

## **SECTION III**

### **MARKET RULE 1**

#### **STANDARD MARKET DESIGN**

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III.13.7.3.3.5	[Reserved.]
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III.13.8.3	[Reserved]
III.13.8.4	[Reserved.]
III.14	Intra-hour Transaction Scheduling Pilot Program.
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### **III.13. Forward Capacity Market.**

The ISO shall administer a forward market for capacity (“Forward Capacity Market”) in accordance with the provisions of this Section III.13. For each one-year period from June 1 through May 31, starting with the period June 1, 2010 to May 31, 2011, for which Capacity Supply Obligations are assumed and payments are made in the Forward Capacity Market (“Capacity Commitment Period”), the ISO shall conduct a descending clock auction (“Forward Capacity Auction”) in accordance with the provisions of Section III.13.2 to procure the amount of capacity needed in the New England Control Area and in each modeled Capacity Zone during the Capacity Commitment Period, as determined in accordance with the provisions of Section III.12. To be eligible to assume a Capacity Supply Obligation for a Capacity Commitment Period through the Forward Capacity Auction, a resource must be accepted in the Forward Capacity Auction qualification process in accordance with the provisions of Section III.13.1. A Capacity Supply Obligation is an obligation to provide capacity from a resource, or a portion thereof, that is acquired through a Forward Capacity Auction in accordance with Section III.13.2, a reconfiguration auction in accordance with Section III.13.4, or a Capacity Supply Obligation Bilateral in accordance with Section III.13.5.

### **III.13.1. Forward Capacity Auction Qualification.**

Each resource, or portion thereof, must qualify as a New Generating Capacity Resource (Section III.13.1.1), an Existing Generating Capacity Resource (Section III.13.1.2), a New Import Capacity Resource or Existing Import Capacity Resource (Section III.13.1.3), or a New Demand Resource or Existing Demand Resource (III.13.1.4). Each resource must be at least 100 kW in size to participate in the Forward Capacity Auction, except for resources registered with the ISO prior to the earliest date that any portion of this Section III.13 becomes effective. An offer may be composed of separate resources, pursuant to the provisions of Section II.13.1.5. Pursuant to the provisions of this Section III.13.1, the ISO shall determine a summer Qualified Capacity and a winter Qualified Capacity for each resource, and an FCA Qualified Capacity for each New Generating Capacity Resource, New Import Capacity Resource, and New Demand Resource.

All Project Sponsors must be Market Participants no later than 30 days prior to the deadline for submitting the financial assurance deposit described in Section III.13.1.9.

#### **III.13.1.1. New Generating Capacity Resources.**

To participate in a Forward Capacity Auction as a New Generating Capacity Resource, a resource or proposed resource must meet the definitions and requirements of this Section III.13.1.1. A New Generating Capacity Resource that achieves Commercial Operation prior to the first Forward Capacity Auction that has not submitted a New Capacity Show of Interest Form pursuant to Section III.13.1.1.2.1 and a critical path schedule pursuant to Section III.13.1.1.2.2.2, shall not be eligible to participate in the first Forward Capacity Auction and must clear in a reconfiguration auction or enter into a Capacity Supply Obligation Bilateral to receive capacity payments during the first Capacity Commitment Period. A New Generating Capacity Resource may elect, during the qualification process, to have the Capacity Supply Obligation and the Capacity Clearing Price applicable to an offer that clears in the Forward Capacity Auction continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, for up to four additional and consecutive Capacity Commitment Periods, in whole Capacity Commitment Period increments only, as described in Section III.13.1.1.2.2.4.

##### **III.13.1.1.1. Definition of New Generating Capacity Resource.**

A resource or a portion of a resource that is not a New Import Capacity Resource or Existing Import Capacity Resource (as defined in Section III.13.1.3), or a New Demand Resource or Existing Demand Resource (as discussed in Section III.13.1.4) shall be considered a New Generating Capacity Resource for

participation in a Forward Capacity Auction if either: (i) the resource has never previously been counted as a capacity resource as described in Section III.13.1.1.1.1; or (ii) the resource, or a portion thereof, meets one of the criteria in Section III.13.1.1.1.2.

**III.13.1.1.1.1. Resources Never Previously Counted as Capacity.**

(a) A resource, or a portion thereof, will be considered to have never been counted as a capacity resource if: (i) it never previously received any payment as a capacity resource (including any payment as an ICAP Resource pursuant to the market rules in effect prior to December 1, 2006 or any ICAP Payment during the ICAP Transition Period pursuant to the market rules in effect from December 1, 2006 through June 1, 2010, except any such payment that is received after the resource has cleared as a New Generating Capacity Resource in a Forward Capacity Auction); and (ii) it has not cleared in any previous Forward Capacity Auction.

(b) For the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2010, any resource that is not expected, as determined by the ISO, to begin Commercial Operation by February 1, 2009 shall be treated as a New Generating Capacity Resource, unless the resource is required pursuant to contract to be treated as an Existing Generating Capacity Resource or the resource elects to be treated as an Existing Generating Capacity Resource in the New Capacity Qualification Package. If such a resource is required pursuant to contract or elects to be treated as an Existing Generating Capacity Resource:

(i) the resource must satisfy all of the qualification process requirements applicable to a New Generating Capacity Resource as described in Section III.13.1.1.2 (including the Qualified Capacity determination pursuant to Section III.13.1.1.2.5), except that the resource may not elect, if its offer clears in the Forward Capacity Auction, to have the associated Capacity Supply Obligation and Capacity Clearing Price continue to apply after the first Capacity Commitment Period; and

(ii) the resource shall be entered into the Forward Capacity Auction in the same manner as an Existing Generating Capacity Resource that did not submit a Static De-List Bid, a Permanent De-List Bid, an Export Bid, or an Administrative Export De-List Bid, as described in Section III.13.2.3.2(c).



(c) Where a New Capacity Generating Resource was accepted for participation in the qualification process for a previous Forward Capacity Auction, but cleared less than its summer Qualified Capacity in that previous Forward Capacity Auction and is having its critical path schedule monitored by the ISO in accordance with Section III.13.3, the portion of the resource that did not clear in the previous Forward Capacity Auction shall be a New Generating Capacity Resource in the subsequent Forward Capacity Auction. Such a New Generating Capacity Resource must satisfy all of the qualification process requirements applicable to a New Generating Capacity Resource as described in Section III.13.1.1.2, except that the Project Sponsor is not required to resubmit documentation demonstrating site control (Section III.13.1.1.2.2.1) or to resubmit a critical path schedule (Section III.13.1.1.2.2.2) or to provide a new Qualification Process Cost Reimbursement Deposit (Section III.13.1.1.2.1(e)).

#### **III.13.1.1.2. Resources Previously Counted as Capacity.**

A resource that has previously been counted as a capacity resource, including a deactivated or retired capacity resource, may elect to participate in the Forward Capacity Auction as a New Generating Capacity Resource, as described in this Section III.13.1.1.2. The incremental expenditure required to reactivate a resource that previously has been deactivated or retired pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions) may be included in the calculation of the dollar per kilowatt thresholds in this Section III.13.1.1.2. A resource accepted for participation in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to this Section III.13.1.1.2 shall participate in the Forward Capacity Auction pursuant to Section III.13.2.3.2(e). A resource shall be accepted for participation as a new resource if it complies with one of the following three subsections:

(a) Where investment in the resource will result, by the commencement of the Capacity Commitment Period, in an increase in output by an amount exceeding the greater of: (i) 20 percent of the summer Qualified Capacity of the resource at the time of the qualification process for the Forward Capacity Auction; or (ii) 40 MW above the summer Qualified Capacity of the resource at the time of the qualification process for the Forward Capacity Auction, the whole resource shall participate in the Forward Capacity Auction as a New Generating Capacity Resource; or

(b) Where investment in the resource subsequent to January 1, 2007 and prior to the conclusion of the first Capacity Commitment Period associated with the Capacity Supply Obligation for which treatment as a new resource may be applied, for the purposes of re-powering will be equal to or greater than \$200 per kilowatt of the whole resource's summer Qualified Capacity after re-powering, the owner

of the resource may elect that the whole resource participate in the Forward Capacity Auction as a New Generating Capacity Resource. The \$200 threshold (in base year 2008 dollars) shall be adjusted annually in accordance with the most recent Handy-Whitman Index of Public Utility Construction Costs; or

(c) Where investment in the resource subsequent to January 1, 2007 and prior to the conclusion of the first Capacity Commitment Period associated with the Capacity Supply Obligation for which treatment as a new resource may be applied, for the purpose of compliance with environmental regulations or permits will be equal to or greater than \$100 per kilowatt of the whole resource's summer Qualified Capacity after the investment, the owner of the resource may elect that the whole resource participate in the Forward Capacity Auction as a New Generating Capacity Resource. The \$100 threshold (in base year 2008 dollars) shall be adjusted annually in accordance with the most recent Handy-Whitman Index of Public Utility Construction Costs.

