

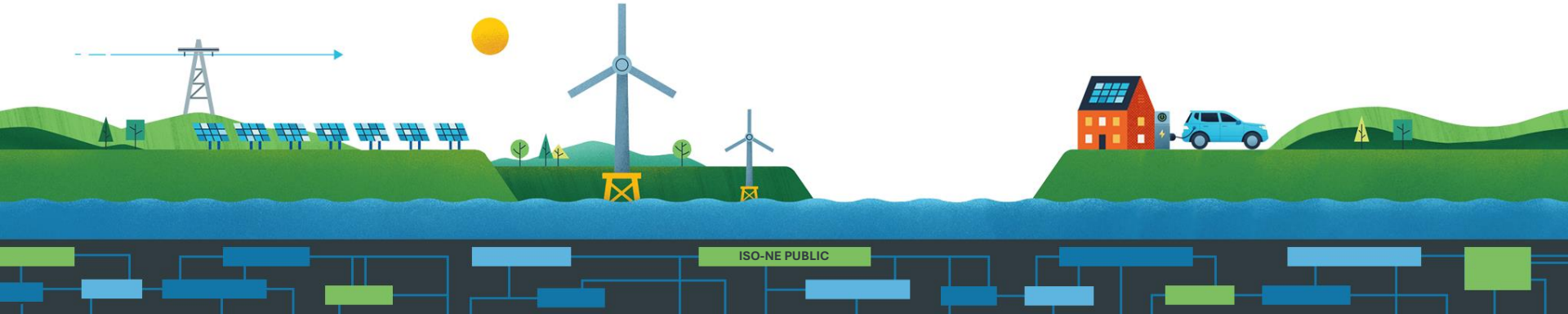
Day-Ahead Ancillary Services Post-Implementation Adjustments

Non-Performance Factor



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Day-Ahead Ancillary Services Post-Implementation Adjustments: Non-Performance Factor

Effective Date: April 30, 2026 for May 1, 2026 Operating Day

- In February 2026, the ISO's Internal Market Monitor (IMM) issued a set of [DA A/S recommendations](#)
- The IMM's recommendations were targeted at three specific inputs to the DAM with the intent of making changes straightforward to implement: the Forecast Energy Requirement (FER) Demand Quantity (DQ), the Non-Performance Factor (NPF) applied in 10- and 30-minute reserve requirements, and the Strike Price (K)
- The ISO has reviewed the reviewed IMM's recommendations and is generally supportive
 - The ISO's proposed adjustments are consistent with the recommendations and market design objectives
- Today's discussion will focus on the NPF adjustment
 - Following a thorough review of historical contingency response events and operational process improvements that started in December 2025, the ISO will be reducing the reserve NPF from 120% to 115% starting May 1, 2026
 - Continued discussion of the proposed adjustments to the FER DQ and Strike Price will take place at the May Markets Committee meeting

Background

- As outlined in ISO-NE Operating Procedure No. 8 (OP-8) – *Operating Reserve and Regulation*, the Total Ten-Minute Reserve Requirement is based on the largest system contingency and is adjusted by a NPF
- The Total Ten-Minute Reserve Requirement is used as an input to calculate the Ten-Minute Spinning Reserve (TMSR) Requirement and the Total Reserve Requirement
- Operating Reserve Requirements, including the NPF, are calculated and applied consistently between the Day-Ahead and Real-Time Markets
- Since October 2015, the NPF has been set to 120% based on routine review of resource performance, prior to which it was set to 125%

Background (cont.)

- Determination of the NPF is a risk-based decision dependent on multiple probabilistic factors
 - No single number perfectly reflects the reserve uncertainty at all times
- Following a September 2010 event in which the ISO failed to restore ACE within 15 minutes and violated NERC Reliability Standard BAL-002, numerous market and operational changes were made to prevent recurrence and improve performance, including:
 - Increasing the NPF from 100% to 125%
 - Routinely reviewing resource response following Emergency Dispatch instructions
 - Developing & reinforcing requirements for Designated Entity's actions before, during, and after receiving Emergency Dispatch instructions
 - Enhanced protocols for receiving assistance from neighboring areas, including Simultaneous Activation of Ten Minute Reserve
 - Creating & improving Manual Response Rate and Claim10/30 auditing processes
 - Improving Contingency Dispatch software
 - Improving Regulation/Automatic Generation Control signals
 - Implementing Pay-for-Performance

Example Illustrating the Impact of NPF

	NPF = 100%	NPF = 120%	NPF = 115%
Largest Contingency		1,400 MW	
Second Largest Contingency		1,200 MW	
Ten Minute Reserve Requirement	1,400 MW	1,680 MW	1,610 MW
TMSR Requirement	350 MW	420 MW	403 MW
Total Reserve Requirement	2,000 MW	2,280 MW	2,210 MW

Ten Minute Reserve Requirement = Largest Contingency * NPF

TMSR Requirement = Ten Minute Reserve Requirement * 0.25

Total Reserve Requirement = Ten Minute Reserve Requirement + (0.5 * Second Largest Contingency)

Rationale for Change

- The ISO re-examined the NPF determination more holistically as compared to the analysis completed for several recent years
- Given the previous market and operational changes, along with a noticeable improvement in resource performance, the ISO plans to reduce the NPF from 120% to 115%
 - This change will take effect in Real-Time on May 1, 2026, and in the Day-Ahead run on April 30 for the May 1 operating day
 - The ISO plans to revisit this again prior to the start of Winter 2026

Conclusion and Next Steps

- Following a thorough review of historical contingency response events and market and operational process improvements, the ISO will be reducing the reserve NPF from 120% to 115%, starting April 30, 2026 for the May 1, 2026 Operating Day
- Continued discussion of the proposed adjustments to the FER DQ and Strike Price will take place at the May Markets Committee meeting
- The ISO will review the reserve NPF again before the start of Winter 2026-27 and communicate if any further adjustments will be made at that time

Questions



About the Presenter

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