Training Disclaimer: *ISO New England (ISO) provides training to enhance participant and stakeholder understanding. Not all issues and requirements are addressed by the training. Consult the effective Transmission, Markets and Services Tariff and the relevant Market Manuals, Operating Procedures and Planning Procedures for detailed information. In case of a discrepancy between training provided by ISO and the Tariff or Procedures, the meaning of the Tariff and Procedures shall govern.*

September 2, 2026
WebEx Broadcast

Settlements Forum

2026 Q3

Mark Tessicini
Manager, Settlements
Market Analysis & Settlements

forum

Topics

Upcoming Markets and Settlement Changes

- Pay for Performance (PFP) Tariff Change Updates
- FERC Order 2222 Overview

Informational Items

- 2026 Settlements Forum dates

Pay For Performance Changes

Mark Tessicini

Roadmap: From Scarcity Event to FERC Filing

How the June 2025 Event Led to the Current PFP Changes

1. **Jun 24, 2025**
   Scarcity Event
2. **Jul 25, 2025**
   NEPGA Complaint (Refund Effective Date)
3. **Jan 22, 2026**
   FERC Order (Regulatory Response)
4. **May 2026**
   MC Approval
5. **June 2026**
   PC Approval
6. **Jul 21, 2026**
   FERC Filing
7. **Oct 2026+**
   Prospective Changes

✓ Proposed changes passed the Participants Committee (PC)

June 24, 2025, CSC Event

Extreme heat drove record demand

- Pushed the system into peak load conditions

Load plus reserves exceeded total CSO

- The system needed more than committed capacity

Balancing Ratio (BR) rose above 1.0 (~1.03)

- Resources were effectively called to perform above their CSO

Significant settlement impacts (~$26M) to under-performing resources

New England Power Generators Association (NEPGA) Complaint

July 25, 2025

Section 206 Complaint Filing — Tariff "unjust and unreasonable"

NEPGA Requested:

- Cap the Balancing Ratio at 1.0
- Allocate stop-loss under-collections through reduced PFP credit payments rather than charges to non-stop-loss CSO resources

Issue 1: Balancing Ratio > 1.0

- Expected performance exceeded CSO
- Resources delivering full MW still showed underperformance

Issue 2: Stop-Loss Allocation

- Stop-loss limits underperformance charges
- Uncollected costs are shifted to other CSO resources

FERC Order (Jan 22, 2026)

Section 206 Decision — Tariff is found to be “unjust and unreasonable”

Approved:

- Cap Balancing Ratio (BR) at 1.0

Denied:

- Stop-loss allocation change

Refund effective date: July 25, 2025

- No refunds to date as the Balancing Ratio has not exceeded 1.0

Summary of Effective Changes

Effective Changes September 1, 2026:

- Payment Rate (Effective September 1, 2026)
  - *Reduced from $9,337/MWh to **$3,500/MWh***

Effective October 1, 2026:

- Balancing Ratio
  - *Balancing Ratio capped at 1.0, limiting obligation to CSO*
- Performance Bilaterals
  - *Discontinuation of Capacity Performance Bilaterals*
- System Backed Exports
  - *Included in PFP settlement*

MIS Report Changes

MIS Report Changes:

- SD_FCMPFPRESPYMT2 - FCM Pay for Performance Resource Payments Report
- SD_FCMPFPRESPYMTSUB2 – FCM Pay for Performance Resource Payments Subaccount
- SD_FCMPFPSCORE – FCM Pay for Performance Capacity Performance Score Report
- SD_FCMPFPACP – FCM Pay for Performance Actual Capacity Provided Report
- SD_FCMPFPACPPRELIM – FCM Pay for Performance Actual Capacity Provided Preliminary Report
- SD_FCMPFPCPSBT – FCM Pay For Performance Capacity Performance Score Bilateral Transactions Report

Calculation Summary Changes:

- FCM PFP Performance Score Calculation Summary
- FCM Performance Payment Calculation Summary

- Score Reports will be released no later than 9/4/2026
- Performance Payment Reports will be released no later than 9/30/2026

FERC Order 2222 Overview

Mark Wing, Supervisor, Hourly Markets

Upcoming Settlement Changes

FERC Order 2222

- Allows Distributed Energy Resources (DERs) access to capacity, energy and ancillary services markets
- Effective November 1, 2026

Storage as a transmission-only asset (SATOA)

- Allows transmission energy storage devices to participate in the real-time energy market
- Effective March 1, 2027
- Will be discussed in more detail in the December Settlement Forum

What are Distributed Energy Resources?