#### **III.13.1.1.1.3. Incremental Capacity of Resources Previously Counted as Capacity.**

The owner of a resource previously counted as a capacity resource may elect to have the incremental amount of capacity above the summer Qualified Capacity of the resource at the time of the qualification process participate in the Forward Capacity Auction as a New Generating Capacity Resource, where investment in the resource:

(a) will result, by the start of the Capacity Commitment Period, in an increase in output greater than 2 percent of the summer Qualified Capacity of the resource at the time of the qualification process for the Forward Capacity Auction, but less than or equal to the greater of: (i) 20 percent of the summer Qualified Capacity of the resource at the time of the qualification process for the Forward Capacity Auction; or (ii) 40 MW; and

(b) will be equal to or greater than \$200 per kilowatt of the amount of the increase in summer Qualified Capacity resulting from the investment. The \$200 threshold (in base year 2008 dollars) shall be adjusted annually in accordance with the most recent Handy-Whitman Index of Public Utility Construction Costs. These investment costs may include the costs associated with reactivating a resource that was previously deactivated pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions) and in which investment in the resource was undertaken prior to reactivation. If the incremental amount of capacity seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to this Section does not cause the resource to exceed the megawatt amount approved in the resource's Interconnection Agreement, the Project Sponsor must submit a New Capacity Qualification Package but is not required to submit a New Capacity Show of

Interest Form for the incremental amount by the New Capacity Qualification Deadline. If the incremental amount of capacity seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to this Section III.13.1.1.3 causes the resource to exceed the megawatt amount approved in the resource's Interconnection Agreement or MW amount approved pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions), the Project Sponsor must submit a New Capacity Show of Interest Form pursuant to Section III.13.1.1.2.1 and a New Capacity Qualification Package pursuant to Section III.13.1.1.2 for the incremental amount.

**III.13.1.1.1.4. De-rated Capacity of Resources Previously Counted as Capacity.**

For purposes of the Forward Capacity Market, de-rated capacity of a resource shall be measured by the difference between the summer Qualified Capacity prior to the de-rating of the resource and the most recent summer demonstration of Seasonal Claimed Capability of a resource, as of the fifth Business Day of October. The owner of a resource previously counted as a capacity resource that has been de-rated by at least 2 percent of its summer Qualified Capacity (as an Existing Generating Capacity Resource) but by no more than the lesser of 20 percent of its summer Qualified Capacity (as an Existing Generating Capacity Resource) or 40 MW for three or more years at the time of the Forward Capacity Auction may elect to have the incremental amount of capacity above the capacity level established while de-rated treated as a New Generating Capacity Resource if it demonstrates that it will be reestablished prior to the start of the Capacity Commitment Period and that the investment in the resource for such purposes shall be equal to or greater than \$200 per kilowatt of the amount of the increase in summer Qualified Capacity resulting from the investment. The Project Sponsor must submit a New Capacity Show of Interest Form pursuant to Section III.13.1.1.2.1 and a New Capacity Qualification Package pursuant to Section III.13.1.1.2.2 for the incremental amount of capacity for the relevant Forward Capacity Auction. The \$200 threshold (in base year 2008 dollars) shall be adjusted annually in accordance with the most recent Handy-Whitman Index of Public Utility Construction Costs. The owner of a resource seeking to have the incremental amount of capacity counted as a New Generating Capacity Resource as provided in this Section, must demonstrate based on historical data that the resource previously operated at a level at least 2 percent above the de-rated amount.

**III.13.1.1.1.5. Treatment of Resources that are Partially New and Partially Existing.**

For purposes of this Section III.13.1, where only a portion of a single resource is treated as a New Generating Capacity Resource, either as a result of partial clearing in a previous Forward Capacity Auction or pursuant to Section III.13.1.1.1.3 or Section III.13.1.1.1.4, then except as otherwise indicated

in this Section III.13.1, that portion of the resource shall be treated as a New Generating Capacity Resource, and the remainder of the resource shall be treated as an Existing Generating Capacity Resource.

**III.13.1.1.1.6. Treatment of Deactivated and Retired Units.**

(a) This Section III.13.1.1.1.6(a) shall only apply for the second Forward Capacity Auction. Except as described in Section III.13.1.1.1.6(b) below, a resource that certifies in writing to the ISO no later than 45 days prior to the start of the second Forward Capacity Auction that the resource will be retired as of the start of the second Capacity Commitment Period will not be included in the second Forward Capacity Auction or any future Forward Capacity Auction. The reliability review for this certification will be performed pursuant to the reliability review criteria set out in Section II.13.2.5.2.5 and the reliability review must be concluded prior to the submission of the certification.

The certification must indicate the date on which the resource will be retired. The certification to retire will be binding on the resource and the generator interconnection rights for the resource will terminate as of the date the resource is retired or the start of the second Capacity Commitment Period, whichever is earlier. Only resources that do not have a Capacity Supply Obligation for any Capacity Commitment Period or portion thereof may retire pursuant to this section. Unless taking the steps to certify retirement as outlined above, resources that are deactivated after the Existing Capacity Qualification Deadline must participate in that Forward Capacity Auction.

(b) A resource that previously has been deactivated or retired pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions), as applicable, that submits to the ISO a reactivation plan demonstrating that the resource shall return to Commercial Operation shall, subject to ISO review and acceptance of that reactivation plan, be treated as an Existing Generating Capacity Resource unless that resource satisfies the criteria under Section III.13.1.1.1.2 as a New Generating Capacity Resource. Such reactivation plans must be received by the ISO no later than 10 Business Days before the Existing Capacity Qualification Deadline. A resource that previously has been deactivated or retired pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions), as applicable, that submits to the ISO a reactivation plan demonstrating that the resource shall return to Commercial Operation and having a material modification as described in Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions), as applicable, shall be subject to Section III.13.1.1.2.3 (Initial Interconnection Analysis).

**III.13.1.1.2. Qualification Process for New Generating Capacity Resources.**

For a resource to qualify as a New Generating Capacity Resource, the resource's Project Sponsor must make two separate submissions to the ISO: First, the Project Sponsor must submit a New Capacity Show of Interest Form during the New Capacity Show of Interest Submission Window. Second, the Project Sponsor must submit a New Capacity Qualification Package no later than the New Capacity Qualification Deadline. Each of these submissions is described in more detail in this Section III.13.1.1.2. The Project Sponsor must also submit to the ISO an Interconnection Request under Schedules 22 and 23 of Section II of the Transmission, Markets and Services Tariff prior to submitting a New Capacity Show of Interest Form during the New Capacity Show of Interest Submission Window. Both the New Capacity Show of Interest Form and the New Capacity Qualification Package are required regardless of the status of the project under the generator interconnection procedures described in Schedules 22 and 23 of Section II of the Transmission, Markets and Services Tariff. Neither the New Capacity Show of Interest Form nor the New Capacity Qualification Package constitutes an Interconnection Request. A Project Sponsor may withdraw from the qualification process at any time prior to three Business Days before the submission of the financial assurance deposit pursuant to Section III.13.1.9.1 by providing written notification of such withdrawal to the ISO. Any withdrawal, whether pursuant to this provision or as determined by the ISO (for example as described in Section III.13.1.1.2.1 or Section III.13.1.9.3), shall be irrevocable. The Project Sponsor of a withdrawn application is subject to reconciliation of its Qualification Process Cost Reimbursement Deposit described in Section III.13.1.9.3. Upon submission of the financial assurance deposit by the Project Sponsor pursuant to Section III.13.1.9.1, the resource is obligated to participate and will be included in the Forward Capacity Auction at its FCA Qualified Capacity amount at the Forward Capacity Auction Starting Price. None of the provisions of this Section III.13.1, including the initial interconnection analysis and the analysis of overlapping interconnection impacts, supersedes, replaces, or satisfies any of the requirements of Schedules 22 and 23 of Section II of the Transmission, Markets and Services Tariff, except as specifically provided thereunder. Determinations by the ISO pursuant to this Section III.13.1.1.2, including the initial interconnection analysis and the analysis of overlapping interconnection impacts, are for purposes of qualification for participation in the Forward Capacity Auction only, and do not constitute a right or approval to interconnect, and do not guarantee the ability to interconnect.

#### **III.13.1.1.2.1. New Capacity Show of Interest Form.**

Except as otherwise provided in this Section III.13.1.1.2.1, for each resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Generating Capacity Resource, the Project Sponsor must submit to the ISO a New Capacity Show of Interest Form as described in this Section III.13.1.1.2.1 during the New Capacity Show of Interest Submission Window. After submission of a New Capacity

Show of Interest Form, material changes (as defined in Section 4.4 of Schedule 22 and Section 1.5 of Schedule 23 of Section II of the Transmission, Markets and Services Tariff) may not be made to the information contained therein. The New Capacity Show of Interest Form is available on the ISO website. A New Capacity Show of Interest Form to which a material change has been made shall be considered withdrawn. No change that may result in a reduction in capacity may be made to a project described in a New Capacity Show of Interest Form or New Capacity Qualification Package between the date that is 150 days before the start of the Forward Capacity Auction and the deadline for qualification determination notifications described in Section III.13.1.1.2.8.

