aim of filing and implementing the change as soon as possible
- Please submit any questions that arise after this meeting to the Markets Committee Secretary, Jasleen Singh (jsingh@iso-ne.com) by March 23rd

Stakeholder Schedule

Stakeholder Committee and Date	Scheduled Project Milestone
Markets Committee March 10-12, 2026	Delivery of the proposed design
Markets Committee April 14-16, 2026	Review of proposed Tariff language and any stakeholder amendments
Markets Committee May 12-13, 2026	Additional review of proposed Tariff language, any stakeholder amendments, and vote
Participants Committee June 16-18, 2026	Vote



Questions