- Small-scale, localized power generation and storage technologies
- Typically connected to local distribution systems rather than the high-voltage transmission grid
- Often behind-the-meter
- Examples
  - Rooftop solar
  - Energy storage
  - Backup generation

How Do DERs Participate in Markets?

- To participate in energy markets or ancillary services, Distributed Energy Resources (DERs) must register as part of a Distributed Energy Resource Aggregations (DERA)
  - A DERA includes one or more DERs
- DERAs may include DERs that are the following asset types
  - Generation
  - Load
  - Asset related demand (ARD)
  - Alternative technology regulation resource (ATRR)
  - Demand response resource (DRR)
- DERAs register using one of seven participation models
- DERAs may be registered at a network node or demand response resource aggregation zone

Participation Models

- Define how specific resource types integrate into ISO England market
- Dictate how assets register, bid, provide telemetry and respond to dispatch

DERAs use five (5) existing participation models

1. Modeled generation
2. Binary storage facility (BSF)
3. Continuous storage facility (CSF)
4. DRR
5. ATRR

DERAs use two (2) new participation models

1. Settlement only DERA (SODERA)
2. Demand response DERA (DRDERA)

New DERA Participation Models

Settlement only DERA (SODERA)

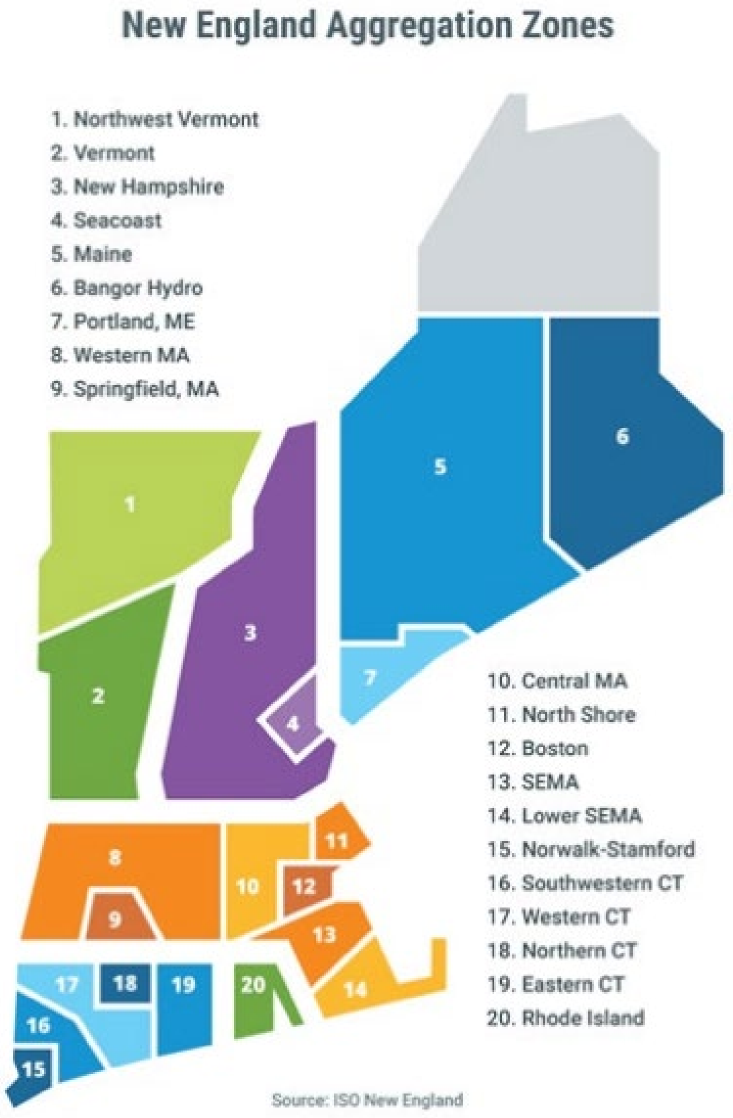
- Includes generation assets and/or load assets
- Each asset may participate in the day-ahead energy market
- Each asset is a price taker in the real-time energy market
  - May not submit bids in the real-time market

Demand response DERA (DRDERA)