(a) A completed New Capacity Show of Interest Form shall include the following information, to the extent the information is not already provided under an active Interconnection Request under Schedules 22 and 23 of Section II of the Transmission, Markets and Services Tariff, and other such information necessary to evaluate a project: the project name; the Project Sponsor's contact information; the Project Sponsor's ISO customer status; the project's expected Commercial Operation date; the project address or location, and if relevant, asset identification number; the status of the project under the generator interconnection procedures described in Schedules 22 and 23 of Section II of the Transmission, Markets and Services Tariff; whether the resource has ever previously been listed as a capacity resource; the capacity (in MW) of the New Generating Capacity Resource; the Economic Minimum Limit (in MW) of the New Generating Capacity Resource; a general description of the project's equipment configuration; a simple location plan and a one-line diagram of the plant and station facilities, including any known transmission facilities; the location of the proposed interconnection; and other specific project data as set forth in the New Capacity Show of Interest Form. The ISO may waive the submission of any information not required for evaluation of a project. A completed New Capacity Show of Interest Form shall also specify the Queue Position associated with the project pursuant to Section 4.1 of Schedule 22 and Section 1.5 of Schedule 23 of Section II of the Transmission, Markets and Services Tariff. Submittal of the Interconnection Request may take place prior to the qualification process described here, but no later than the date on which the New Capacity Show of Interest Form is submitted to the ISO; however, the Interconnection Customer Interconnection Request must still be active and consistent with the project described in the New Capacity Show of Interest Form as well as the New Capacity Qualification Package to be submitted as described in Section III.13.1.1.2.2.

(b) For all Forward Capacity Auctions and reconfiguration auctions after the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2010, the Project Sponsor must submit with the New Capacity Show of Interest Form, documentation demonstrating that the Project Sponsor has

already achieved control of the project site for the duration of the relevant Capacity Commitment Period. Site control shall have the same meaning as set forth in Schedule 22 or Schedule 23, as applicable, of Section II of the Transmission, Markets and Services Tariff. A resource that has previously been counted as a capacity resource is not required to submit site control documentation.

(c) In the New Capacity Show of Interest Form, the Project Sponsor must indicate if the New Generating Capacity Resource is incremental capacity associated with a resource previously listed as a capacity resource, as discussed in Section III.13.1.1.1.3, or if the New Generating Capacity Resource is incremental capacity associated with a resource previously listed as a capacity resource that has been de-rated for three or more years at the time of the Forward Capacity Auction, as discussed in Section III.13.1.1.1.4.

(d) For the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2010, any resource that the ISO determines will not achieve Commercial Operation by February 1, 2009 shall be treated as a New Generating Capacity Resource, unless the Project Sponsor indicates in the New Capacity Show of Interest Form that the resource is required pursuant to contract to be treated as an Existing Generating Capacity Resource or that the resource elects to be treated as an Existing Generating Capacity Resource. If the Project Sponsor indicates in the New Capacity Show of Interest Form that the resource is required pursuant to contract to be treated as an Existing Generating Capacity Resource or that the resource elects to be treated as an Existing Generating Capacity Resource, the provisions of Section III.13.1.1.1(b) shall apply. A New Generating Capacity Resource that has achieved Commercial Operation by March 1, 2007 shall be treated as an Existing Generating Capacity Resource in the first Forward Capacity Auction. A New Generating Capacity Resource that achieves Commercial Operation subsequent to March 1, 2007 and before February 1, 2008 that submits a New Capacity Show of Interest Form and a New Capacity Qualification Package indicating a projected Commercial Operation date prior to February 1, 2009, shall be treated as an Existing Generating Capacity Resource in the first Forward Capacity Auction. A New Generating Capacity Resource that achieves Commercial Operation subsequent to March 1, 2007 and before February 1, 2008 that does not submit a New Capacity Show of Interest Form and a New Capacity Qualification Package shall not be included in the first Forward Capacity Auction and shall not be eligible to participate in the first Forward Capacity Auction and must clear in a reconfiguration auction or enter into a Capacity Supply Obligation Bilateral to receive capacity payments in the first Capacity Commitment Period. Such resource shall be treated as an Existing Generating Capacity Resource in the second Forward Capacity Auction. A resource shall clear in the Forward Capacity Auction, pursuant to Section III.13.2, if: (i) existing treatment was requested by a Project

Sponsor, (ii) it did not submit a de-list bid or change the indication from existing to new before the New Capacity Qualification Deadline, and (iii) it is expected to be commercial, subject to ISO review, by the Capacity Commitment Period

(e) With the New Capacity Show of Interest Form, the Project Sponsor must submit the Qualification Process Cost Reimbursement Deposit, as described in Section III.13.1.9.3.

#### **III.13.1.1.2.2. New Capacity Qualification Package.**

For each resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Generating Capacity Resource, the Project Sponsor must submit a New Capacity Qualification Package no later than the New Capacity Qualification Deadline, described in Section III.13.1.10. Except as otherwise provided in this Section III.13.1, the New Capacity Qualification Package shall conform to the requirements of this Section III.13.1.1.2.2. The ISO may waive the submission of any information not required for evaluation of a project. No change that may result in a reduction in capacity may be made to a project described in a New Capacity Show of Interest Form or New Capacity Qualification Package between the date that is 150 days before the start of the Forward Capacity Auction and the deadline for qualification determination notifications described in Section III.13.1.1.2.8.

#### **III.13.1.1.2.2.1. Site Control.**

For the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2010, the Project Sponsor must submit, as part of the New Capacity Qualification Package, documentation demonstrating that the Project Sponsor has already achieved control of the project site for the duration of the relevant Capacity Commitment Period. For all Forward Capacity Auctions and reconfiguration auctions after the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2010, the Project Sponsor must submit, with the New Capacity Show of Interest Form, documentation demonstrating that the Project Sponsor has already achieved control of the project site for the duration of the relevant Capacity Commitment Period. Site control shall mean that: (i) the Project Sponsor is the owner in fee simple of the real property on which the project will be located; (ii) the Project Sponsor holds a valid written leasehold interest in the real property on which the project will be located; (iii) the Project Sponsor holds a valid written option, exercisable solely by the Project Sponsor or its assignee, to purchase or lease property on which the project will be located; or (iv) the Project Sponsor holds a duly executed written contract to purchase or lease the real property on which the project will be located. A resource that has previously been counted as a capacity resource is not required to submit site control documentation.



#### **III.13.1.1.2.2. Critical Path Schedule.**

In the New Capacity Qualification Package, the Project Sponsor must provide a critical path schedule for the project with sufficient detail to allow the ISO to evaluate the feasibility of the project being built and the feasibility that the project will meet the requirement that the project achieve Commercial Operation as qualified no later than the start of the relevant Capacity Commitment Period and at least 12 months after the date of the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2010. The critical path schedule shall include, at a minimum, the dates on which the following milestones have or are expected to occur:

- (a) **Major Permits.** In the New Capacity Qualification Package, the Project Sponsor must list all major permits required for the project, and for each major permit, the Project Sponsor must list the agency requiring the permit, the date on which application for the permit is expected to be made, and the expected date of approval. Major permits shall include, but are not limited to: (i) all federal and state permits; and (ii) local, regional, and town permits. The permitting and installation process associated with any major ancillary infrastructure (such as new gas pipelines, new water supply systems, or large storage tanks) should be included in this portion of the New Capacity Qualification Package.
- (b) **Project Financing Closing.** In the New Capacity Qualification Package, the Project Sponsor shall provide (i) the estimated dollar amount of required project financing; (ii) the expected sources of that financing; and (iii) the expected closing date(s) for the project financing.
- (c) **Major Equipment Orders.** In the New Capacity Qualification Package, the Project Sponsor must provide a list of all of the major components necessary for the project, and the date or dates on which all major components necessary for the project have been or are expected to be ordered. Although the specific technology will determine the list of major components to be included, the list shall include, to the extent applicable: (i) electric generators which may include equipment such as fuel cells or solar photovoltaic equipment; (ii) turbines; (iii) step-up transformers; (iv) relay panels (v) distributed control systems; and (vi) any other single piece of equipment or system such as a cooling water system, steam generation, steam handling system, water treatment system, fuel handling system or emissions control system that is not included as a sub-component of other equipment listed in this Section III.13.1.1.2.2.2(d) and that accounts for more than five percent of the total project cost.

(d) **Substantial Site Construction.** In the New Capacity Qualification Package, the Project Sponsor must provide the approximate date on which the amount of money expended on construction activities occurring on the project site is expected to exceed 20 percent of construction financing costs.

(e) **Major Equipment Delivery.** In the New Capacity Qualification Package, the Project Sponsor must provide the dates on which the major equipment described in subsection (d) above has been or is scheduled to be delivered to the project site.

(f) **Major Equipment Testing.** In the New Capacity Qualification Package, the Project Sponsor must provide the date or dates on which each piece of major equipment described in subsection (d) above is scheduled to undergo testing, including major systems testing, as appropriate for the specific technology to establish its suitability to allow, in conjunction with other major equipment, subsequent Commercial Operation of the project in accordance with the design capacity of the resource and in accordance with Good Utility Practice. The test(s) shall include those conducted at the point at which the operation of the major equipment will be determined to be in compliance with the requirements of the engineering or purchase specifications.

