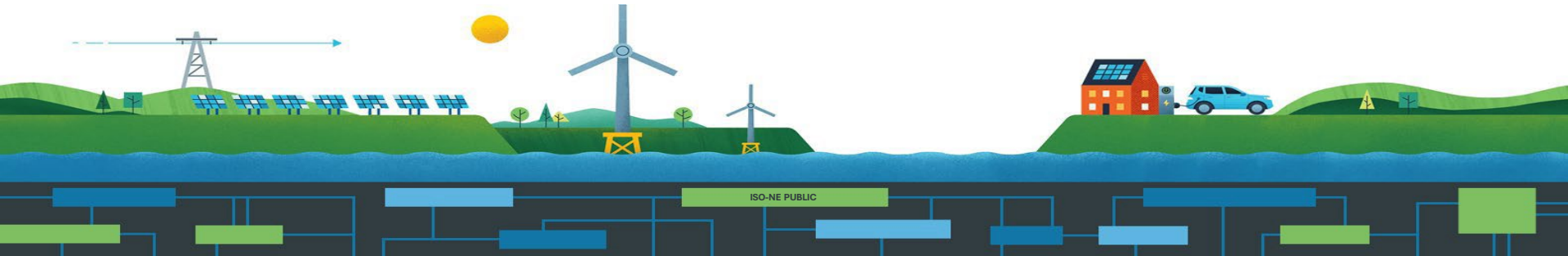
ISO-NE Capacity Market Reform: Incenting Generator Contracting

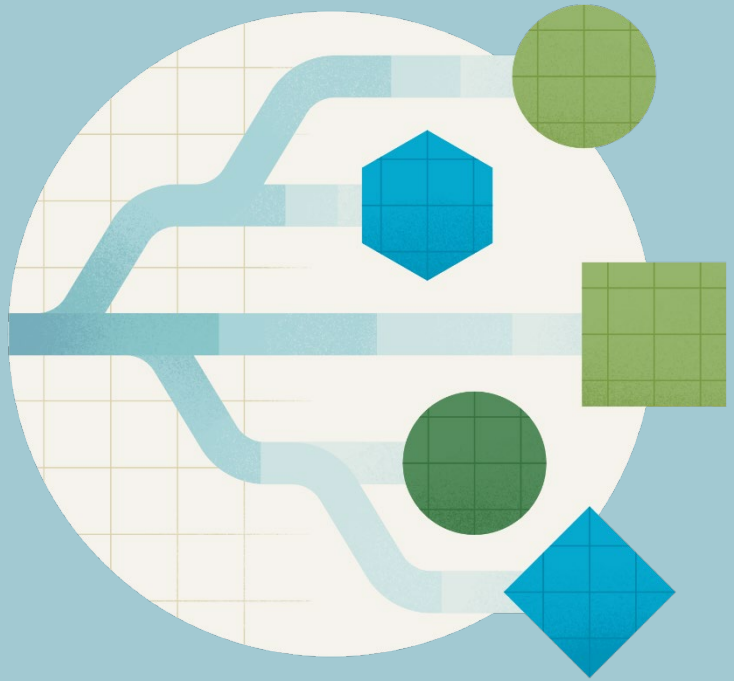
Overview of a New Capacity Market Design
NECA Fuels Conference

Chris Geissler

DIRECTOR, ECONOMIC ANALYSIS



10,000 Foot Overview of the ISO's Capacity Market



- Helps ensure **system reliability** by paying resources to be available to meet the projected demand for electricity and operate when needed in the capacity commitment period
- Facilitates **longer-term investment** decisions to help ensure that the region has enough generation capability to meet demand during the most stressed conditions

Capacity Auction Reforms (CAR) Aim to Buy Current, Season-Specific Reliability

As the resource mix evolves, CAR seeks to ensure resources are compensated based on demonstrated reliability contributions, while improving the efficiency and accuracy of capacity procurement



Capacity Auction Reforms: Design Objectives



Reliability: Design the capacity auction in a manner to satisfy the New England's 1-day-in-10 Loss of Load Expectation (LOLE)