- Includes generation and demand response resource (DRR) assets
- May include load assets
- DRR assets may participate in day-ahead and real-time energy markets
- Generation and load assets are price takers in the real-time energy market

DRR Aggregation Zones are a New Pricing Location

- Pricing location for DERAs may be at a network node or DRR aggregation zone
- New England control area now contains 20 DRR aggregation zones
- When a DERA opts for a DRR aggregation zone pricing location, all associated DERs must be in same zone



Settlement Changes

Day-Ahead and Real-Time Energy Markets

- Updated to calculate credits based on DRR aggregation zone pricing for DERs registered at a DRR aggregation zone

Net Period Commitment Compensation (NCPC)

- SODERA assets are not eligible for NCPC
- DRDERA assets
  - Generation DERs are not eligible for NCPC
  - DRR assets are eligible for day-ahead and real-time NCPC
    - DRR NCPC compensation may be reduced based on net supply from generation DERs
    - Amount of adjustment based on values submitted by the participant

Upcoming MIS Report Changes

Updated report descriptions, templates and sample files are currently available on ISO website

Includes updates for both FERC Order 2222 and SATOA changes

- Any new columns for SATOA will appear on reports, but will not have values until March 1, 2027

Changes are in:

- Reports with new columns
- New reports for FERC order 2222
- Changes to Report Descriptions
- New reports for SATOA

Reports with New Columns

FERC Order 2222

- SR_DALOCSUM & SR_DALOCSUMSUB
  - Added new columns for SODERA generation obligation and cleared demand bid
- SD_RTASSET5MIN & SD_RTASSET5MINSUB
  - Added new column to Demand Response Resource section for net supply value used in NCPC calculation

SATOA

- SR_RTLOCSUM, SR_RTLOCSUMSUB, SR_RTLOCSUM5MIN, SR_RTLOCSUM5MINSUB
  - Added new column for real-time SATOA obligation
    - Will discuss in more detail at December Settlement Forum

New Reports for FERC Order 2222

- New versions of existing reports
- Changes Network Node ID and Network Node Name columns to Location ID and Location Name
- Change reflects that pricing locations now include DRR aggregation zones

<u>Reports</u>

SD_DANCPCDARD2

SD_DANCPCDARDSUB2

SD_DANCPCGEN2

SD_DANCPCGENSUB2

SD_RTNCPCDARD5MIN2

SD_RTNCPCDARD5MINSUB2

SD_RTNCPCGEN5MIN2

SD_RTNCPCGEN5MINSUB2

Changes to Report Descriptions

Updated generator credit class option from Energy Storage Device (ESD) to Continuous Storage Facility (CSF)

- SD_DANCPCPYMT
- SD_DANCPCPYMTSUB
- SD_RTNCPCPYMT5MIN
- SD_RTNCPCPYMT5MINSUB

Added SATOA as an Asset Type

- SD_RTDOMAIN
- SP_METERDIRECT
- SP_METERDIRECT5MIN
- SP_METERDOMAIN

New Reports for SATOA

Two new reports

- SD_RTSATOA
- SD_RTSATOASUM

Will discuss in December Settlement Forum

- Not generated until March 2027

Helpful Resources

- FERC Order 2222 Project Outlook
- MIS Report Description, Templates, and Samples
- FERC Order No. 2222: Metering & Telemetry Overview Matrix by Participation Model
- Participation Models and System Impacts (self-paced training)

2026 Settlements Forum Dates

Q1 Wednesday, March 4 at 10:00 AM

Q2 Wednesday, June 3 at 10:00 AM

Q3 Wednesday, September 2 at 10:00 AM

Q4 Wednesday, December 2 at 10:00 AM

2027 Settlements Forum Dates

Q1 Wednesday, March 3 at 10:00 AM

Q2 Wednesday, June 2 at 10:00 AM

Q3 Wednesday, September 1 at 10:00 AM

Q4 Wednesday, December 1 at 10:00 AM

Contact Participant Support and Solutions

Ask ISO
ISO NEW ENGLAND PARTICIPANT SUPPORT

Submit a request via Ask ISO *(preferred)*

https://askiso.iso-ne.com

Email **AskISO@iso-ne.com**

Phone

(413) 540-4220 (call center)

(833) 248-4220

Pager ***(for emergency inquiries outside of business hours)***

(877) 226-4814

Business hours and additional contact details are available from the Participant Support page

Visit the Participant Support page