(g) **Commissioning.** In the New Capacity Qualification Package, the Project Sponsor must provide the date on which the project is expected to have demonstrated the level of performance specified in the New Capacity Show of Interest Form and in the New Capacity Qualification Package.

(h) **Commercial Operation.** In the New Capacity Qualification Package, the Project Sponsor must provide the date by which the project is expected to achieve Commercial Operation. This date must be no later than the start of the Capacity Commitment Period associated with the Forward Capacity Auction.

#### **III.13.1.1.2.2.3. Offer Information.**

(a) All New Generating Capacity Resources that might submit offers in the Forward Capacity Auction at prices below 0.75 times the Cost of New Entry (“CONE”) must have included such offers in the New Capacity Qualification Package in the form of a supply curve (up to five price-quantity pairs) for all prices below 0.75 times CONE. The supply curve may in no case increase the quantity offered as the price decreases. Offers from New Generating Capacity Resources below 0.75 times CONE are subject to review by the Internal Market Monitor pursuant to Section III.13.1.1.2.6 and must include the additional documentation described in that Section. During the Forward Capacity Auction, at each price below 0.75 times CONE, a New Generating Capacity Resource may not offer more capacity than submitted in its

New Capacity Qualification Package at that price. Any offer below 0.75 times CONE from a New Generating Capacity Resource that was not submitted in the New Capacity Qualification Package will be removed from the Forward Capacity Auction. A New Generating Capacity Resource may not change offers below 0.75 times CONE or supporting documentation after the New Capacity Qualification Deadline.

(b) The Project Sponsor for a New Generating Capacity Resource must indicate in the New Capacity Qualification Package if an offer from the New Generating Capacity Resource may be rationed. A Project Sponsor may specify a single MW quantity at or above the Economic Minimum Limit to which offers may be rationed. Without such indication, offers will only be accepted or rejected in whole. This rationing election shall apply for the entire Forward Capacity Auction.

(c) By submitting a New Capacity Qualification Package, the Project Sponsor certifies that an offer from the New Generating Capacity Resource will not include any anticipated revenues the resource is expected to receive for its capacity cost as a Qualified Generator Reactive Resource pursuant to Schedule 2 the OATT.

#### **III.13.1.1.2.2.4. Capacity Commitment Period Election.**

In the New Capacity Qualification Package, the Project Sponsor must specify whether, if its New Capacity Offer clears in the Forward Capacity Auction, the associated Capacity Supply Obligation and Capacity Clearing Price (indexed for inflation) shall continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, for up to four additional and consecutive Capacity Commitment Periods, in whole Capacity Commitment Period increments only. If no such election is made in the New Capacity Qualification Package, the Capacity Supply Obligation and Capacity Clearing Price associated with the New Capacity Offer shall apply only for the Capacity Commitment Period associated with the Forward Capacity Auction in which the New Capacity Offer clears. If a New Capacity Offer clears in the Forward Capacity Auction, the capacity associated with the resulting Capacity Supply Obligation may not be subject to any type of de-list or export bid in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply pursuant to this Section III.13.1.1.2.2.4.

#### **III.13.1.1.2.2.5. Additional Requirements for Resources Previously Listed As Capacity.**

In addition to the information described elsewhere in this Section III.13.1.1.2.2:

(a) For each resource seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.2 (re-powering), Section III.13.1.1.1.3 (incremental capacity), or Section III.13.1.1.1.4 (de-rated capacity), the Project Sponsor must include in the New Capacity Qualification Package documentation of the costs associated with the project in sufficient detail to allow the ISO to determine that the relevant cost threshold (described in Sections III.13.1.1.1.2(b), III.13.1.1.1.3(b), and III.13.1.1.1.4) will be met.

(b) For each resource seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.2(c) (environmental compliance), the Project Sponsor must include in the New Capacity Qualification Package: (i) a detailed description of the specific regulations that it is seeking to comply with and the permits that it must obtain; and (ii) documentation of the costs associated with the project in sufficient detail to allow the ISO to determine that the relevant cost threshold (described in Section III.13.1.1.1.2(c)) will be met.

(c) For each resource seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Sections III.13.1.1.1.2, III.13.1.1.1.3, or III.13.1.1.1.4, the Project Sponsor must include in the New Capacity Qualification Package detailed information showing how and when the resource will shed its Capacity Supply Obligation to accommodate necessary work on the facility, if necessary. The Project Sponsor must also include the shedding of its Capacity Supply Obligation as an additional milestone in the critical path schedule described in Section III.13.1.1.2.2.2.

**III.13.1.1.2.2.6. Additional Requirements for New Generating Capacity Resources that are Intermittent Power Resources and Intermittent Settlement Only Resources.**

In addition to the information described elsewhere in this Section III.13.1.1.2.2, for each Intermittent Power Resource and Intermittent Settlement Only Resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Generating Capacity Resource, the Project Sponsor must include in the New Capacity Qualification Package:

(a) a claimed summer Qualified Capacity and a claimed winter Qualified Capacity based on the data described in Section III.13.1.1.2.2.6(b);

(b) measured and recorded site-specific summer and winter data relevant to the expected performance of the Intermittent Power Resource and Intermittent Settlement Only Resource (including

wind speed data for wind resources, water flow data for run-of-river hydropower resources, and irradiance data for solar resources) that, with the other information provided in the New Capacity Qualification Package, will enable the ISO to confirm the summer and winter Qualified Capacity that the Project Sponsor claims for the Intermittent Power Resource or the Intermittent Settlement Only Resource.

#### **III.13.1.1.2.3. Initial Interconnection Analysis.**

(a) For each New Generating Capacity Resource, the ISO shall perform an initial interconnection analysis, including an analysis of overlapping interconnection impacts, based on the information provided in the New Capacity Show of Interest Form and shall determine the amount of capacity that the resource could provide by the start of the associated Capacity Commitment Period. The initial interconnection analysis shall be performed consistent with the criteria and conditions described in ISO New England Planning Procedures, and will include, but will not be limited to, a power flow analysis and a short circuit analysis. No initial interconnection analysis is required where the total requested Qualified Capacity of a New Generating Capacity Resource pursuant to Sections III.13.1.1.2, III.13.1.1.3, III.13.1.1.4, or III.13.1.1.6 can be realized without a material change (as defined in Section 4.4 of Schedule 22 and Section 1.5 of Schedule 23 of Section II of the Transmission, Markets and Services Tariff). The ISO will perform the initial interconnection analysis in the form of a group study that will include all the projects that have submitted a New Capacity Show of Interest Form to participate in the same Capacity Commitment Period (as described in Section 4.1 of Schedule 22 and Section 1.5 of Schedule 23 of Section II of the Transmission, Markets and Services Tariff). Participation in an initial interconnection analysis is a requirement for obtaining Capacity Network Resource Interconnection Service in a manner that meets the Capacity Capability Interconnection Standard in accordance with the provisions in Schedules 22 and 23 of Section II of the Transmission, Markets and Services Tariff.

(b) If as a result of the initial interconnection analysis, the ISO determines that the interconnection facilities and upgrades identified in the qualification process that are necessary to enable the New Generating Capacity Resource to provide the entire amount of capacity indicated in the New Capacity Show of Interest Form can not be implemented before the start of the Capacity Commitment Period, the New Generating Capacity Resource's Qualified Capacity values may be adjusted accordingly, as described in Section III.13.1.1.2.5.

(c) If as a result of the initial interconnection analysis, the ISO determines that the interconnection facilities and upgrades identified in the qualification process that are necessary to enable the New Generating Capacity Resource to provide capacity indicated in the New Capacity Show of Interest Form

can not be implemented before the start of the Capacity Commitment Period and the New Generating Capacity Resource can not provide any capacity without those facilities and upgrades, the resource shall not be accepted for participation in the Forward Capacity Auction. In this case, the ISO will provide an explanation of its determination in the qualification determination notification, discussed in Section III.13.1.1.2.8.

(d) If as a result of the initial interconnection analysis, the ISO determines that the New Generating Capacity Resource can provide all or some of the capacity indicated in the New Capacity Show of Interest Form by the start of the Capacity Commitment Period, and if the New Generating Capacity Resource is accepted for participation in the Forward Capacity Auction in accordance with the other provisions and requirements of this Section III.13.1, then in the qualification determination notification, discussed in Section III.13.1.1.2.8, the ISO, after consultation with the applicable Transmission Owner(s) as appropriate, shall include a list of the facilities that may be required to complete the interconnection and time required to construct those facilities by the start of the associated Capacity Commitment Period.

(e) Where, as a result of the initial interconnection analysis, the ISO concludes, after consultation with the Project Sponsor and the applicable Transmission Owner(s), as appropriate, that the capacity indicated in the New Capacity Show of Interest Form can not be interconnected by the commencement of the Capacity Commitment Period, the Forward Capacity Market qualification process for that resource shall be terminated and the ISO will notify the Project Sponsor of such termination.

