

To: NEPOOL Transmission Committee

From: ISO New England Inc. (ISO)

Date: October 7, 2026

Subject: Transitional Withdrawal Penalty Treatment

On September 28, 2026, ISO New England (the ISO) issued a [memo](#) to Interconnection Customers (IC) describing the next steps in the Transitional Cluster Study (TCS) process. As part of that memo, the ISO indicated that it intended to present detailed design and Tariff redlines regarding the disbursement of Transitional Withdrawal Penalties (TWPs) to the NEPOOL Transmission Committee on October 14, 2026.

Subsequent to the release of that memo, on September 30, 2026, certain ICs participating in the TCS: Moraga Storage, LLC; River Mill Storage, LLC; Hecate Energy Medway Energy Center LLC; Brough Storage, LLC; and Partridge Storage, LLC (collectively, Project Companies) filed a complaint and waiver request¹ with the Federal Energy Regulatory Commission (FERC) seeking, among other things, alternative relief that would permit projects to withdraw from the TCS without incurring a withdrawal penalty. As of the date of this memo, the ISO's response to the waiver request is due on October 13, 2026, and the response to the complaint is due on October 30, 2026.

The ISO will be focusing its resources on addressing the litigation. Accordingly, the ISO will not be presenting its proposal at the October NEPOOL Transmission Committee meeting. Nonetheless, the ISO is issuing this memo to provide information about activities related to TWPs and a high-level overview of the proposal (consistent with other materials previously issued) the ISO is considering, given the importance of this information to projects still active in the TCS.

Transitional Cluster Study Deposits and Penalty Exposure

Consistent with Section 5.1.1.2 of Schedules 22 and 23 of the Open Access Transmission Tariff (OATT), the ISO calculated the potential TWP liability of each IC with a project that participated in the TCS, which is equal to nine times each project's total Interconnection Study costs since entering the ISO's interconnection queue. The ISO informed each IC of its potential liability on September 29, 2026.

¹ *Moraga Storage, LLC, et al. v. ISO New England Inc.*, Complaint and Waiver Requesting Shortened Comment Period and Fast Track Processing, Docket No. EL26-112-000 (filed Sept. 30, 2026) ("Complaint").

The ISO has collected, or is in the process of collecting, TWP for all projects that have withdrawn from the TCS to date.

For projects that have not withdrawn, where the balance of the IC's TCS deposit exceeds its potential TWP liability, the IC may: 1) request that the balance be refunded (if the deposit was provided in cash) or 2) replace existing financial security (in the form of a letter or credit or surety bond) with the lesser amount.

TWP Disbursement Design Concepts

As the ISO noted in the September 28 memo, the Interconnection Procedures in Schedules 22 and 23 do not currently include rules that specify whether, or the manner in which, TWP will be disbursed. This gap was the result of Order No. 2023's creation of the term TWP, which the ISO incorporated in Section 5.1.1.2 of Schedules 22 and 23 in its compliance with Order No. 2023. The term is not used elsewhere in the procedures, including Section 3.7 of Schedules 22 and 23, which covers Interconnection Request withdrawal and Withdrawal Penalty calculation and disbursement.

The ISO has identified a need to undertake revisions to Schedules 22 and 23 to close this gap and direct the manner in which the ISO will disburse TWP.

The ISO believes, based on a review of Order Nos. 2023 and 2023-A, that the Commission's original intent was for TWP to be disbursed in the manner described in Section 3.7 of Schedules 22 and 23; the same manner that will be used for future Cluster Studies. As such, the ISO intends to propose that TWP are disbursed in a similar manner to the methodology described in Section 3.7 of Schedules 22 and 23. Specifically, as described in the September 28, 2026, memo, the ISO's proposal would result in the following general outcomes:

- TWP will first be used to fund any necessary restudy of the TCS after any Interconnection Request deposit funds forfeited by TCS projects (which the ISO is required to use for restudy under Section 3.4.2 of Schedules 22 and 23) are exhausted.
 - To the extent any ICs with TCS projects are invoiced for restudy costs in the interim, they would be reimbursed following FERC acceptance of the proposed rules.
 - TWP will be allocated on a 50% per capita and 50% per MW basis to restudy costs.
- Any TWP funds remaining after restudy will then be allocated to offset any increase (as a result of the withdrawal) in Network Upgrade costs for remaining TCS projects that have not withdrawn, to the extent that those ICs shared Network Upgrades with withdrawn projects.
 - The ISO would undertake an impact analysis to determine whether Network Upgrades costs increased as a result of the withdrawal similar to the manner described in Section 3.7.

- After this further disbursement is complete, any remaining TWP funds will be returned to the ICs with withdrawn Interconnection Requests.
- In the event that the ISO determines, consistent with Section 3.7 that no restudy is required as a result of a withdrawal (*i.e.*, the withdrawal is determined to not have an impact on other projects because it did not share any upgrades with other projects, or all projects sharing an upgrade have withdrawn), all TWPs would be refunded to the withdrawn project.

The ISO will bring a complete design and Tariff redlines to the NEPOOL Transmission Committee as soon as practicable.