

Capacity Auction Reforms Prompt/Deactivation (CAR-PD) Proposal Information

This document summarizes content related to CAR-PD proposal workstreams from presentation material across the NEPOOL Technical Committees and the NEPOOL Budget & Finance Subcommittee.

Last Update: July 21, 2026

CAR – Deactivation Design Material

Content	Summary	More Detailed Information
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)
Notification Timeline	The proposed deactivation 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) August 2025 MC Slide 3 (visual timeline of the deactivation notification process) Slides 5-6 (1-yr notification timeline x objective 2 alignment)
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)
Information Release	The ISO will 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)
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. 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.	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 • Slides 9, 14-15 (cost workbook 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) August 2025 • Slide 4 (>20MW cost workbook rationale) • Slides 7-10 (additional detail on two-run auction mitigation)

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
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. Capacity Exports Through an Import-Constrained Zone (CETICZ) provision will continue under CAR-PD.	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) August 2025 MC* • Overview of CAR-PD Proposal September 2025 MC • Follow Ups Presentation October 2025 MC • Slides 11 (continuing CETICZ) November 2025 MC (MC/TC) • Final Overview of CAR-PD Proposal December 2025 PC • ISO New England's CAR-PD Proposal Update Memo
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 pricing. Results are published, but some FERC filings are discontinued, streamlining the process.	June 2025 MC • Slide 5 (terminology changes) • Slides 7-12 (process detail) • Slides 13-15 (trading activities) • Slide 5 (Capacity Offer Requirement) August 2025 MC • Slide 38 (detail on priced capacity offers)

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. Suppliers can offer capacity priced above the capacity clearing price to ensure resources reflect relevant costs. 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) • Slides 4-8 (forward bilateral markets considerations) October 2025 MC • Slides 4-5 (offers above the price cap) • Slides 7 (design of cost recovery mechanism) • Slides 9 (inflation indexing in prompt market) • Slides 13 (Capacity Offer Price Threshold)
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) August 2025 MC • Slides 6-8 (Deactivations + ICR process timeline)
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) August 2025 MC • Slides 9-15 (near final timeline; leading up to the CCP)

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 (BSMP) 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) August 2025 MC • Slide 4 (information on prospective CSCs) • Slides 5-6 (sponsored policy resources examples) • Slides 8-12 (BSMP process updates + timelines) • Slides 13-17 (seller-side market power (SSMP) mitigation reviews process updates + timelines) ◦ Slides 18-21 (SSMP deadlines) • Slides 28-37 (additional process details) • Slides 38-44 (BSMP application to import capacity resources) September 2025 MC • Slide 18 (priced supply in the Annual Capacity Auction) • Slide 19 (Pivotal Supplier Test timing) • Slides 20-21 (proposed mitigation relief) • Slide 22 (“Control” and “Affiliated” Tariff definition clarification – supplier portfolio) • Slide 23 (ARA results for COPT challenges) • Slides 24-25 (multi-year repowering projects) • Slide 26 (conforming treatment of threshold prices)
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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) • Slides 15-22 (qualification for monthly CSO) July 2025 MC • Slides 6-10 (current resource reactivation design, aka return-to-service proposal) • Slides 11-13 (current view on capacity demonstration) August 2025 MC • Slide 5 (reactivation design summary) • Slide 6 (COSA's claw-back provision) • Slide 8 (RMR resource re-entry detail) • Slides 5-10 (revised transitional treatment of projects that first cleared in FCA 18) • Slides 11-12 (monthly qualification eligibility) • Slides 13-20 (additional detail on resources with material modifications) • Slide 21 (additional information on repowering under the CAR-PD Tariff) • Slides 22-30 (recently commercial resources and Qualified Capacity (QC) estimation) September 2025 MC • Slide 6 (allocator for refunds of a COSA claw-back) • Slide 8 (significant decrease implications) • Slide 9 (purpose of restoration plans) • Slide 10 (5-year lookback rationale) • Slide 11 (revising annual QC approach for DCRs) • Slide 12 (clarifying installation deadline for passive DCRs) • Slides 13-16 (key concepts for repowering)
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 system reliability.	May 2025 MC • Slides 6-11 (use of outage coordination process for reliability reviews) June 2025 MC

	Reliability reviews for primary auctions and monthly transactions would not continue under the CAR design.	• Slides 4-8 (outage coordination proposed adjustments) • Slides 9-10 (monthly CSO changes) August 2025 MC • Slides 5-9 (use of assumed CSO) • Slides 11-13 (capacity and security assessments) September 2025 MC • Slide 28 (Time out provision)
Tariff Information		July 2025 MC • Slides 2-3 (Tariff revision approach for CAR-PD) • Slides 4-8 and 10 (proposed CAR-PD Tariff reorganization) August 2025 MC • Slides 3-4 (settlements – revisions to implement CAR-PD) • Slides 5-6 (FCM Settlement Tariff Section Removal) for CAR-PD) • Slide 3 (overview of Capacity Market Mitigation revisions) • Slide 3 (approach to Qualification and Qualified Capacity Tariff revisions) • Slide 3 (overview of revisions for annual auction process, monthly reconfiguration auctions, and bilaterals) August 2025 MC (MC/RC/TC) • Slides 11-12 (updates to Tariff and terminology revisions) September 2025 MC (MC/RC/TC) • Tariff Revisions (Sections I, II including attachments, III Table of Contents, III.1, III.12, III.13.A, III.15, III.A) October 2025 MC • Incremental Tariff Revisions (Sections I.2.2, II.51-54, III Table of Contents, III.1, III.13.A, III.15, III.A) October 2025 RC • Incremental Tariff Revisions (Sections I.2.2 and III.12) October 2025 TC • Incremental Tariff Revisions (Sections II including attachments, II.51, and II.51.2) November 2025 MC (MC/TC) • Incremental Tariff Revisions (Sections II.52.1, III.15, and III.A) • NEPOOL Counsel Review of ISO-NE's Proposed CAR-PD Tariff Revisions Memo

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