(f) Where, as a result of the initial interconnection analysis, the ISO determines that because of overlapping interconnection impacts, New Generating Capacity Resources that are otherwise accepted for participation in the Forward Capacity Auction in accordance with the other provisions and requirements of this Section III.13.1 cannot provide the full amount of capacity that they each would otherwise be able to provide (in the absence of the other relevant Existing Generating Capacity Resources and New Generating Capacity Resources seeking to qualify for the Forward Capacity Auction), those New Generating Capacity Resources will be accepted for participation in the Forward Capacity Auction on the basis of their Queue Position, as described in Schedules 22 and 23 of Section II of the Transmission, Markets and Services Tariff, with priority given to resources that entered the queue earlier. Resources with lower priority in the queue may be accepted partially. Starting with the fourth auction, a New Generating Capacity Resource that meets the requirements of this Section III.13.1, but that would not be accepted for participation in the Forward Capacity Auction as a result of overlapping interconnection impacts with another resource having a higher priority in the queue may be accepted for participation in

the Forward Capacity Auction as a Conditional Qualified New Generating Capacity Resource, as described in Section III.13.2.3.2(f), provided that the resource having a higher priority in the queue is not a resource offering capacity into the Forward Capacity Auction pursuant to Section III.13.2.3.2(e).

(g) New Generating Capacity Resources, or portions thereof, shall not be considered to have met their Capacity Supply Obligation for the purposes of this Forward Capacity Market and shall not receive compensation if any upgrades to be completed by the Project Sponsor required to remove overlapping interconnection impacts as identified in (f) have not been completed, including, any upgrades identified in a restudy pursuant to Section 3.2.1.3 of Schedule 22 and Section 1.7.1.3 of Schedule 23 of Section II of the Transmission, Markets and Services Tariff and, if necessary, requests for the interconnection of an Elective Transmission Upgrade, in time for the Capacity Commitment Period unless the Capacity Supply Obligation is appropriately covered.

#### **III.13.1.1.2.4. Evaluation of New Capacity Qualification Package.**

The ISO shall review a New Generating Capacity Resource's New Capacity Qualification Package consistent with the dates set forth in Section III.13.1.10, and shall determine whether the package is complete and whether, based on the information provided, the New Generating Capacity Resource is accepted for participation in the Forward Capacity Auction. In making these determinations, the ISO may consider, but is not limited to considering, the following:

- (a) whether the New Capacity Qualification Package contains all of the elements required by this Section III.13.1.1.2;
- (b) whether the critical path schedule includes all necessary elements and is sufficiently developed;
- (c) whether the milestones in the critical path schedule are reasonable and likely to be met;
- (d) whether, in the case of a resource previously listed as a capacity resource, the requirements for treatment as a New Generating Capacity Resource are satisfied; and
- (e) whether, in the case of an Intermittent Power Resource or Intermittent Settlement Only Resource, sufficient data for confirming the resource's claimed summer and winter Qualified Capacity is provided, and whether the data provided reasonably supports the claimed summer and winter Qualified Capacity.

#### **III.13.1.1.2.5. Qualified Capacity for New Generating Capacity Resources.**

**III.13.1.1.2.5.1. New Generating Capacity Resources Other Than Intermittent Power Resources and Intermittent Settlement Only Resources.**

The summer Qualified Capacity and winter Qualified Capacity of a New Generating Capacity Resource that is not an Intermittent Power Resource or an Intermittent Settlement Only Resource that has cleared in the Forward Capacity Auction shall be based on the data provided to the ISO during the qualification process, subject to ISO review and verification, and possibly as modified pursuant to Section III.13.1.1.2.3(b). The FCA Qualified Capacity for such a resource shall be the lesser of the resource's summer Qualified Capacity and winter Qualified Capacity, as adjusted to account for applicable offers composed of separate resources.

**III.13.1.1.2.5.2. [Reserved]**

**III.13.1.1.2.5.3. New Generating Capacity Resources that are Intermittent Power Resources and Intermittent Settlement Only Resources.**

The summer Qualified Capacity and winter Qualified Capacity of a New Generating Capacity Resource that is an Intermittent Power Resource or an Intermittent Settlement Only Resource shall be the summer Qualified Capacity and winter Qualified Capacity claimed by the Project Sponsor pursuant to Section III.13.1.1.2.2.6, as confirmed by the ISO pursuant to Section III.13.1.1.2.4(e). The FCA Qualified Capacity for such a resource shall be equal to the resource's summer Qualified Capacity, as adjusted to account for applicable offers composed of separate resources.

**III.13.1.1.2.5.4. New Generating Capacity Resources Partially Clearing in a Previous Forward Capacity Auction.**

Where, as discussed in Section III.13.1.1.1(c), a New Generating Capacity Resource was accepted for participation in a previous Forward Capacity Auction, but cleared less than its summer or winter Qualified Capacity in that previous Forward Capacity Auction and is having its critical path schedule monitored by the ISO as described in Section III.13.3, its summer and winter Qualified Capacity as a New Generating Capacity Resource in the instant Forward Capacity Auction shall be the summer and winter Qualified Capacity from the previous Forward Capacity Auction minus the amount of capacity clearing from the New Generating Capacity Resource in the previous Forward Capacity Auction. The FCA Qualified Capacity for such a resource shall be the lesser of the resource's summer Qualified Capacity and winter Qualified Capacity, as adjusted to account for applicable offers composed of separate resources. The amount of capacity clearing in a Forward Capacity Auction from a New Generating



Capacity Resource shall be treated as an Existing Generating Capacity Resource in subsequent Forward Capacity Auctions.

**III.13.1.1.2.6. Review by Internal Market Monitor of Offers from New Generating Capacity Resources Below 0.75 Times CONE.**

The Internal Market Monitor shall review each offer from New Generating Capacity Resources below 0.75 times CONE. The Internal Market Monitor shall determine whether the offer is consistent with the long run average costs of that resource net of expected net revenues other than capacity revenues. The Internal Market Monitor will consider reductions in costs such as reduced taxes in determining expected net revenues. Expected net revenues considered in this determination shall only include net revenues that are: (i) tradeable throughout the New England Control Area or not restricted to resources within a particular state or other geographic sub-region; and (ii) available to all resources of the same physical type within the New England Control Area, regardless of the resource owner. Expected net revenues shall include economic development incentives that are offered broadly by state or local government and that are not expressly intended to reduce prices in the Forward Capacity Market. In estimating expected net revenue from other markets, the Internal Market Monitor shall consider whether any contract revenues relied on by the New Generating Capacity Resource reasonably represent the market price for the non-capacity products or services provided. If the Internal Market Monitor determines that the offer is not consistent with the long run average costs net of expected net revenues other than capacity revenues, as described above, then the amount of capacity clearing from that offer shall be considered Out-of-Market Capacity for purposes of determining the applicability of the Alternative Capacity Price Rule, as discussed in Section III.13.2.7.8. Sufficient documentation and information must be included in the resource's qualification package to allow the Internal Market Monitor to make such a determination. Such documentation should include all relevant financial estimates and cost projections for the project, including the project's pro-forma financing support data.

**III.13.1.1.2.7. Opportunity to Consult with Project Sponsor.**

In its review of a New Capacity Show of Interest Form or a New Capacity Qualification Package, the ISO may consult with the Project Sponsor to seek clarification, to gather additional necessary information, or to address questions or concerns arising from the materials submitted. At the discretion of the ISO, the ISO may consider revisions or additions to the qualification materials resulting from such consultation; provided, however, that in no case shall the ISO consider revisions or additions to the qualification materials if the ISO believes that such consideration cannot be properly accomplished within the time periods established for the qualification process. In addition, the ISO or the Project Sponsor may confer

to seek clarification, to gather additional necessary information, or to address questions or concerns prior to the ISO's final determination and notification of qualification.

**III.13.1.1.2.8. Qualification Determination Notification for New Generating Capacity Resources.**

No later than 127 days before the Forward Capacity Auction, the ISO shall send notification to Project Sponsors or Market Participants, as applicable, for each New Generating Capacity Resource indicating:

- (a) whether the New Generating Capacity Resource has been accepted for participation in the Forward Capacity Auction as a result of the initial interconnection analysis made pursuant to Section III.13.1.1.2.3, and if not accepted, an explanation of the reasons the New Generating Capacity Resource was not accepted in the initial interconnection analysis;
- (b) whether the New Generating Capacity Resource has been accepted for participation in the Forward Capacity Auction as a result of the New Capacity Qualification Package evaluation made pursuant to Section III.13.1.1.2.4, and if not accepted, an explanation of the reasons the New Generating Capacity Resource's New Capacity Qualification Package was not accepted;
- (c) if accepted for participation in the Forward Capacity Auction, a list of the facilities that may be required to complete the interconnection for purposes of providing capacity and time required to construct those facilities by the start of the associated Capacity Commitment Period, as discussed in Section III.13.1.1.2.3(d);
- (d) if accepted for participation in the Forward Capacity Auction, the New Generating Capacity Resource's summer Qualified Capacity and winter Qualified Capacity, as determined pursuant to Section III.13.1.1.2.5;
- (e) if accepted for participation in the Forward Capacity Auction, but subject to the provisions of Section III.13.1.1.2.3(f) (where not all New Generating Capacity Resources can be interconnected due to their combined effects on the New England Transmission System), a description of how the New Generating Capacity Resource shall participate in the Forward Capacity Auction, including, for the fourth and future auctions: (i) whether the resource shall participate as a Conditional Qualified New Generating Capacity Resource; (ii) for the notification to a Conditional Qualified New Generating Capacity Resource, the Queue Position of the associated resource with higher queue priority; and (iii) for the

notification to a resource with higher queue priority than a Conditional Qualified New Generating Capacity Resource, the Queue Position of the Conditional Qualified New Generating Capacity Resource; and

(f) if accepted for participation in the Forward Capacity Auction and submitting an offer below 0.75 times CONE, the Internal Market Monitor's determination regarding whether the offer is consistent with the long run average costs of that New Generating Capacity Resource (absent contractual considerations).