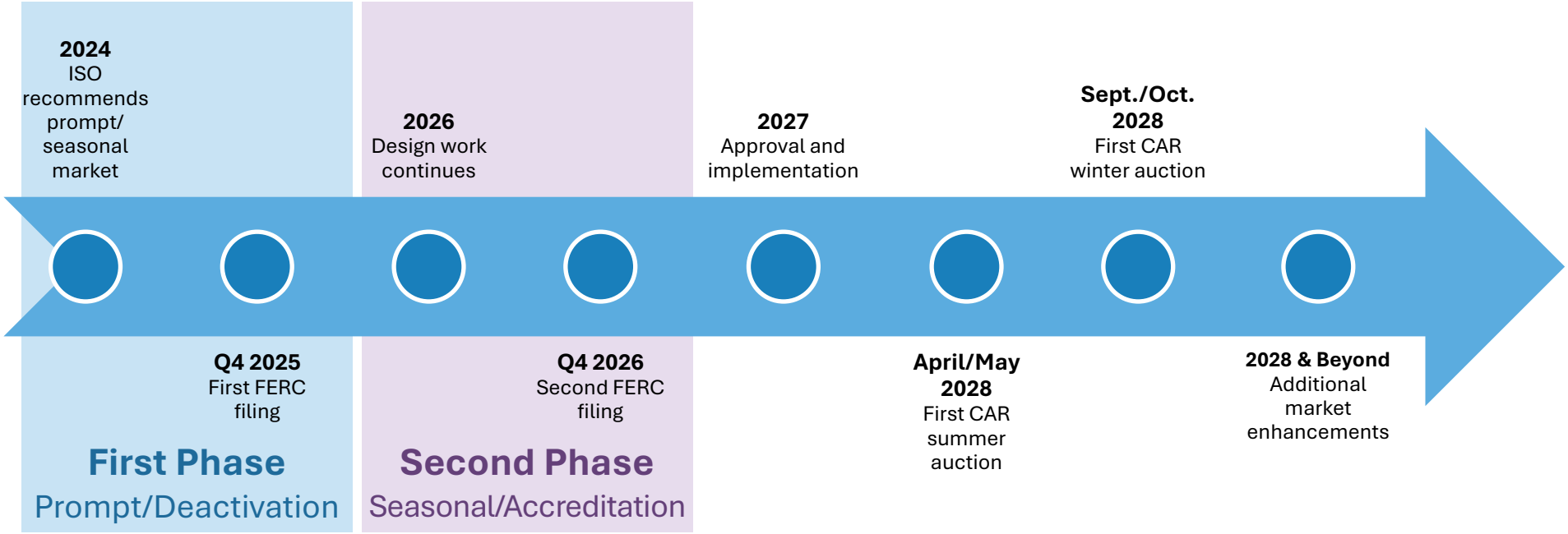


Durability: Incent the levels of investment, including entry and exit decisions, to meet this standard over time, as the bulk power system and market conditions change



Cost-Effectiveness: Procure electrical capacity (MW) to meet these objectives in a cost-effective manner

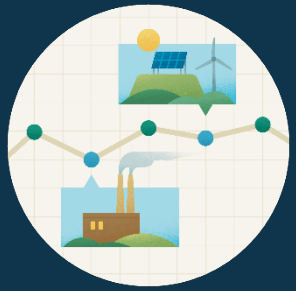
CAR Project Timeline



CAR Phase 1: Prompt Auction/ Deactivation

Transitions the capacity market from a three-year forward auction to a **prompt auction and** updates the process for resources **exiting** the capacity market

KEY FEATURES



- Buy capacity shortly before it is needed
- Use more up-to-date demand & supply information
- Only resources that are already operational may sell capacity
- Deactivation process occurs before and ahead of capacity auction

PHASE 1 CAR-PD: ACCEPTED (MARCH 2026)

CAR Phase 2: Seasonal Accreditation

Reshapes capacity market accreditation to more accurately reflect **resource adequacy contributions** from an evolving resource mix, from season to season

KEY FEATURES



- Separate summer & winter capacity values
- Credit modeled reliability contribution, not nameplate MW alone
- For batteries: Reflect duration & recharging constraints

PHASE 2 CAR-SA: UNDER DEVELOPMENT

CAR Seasonal Accreditation

Key Design Elements



Accreditation reform

Winter gas constraint

Firm fuel requirements

Transition provisions



Accreditation reforms better align how much capacity resources can sell with relative reliability contributions



Winter gas constraint proposal creates stronger incentives for winter reliability investments



Firm fuel requirements incentivize firming of fuel (e.g., LNG contracting, dual fuel investment) that improve winter reliability



Transition provisions provide a glide path from current rules to proposed rules



The Proposed Reforms will Allow the Region:

- ✓ To more efficiently procure the capacity it needs to reliably operate the system
- ✓ To more accurately account for resource and system-level attributes related to performance

ISO's CAR proposal constitutes a major step forward for the region and we plan to continue evaluating and making improvements as the region gains experience with the design

Questions



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