### **III.13.1.2. Existing Generating Capacity Resources.**

An Existing Generating Capacity Resource, as defined in Section III.13.1.2.1, may participate in the Forward Capacity Auction pursuant to the provisions of this Section III.13.1.2.

#### **III.13.1.2.1. Definition of Existing Generating Capacity Resource.**

Any resource that does not satisfy the criteria for participating in the Forward Capacity Auction as a New Generating Capacity Resource (Section III.13.1.1), as an Existing Import Capacity Resource or New Import Capacity Resource (Section III.13.1.3), or as a New Demand Resource or Existing Demand Resource (Section III.13.1.4) shall be an Existing Generating Capacity Resource. For the Forward Capacity Auction to be conducted beginning in February 2008, any such resource that is under construction and the ISO expects to achieve Commercial Operation by February 1, 2009 shall be treated as an Existing Generating Capacity Resource and all such resources must submit a New Capacity Show of Interest Form and a New Capacity Qualification Package to confirm that the resources shall achieve Commercial Operation as described in Section III.13.1.1.2.

#### **III.13.1.2.2. Qualified Capacity for Existing Generating Capacity Resources.**

##### **III.13.1.2.2.1. Existing Generating Capacity Resources Other Than Intermittent Power Resources and Intermittent Settlement Only Resources.**

###### **III.13.1.2.2.1.1. Summer Qualified Capacity.**

The summer Qualified Capacity of an Existing Generating Capacity Resource that is not an Intermittent Power Resource or an Intermittent Settlement Only Resource shall be equal to the median of that Existing Generating Capacity Resource's summer Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day in October of each year, with only positive summer ratings included in the median calculation. For the first Forward Capacity Auction, the summer Qualified Capacity of an

Existing Generating Capacity Resource shall be equal to the median of that Existing Generating Capacity Resource's summer Seasonal Claimed Capability ratings from the most recent four years, as of the fifth Business Day in October of each year, with only positive summer ratings included in the median calculation. Where an Existing Generating Capacity Resource has fewer than five summer Seasonal Claimed Capability ratings, or in the case of the first Forward Capacity Auction, fewer than four summer Seasonal Claimed Capability ratings, then the summer Qualified Capacity for that Existing Generating Capacity Resource shall be equal to the median of all of that Existing Generating Capacity Resource's previous summer Seasonal Claimed Capability ratings, as of the fifth Business Day in October of each year, with only positive summer ratings included in the median calculation. If for an Existing Generating Capacity Resource there are no previous positive summer Seasonal Claimed Capability ratings because the Existing Generating Capacity Resource has not yet achieved Commercial Operation, then the Existing Generating Capacity Resource's summer Qualified Capacity shall be equal to the amount of capacity clearing from the resource as a New Generating Capacity Resource in previous Forward Capacity Auctions.

#### **III.13.1.2.2.1.2. Winter Qualified Capacity.**

The winter Qualified Capacity of an Existing Generating Capacity Resource that is not an Intermittent Power Resource or an Intermittent Settlement Only Resource shall be equal to the median of that Existing Generating Capacity Resource's winter Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day in June of each year, with only positive winter ratings included in the median calculation. For the first Forward Capacity Auction, the winter Qualified Capacity of an Existing Generating Capacity Resource shall be equal to the median of that Existing Generating Capacity Resource's winter Seasonal Claimed Capability ratings from the most recent four years, as of the fifth Business Day in June of each year, with only positive winter ratings included in the median calculation. Where an Existing Generating Capacity Resource has fewer than five winter Seasonal Claimed Capability ratings, or in the case of the first Forward Capacity Auction, fewer than four winter Seasonal Claimed Capability ratings, then the winter Qualified Capacity for that Existing Generating Capacity Resource shall be equal to the median of all of that Existing Generating Capacity Resource's previous winter Seasonal Claimed Capability ratings, as of the fifth Business Day in June of each year, with only positive winter ratings included in the median calculation. If for an Existing Generating Capacity Resource there are no previous positive winter Seasonal Claimed Capability ratings because the Existing Generating Capacity Resource has not yet achieved Commercial Operation, then the Existing Generating Capacity Resource's winter Qualified Capacity shall be equal to the amount of capacity clearing from the resource as a New Generating Capacity Resource in previous Forward Capacity Auctions.

**III.13.1.2.2.2. Existing Generating Capacity Resources that are Intermittent Power Resources and Intermittent Settlement Only Resources.**

Intermittent Power Resources and Intermittent Settlement Only Resources are defined as wind, solar, run of river hydro and other renewable resources that do not have control over their net power output. Wind and solar resources shall be qualified as Intermittent Power Resources or Intermittent Settlement Only Resources. The summer and winter Qualified Capacity for an Existing Generating Capacity Resource that is an Intermittent Power Resource or Intermittent Settlement Only Resource shall be calculated as follows:

**III.13.1.2.2.2.1. Summer Qualified Capacity for an Intermittent Power Resource and Intermittent Settlement Only Resource.**

(a) With regard to the first Forward Capacity Auction, for each of the previous four summer periods, the ISO shall determine the median of the Intermittent Power Resource's and Intermittent Settlement Only Resource's net output in the Summer Intermittent Reliability Hours. With regard to any Forward Capacity Auction after the initial Forward Capacity Auction, for each of the previous five summer periods, the ISO shall determine the median of the Intermittent Power Resource's and Intermittent Settlement Only Resource's net output in the Summer Intermittent Reliability Hours. If the Intermittent Power Resource or Intermittent Settlement Only Resource has not been in Commercial Operation for the requisite four or five full summer periods, the ISO shall determine the median of the Intermittent Power Resource's net output in each of the previous summer periods, or portion thereof if the Intermittent Power Resource or Intermittent Settlement Only Resource achieved Commercial Operation during a summer period. If the Intermittent Power Resource or Intermittent Settlement Only Resource began Commercial Operation after the 2006 summer period and prior to the first Forward Capacity Auction, its summer Qualified Capacity shall be established pursuant to Section III.13.1.1.2.2.6, as confirmed by the ISO pursuant to Section III.13.1.1.2.4(e).

(b) The Intermittent Power Resource's or Intermittent Settlement Only Resource's summer Qualified Capacity shall be the average of the median numbers determined in Section III.13.1.2.2.2.1(a).

(c) The Summer Intermittent Reliability Hours shall be hours ending 1400 through 1800 each day of the summer period (June through September) and, after June 1, 2010, hours ending 1400 through 1800 each day of the summer period (June through September) and all summer period hours in which the ISO has declared a system-wide Shortage Event and if the Intermittent Power Resource or Intermittent

Settlement Only Resource was in an import-constrained Capacity Zone, all Shortage Events in that Capacity Zone.

(d) If for an Existing Generating Capacity Resource that is an Intermittent Power Resource or an Intermittent Settlement Only Resource there are no previous positive summer Seasonal Claimed Capability ratings because the Existing Generating Capacity Resource has not yet achieved Commercial Operation, then the Existing Generating Capacity Resource's summer Qualified Capacity shall be equal to the amount of capacity clearing from the resource as a New Generating Capacity Resource in previous Forward Capacity Auctions.

**III.13.1.2.2.2.2. Winter Qualified Capacity for an Intermittent Power Resource and Intermittent Settlement Only Resources.**

(a) With regard to the first Forward Capacity Auction, for each of the previous four winter periods, the ISO shall determine the median of the Intermittent Power Resource's and Intermittent Settlement Only Resource's net output in the Winter Intermittent Reliability Hours. With regard to any Forward Capacity Auction after the initial Forward Capacity Auction, for each of the previous five winter periods, the ISO shall determine the median of the Intermittent Power Resource's and Intermittent Settlement Only Resource's net output in the Winter Intermittent Reliability Hours. If the Intermittent Power Resource or Intermittent Settlement Only Resource has not been in Commercial Operation for the requisite four or five full winter periods, the ISO shall determine the median of the Intermittent Power Resource's and Intermittent Settlement Only Resource's net output in each of the previous winter periods, or portion thereof if the Intermittent Power Resource or Intermittent Settlement Only Resource achieved Commercial Operation during a winter period.

(b) The Intermittent Power Resource's and Intermittent Settlement Only Resource's winter Qualified Capacity shall be the average of the median numbers determined in Section III.13.1.2.2.2.2(a).

(c) The Winter Intermittent Reliability Hours shall be hours ending 1800 and 1900 each day of the winter period (October through May) and, after June 1, 2010, hours ending 1800 and 1900 each day of the winter period (October through May) and all winter period hours in which the ISO has declared a system-wide Shortage Event and if the Intermittent Power Resource or Intermittent Settlement Only Resource was in an import-constrained Capacity Zone, all Shortage Events in that Capacity Zone.

(d) If for an Existing Generating Capacity Resource that is an Intermittent Power Resource or an Intermittent Settlement Only Resource there are no previous positive winter Seasonal Claimed Capability ratings because the Existing Generating Capacity Resource has not yet achieved Commercial Operation, then the Existing Generating Capacity Resource's winter Qualified Capacity shall be equal to the amount of capacity clearing from the resource as a New Generating Capacity Resource in previous Forward Capacity Auctions.

**III.13.1.2.2.3. Qualified Capacity Adjustment for Partially New and Partially Existing Resources.**

(a) Where an Existing Generating Capacity Resource is associated with a New Generating Capacity Resource that was accepted for participation in a previous Forward Capacity Auction qualification process and that cleared in a previous Forward Capacity Auction, then in each subsequent Forward Capacity Auction until the New Generating Capacity Resource achieves Commercial Operation the summer Qualified Capacity of that Existing Generating Capacity Resource shall be the sum of [the median of that Existing Generating Capacity Resource's positive summer Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day of October of each year, calculated in a manner consistent with Section III.13.1.2.2.1.1] plus [the amount of the New Generating Capacity Resource's capacity clearing in previous Forward Capacity Auctions]. After the New Generating Capacity Resource achieves Commercial Operation, the Existing Generating Capacity Resource's summer Qualified Capacity shall be calculated as described in Section III.13.1.2.2.1.1, except that no data from the time period prior to the New Generating Capacity Resource's Commercial Operation date shall be used to determine the summer Qualified Capacity associated with the Existing Generating Capacity Resource.

(b) Where an Existing Generating Capacity Resource is associated with a New Generating Capacity Resource that was accepted for participation in a previous Forward Capacity Auction qualification process and that cleared in a previous Forward Capacity Auction, then in each subsequent Forward Capacity Auction until the New Generating Capacity Resource achieves Commercial Operation the winter Qualified Capacity of that Existing Generating Capacity Resource shall be the sum of [the median of that Existing Generating Capacity Resource's positive winter Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day of June of each year, calculated in a manner consistent with Section III.13.1.2.2.1.2] plus [the amount of the New Generating Capacity Resource's capacity clearing in previous Forward Capacity Auctions]. After the New Generating Capacity Resource achieves Commercial Operation, the Existing Generating Capacity Resource's winter Qualified Capacity

shall be calculated as described in Section III.13.1.2.2.1.2, except that no data from the time period prior to the New Generating Capacity Resource's Commercial Operation date shall be used to determine the winter Qualified Capacity associated with the Existing Generating Capacity Resource.

**III.13.1.2.2.4. Adjustment for Significant Decreases in Capacity Prior to the Existing Capacity Qualification Deadline.**

Where the most recent summer Seasonal Claimed Capability, as of the fifth Business Day in October, of an Existing Generating Capacity Resource that is not a Settlement Only Resource, Intermittent Power Resource, or Intermittent Settlement Only Resource is below its summer Qualified Capacity, as determined pursuant to Section III.13.1.2.2.1.1, by more than the lesser of 20 percent of that summer Qualified Capacity or 40 MW, then the Lead Market Participant must elect one of the three treatments described in this Section III.13.1.2.2.4 by the Existing Capacity Qualification Deadline. If the Lead Market Participant makes no election, or elects treatment pursuant to Section III.13.1.2.2.4(b) or Section III.13.1.2.2.4(c) and fails to meet the associated requirements, then the treatment described in Section III.13.1.2.2.4(a) shall apply.

(a) A Lead Market Participant may elect, for the purposes of the Forward Capacity Auction only, to have the Existing Generating Capacity Resource's summer Qualified Capacity set to the most recent summer Seasonal Claimed Capability as of the fifth Business Day in October, provided that the Lead Market Participant has furnished evidence regarding the cause of the de-rating.

(b) A Lead Market Participant may elect: (i) to submit a Static De-List Bid or a Permanent De-List Bid for the difference between the summer Qualified Capacity calculated pursuant to Section III.13.1.2.2.1.1 and the most recent summer Seasonal Claimed Capability as of the fifth Business Day in October; and (ii) to have the Existing Generating Capacity Resource's summer Qualified Capacity remain as calculated pursuant to Section III.13.1.2.2.1.1 for the Forward Capacity Auction.

(c) A Lead Market Participant may elect: (i) to submit a critical path schedule as described in Section III.13.1.1.2.2.2, modified as appropriate, describing the measures that will be taken and showing that the Existing Generating Capacity Resource will be able to provide an amount of capacity consistent with the summer Qualified Capacity as calculated pursuant to Section by the start of the relevant Capacity Commitment Period; and (ii) to have the Existing Generating Capacity Resource's summer Qualified Capacity remain as calculated pursuant to Section for the Forward Capacity Auction. For an Existing



Generating Capacity Resource subject to this election, the critical path schedule monitoring provisions of Section III.13.3 shall apply.

**III.13.1.2.2.5. Adjustment for Certain Significant Increases in Capacity.**

Where an Existing Generating Capacity Resource that is not a Settlement Only Resource, meets the requirements of Section III.13.1.1.1.3(a) but not the requirements of Section III.13.1.1.1.3(b), the Lead Market Participant may elect to have the Existing Generating Capacity Resource's summer Qualified Capacity be the sum of [the median of that Existing Generating Capacity Resource's positive summer Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day in October of each year, calculated in a manner consistent with Section III.13.1.2.2.1.1] plus [the amount of incremental capacity as described in Section III.13.1.1.1.3(a)]; provided, however, that the Lead Market Participant must abide by all other provisions of this Section III.13 applicable to a resource that is a New Generating Capacity Resource pursuant to Section III.13.1.1.1.3. Such an election must be made in writing and must be received by the ISO no later than 10 Business Days before the Existing Capacity Qualification Deadline.

**III.13.1.2.2.5.1. Significant Increases in Capacity Completed Prior to the First Forward Capacity Auction.**

In the Existing Capacity Qualification Package, the Lead Market Participant may notify the ISO of significant increases in capacity that may not be reflected in the calculation of the Qualified Capacity. Upon verification, the ISO shall set the Qualified Capacity of that resource to the level reflecting such increase.

**III.13.1.2.2.5.2. Requirements for an Existing Generating Capacity Resource, Existing Demand Resource or Existing Import Capacity Resource Having a Higher Summer Qualified Capacity than Winter Qualified Capacity.**

Where an Existing Generating Capacity Resource, Existing Demand Resource, or Existing Import Capacity Resource (other than an Intermittent Power Resource or an Intermittent Settlement Only Resource) has a summer Qualified Capacity that exceeds, by the threshold specified below, its winter Qualified Capacity, both as calculated pursuant to this Section III.13.1.2.2, then that resource must either: (i) offer its summer Qualified Capacity as part of an offer composed of separate resources, as discussed in Section III.13.1.5; or (ii) submit a Static De-List Bid or a Permanent De-List Bid in an Existing Capacity Qualification Package for at least the difference between the summer Qualified Capacity and the winter Qualified Capacity, at the Forward Capacity Auction Starting Price. If the Lead Market Participant makes

no election, the ISO shall submit a Static De-List Bid on behalf of the resource (with all payments, charges, rights, obligations, and other results associated with such bid applying to the resource as if the resource itself had submitted the bid) for the difference between the resource's summer Qualified Capacity and the winter Qualified Capacity at the Forward Capacity Auction Starting Price. The Internal Market Monitor shall review each bid made pursuant to this Section III.13.1.2.2.5.2, and if the Internal Market Monitor determines that the bid may be an attempt to manipulate the Forward Capacity Auction, the matter will be referred to the Commission in accordance with the protocols set forth in Appendix A to the Commission's Market Monitoring Policy Statement (111 FERC ¶ 61,267 (2005)). Bids made pursuant to this Section III.13.1.2.2.5.2 shall be subject to a reliability review as described in Section III.13.2.5.2.5, as required. This Section III.13.1.2.2.5.2 shall not apply if the summer Qualified Capacity of a resource is greater than the winter Qualified Capacity of that resource by less than the lesser of: (i) 2 MW, or (ii) two percent of the summer Qualified Capacity of that resource.

#### **III.13.1.2.3. Qualification Process for Existing Generating Capacity Resources.**

For each Existing Generating Capacity Resource, no later than 15 Business Days before the Existing Capacity Qualification Deadline, the ISO will notify the resource's Lead Market Participant of the resource's summer Qualified Capacity and winter Qualified Capacity and the Load Zone in which the Existing Generating Capacity Resource is located. If the Lead Market Participant believes that an ISO-determined summer Qualified Capacity or winter Qualified Capacity for an Existing Generating Capacity Resource does not accurately reflect the determination described in Section III.13.1.2.2, then the Lead Market Participant must notify the ISO within 5 Business Days of receipt of the Qualified Capacity notification. The ISO shall notify the Lead Market Participant of the outcome of any such challenge no later than 5 Business Days before the Existing Capacity Qualification Deadline. If an Existing Generating Capacity Resource does not submit a Static De-List Bid, an Export Bid, an Administrative Export De-List Bid, or a Permanent De-List Bid in the Forward Capacity Auction qualification process, then the resource shall be entered into the Forward Capacity Auction as described in Section III.13.2.3.2(c).

#### **III.13.1.2.3.1. Existing Capacity Qualification Package.**

A resource that previously has been deactivated pursuant Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions) and seeks to reactivate and participate in the Forward Capacity Market as an Existing Generating Capacity Resource must submit a reactivation plan no later than 10 Business Days before the Existing Capacity Qualification Deadline, as described in Section III.13.1.1.1.6(b). All Static De-List Bids, Export Bids, Administrative Export De-List Bids, and Permanent De-List Bids in the Forward Capacity Auction must be detailed in an Existing Capacity

Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline, as described in this Section III.13.1.2.3.1. All Static De-List Bids, Permanent De-List Bids, Export Bids, and Administrative Export De-List Bids submitted in the qualification process may not be modified or withdrawn after the Existing Capacity Qualification Deadline, and if accepted by the ISO shall be entered into the Forward Capacity Auction as described in Section III.13.2.3.2(b). An Existing Generating Capacity Resource may not submit a Static De-List Bid, Export Bid, Administrative Export De-List Bid, or Permanent De-List Bid for an amount of capacity greater than its summer Qualified Capacity. Where a resource elected pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.2.2.5 to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, the capacity associated with any resulting Capacity Supply Obligation may not be subject to any type of de-list or export bid in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply. For a single resource, a Lead Market Participant may combine a Static De-List Bid, an Export Bid, and an Administrative Export De-List Bid; a Permanent De-List Bid may not be combined with any other type of de-list or export bid. All Static De-List Bids and Permanent De-List Bids submitted under Section III.13.1.2.2.4(b) associated with a significant decrease in capacity must be identified in the Existing Capacity Qualification Package.

Static De-List Bids, Export Bids and Permanent De-List Bids may elect to be rationed (as described in Section III.13.2.6, however, an Export Bid is always subject to potential rationing where the associated external interface binds). Where a Lead Market Participant submits any combination of Static De-List Bid and Export Bid for a single resource, each of those bids must have the same rationing election. Where a Lead Market Participant submits any combination of Static De-List Bid, Export Bid, and Administrative Export De-List Bid for a single resource, none of the prices in a set of price-quantity pairs associated with a bid may be the same as any price in any other set of price-quantity pairs associated with another bid for the same resource.

#### **III.13.1.2.3.1.1. Static De-List Bids.**

An Existing Generating Capacity Resource, or a portion thereof, seeking to opt out of the capacity market at prices at or above 0.8 times CONE during a single Capacity Commitment Period may submit a Static De-List Bid in the associated Forward Capacity Auction. A Static De-List Bid may not result in a resource's Capacity Supply Obligation being less than its Economic Minimum Limit except where the resource submits de-list and export bids totaling the resource's full summer Qualified Capacity. Each

Static De-List Bid must be detailed in an Existing Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline, and must be in the form of a curve (up to five price-quantity pairs) associated with a specific Existing Generating Capacity Resource. The curve may in no case increase the quantity offered as the price decreases. All Static De-List Bids are subject to a reliability review as described in Section III.13.2.5.2.5. Static De-List Bids are subject to review by the Internal Market Monitor pursuant to Section III.13.1.2.3.2 and must include the additional documentation described in that section. Static De-List Bids, if accepted, shall be entered into the Forward Capacity Auction pursuant to Section III.13.2.3.2(b).

#### **III.13.1.2.3.1.2. Permanent De-List Bids.**

An Existing Generating Capacity Resource seeking to opt out of the capacity market permanently beginning at the start of a particular Capacity Commitment Period may submit a Permanent De-List Bid in the associated Forward Capacity Auction. A Permanent De-List Bid may not result in a resource's Capacity Supply Obligation being less than its Economic Minimum Limit except where the resource submits a Permanent De-List Bid for the resource's full summer Qualified Capacity. Each Permanent De-List Bid must be detailed in an Existing Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline, and must be in the form of a curve (up to five price-quantity pairs) associated with a specific Existing Generating Capacity Resource. The curve may in no case increase the quantity offered as the price decreases. All Permanent De-List Bids are subject to a reliability review as described in Section III.13.2.5.2.5. Permanent De-List Bids above 0.8 times CONE are subject to review by the Internal Market Monitor pursuant to Section III.13.1.2.3.2 and must include the additional documentation described in that section. Permanent De-List Bids, if accepted, shall be entered into the Forward Capacity Auction pursuant to Section III.13.2.3.2(b). A resource whose Permanent De-List Bid clears in the Forward Capacity Auction is precluded from subsequent participation in the Forward Capacity Market unless it qualifies as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.2.

#### **III.13.1.2.3.1.3. Export Bids.**

An Existing Generating Capacity Resource within the New England Control Area other than an Intermittent Power Resource or an Intermittent Settlement Only Resource seeking to export all or part of its capacity during a Capacity Commitment Period may submit an Export Bid in the associated Forward Capacity Auction. An Export Bid may not result in a resource's Capacity Supply Obligation being less than its Economic Minimum Limit except where the resource submits de-list and export bids totaling the resource's full summer Qualified Capacity. All Export Bids are subject to a reliability review as described

in Section III.13.2.5.2.5. Export Bids above 0.8 times CONE are subject to review by the Internal Market Monitor pursuant to Section III.13.1.2.3.2 and must include the additional information described in that Section. Each Export Bid must be detailed in an Existing Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline, and must be in the form of a curve (up to five price-quantity pairs) associated with a specific Existing Generating Capacity Resource. The curve may in no case increase the quantity offered as the price decreases. Each price-quantity pair must be less than the Forward Capacity Auction Starting Price. The Existing Capacity Qualification Package for each Export Bid must also specify the interface over which the capacity will be exported. Export Bids, if accepted, shall be entered into the Forward Capacity Auction pursuant to Section III.13.2.3.2(b).

#### **III.13.1.2.3.1.4. Administrative Export De-List Bids.**

An Existing Generating Capacity Resource other than an Intermittent Power Resource or an Intermittent Settlement Only Resource subject to a multiyear contract to sell capacity outside of the New England Control Area during the Capacity Commitment Period that either: (i) cleared as an Export Bid in a previous Forward Capacity Auction for a Capacity Commitment Period within the duration of the contract; or (ii) entered into a contract prior to April 30, 2007 to sell capacity outside of the New England Control Area during the Capacity Commitment Period, may submit an Administrative Export De-List Bid in the associated Forward Capacity Auction. An Administrative Export De-List Bid may not result in a resource's Capacity Supply Obligation being less than its Economic Minimum Limit except where the resource submits de-list and export bids totaling the resource's full summer Qualified Capacity. Unless reviewed as an Export Bid in a previous Forward Capacity Auction, an Administrative Export De-List Bid is subject to a reliability review prior to clearing in a Forward Capacity Auction, as described in Section III.13.2.5.2.5, and is subject to review by the Internal Market Monitor in the first Forward Capacity Auction in which it participates, pursuant to Section III.13.1.7. Both the reliability review and the review by the Internal Market Monitor shall be conducted once and shall remain valid for the multiyear contract period. Each Administrative Export De-List Bid must be detailed in an Existing Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline, must be associated with a specific Existing Generating Capacity Resource, and must indicate the quantity of capacity subject to the bid. The Existing Capacity Qualification Package for each Administrative Export De-List Bid must also specify the interface over which the capacity will be exported, and must include documentation demonstrating a contractual obligation to sell capacity outside of the New England Control Area during the whole Capacity Commitment Period. Administrative Export De-List Bids, if accepted, shall be entered into the Forward Capacity Auction pursuant to Section III.13.2.3.2(b).

### **III.13.1.2.3.1.5. Non-Price Retirement Request**

#### **III.13.1.2.3.1.5.1. Description of Non-Price Retirement Request.**

A Non-Price Retirement Request is a binding request to retire all or part of a Generating Capacity Resource. Non-Price Retirement Requests will be approved subject to review for reliability impacts under Section III.13.2.5.2.5. Even if not approved, a resource that has submitted a Non-Price Retirement Request may retire in whole or in part, as applicable, pursuant to Section III.13.2.5.2.5.3(a)(iii). Once submitted, a Non-Price Retirement Request may not be withdrawn. A Non-Price Retirement Request supersedes any prior de-list bid for the same Capacity Commitment Period.

#### **III.13.1.2.3.1.5.2. Timing Requirements.**

The request must be submitted to the ISO between the Existing Capacity Qualification Deadline and 120 days prior to the date of the relevant Forward Capacity Auction. In the case of a resource that has a Permanent De-List Bid rejected by the Internal Market Monitor, a Non-Price Retirement Request may be submitted within 14 days after the resource receives notice of the rejection or 120 days prior to the date of the relevant Forward Capacity Auction, whichever is later.

#### **III.13.1.2.3.1.5.3. Reliability Review of Non-Price Retirement Requests.**

The ISO will review a Non-Price Retirement Request pursuant to Section III.13.2.5.2.5 to determine if the resource is needed for reliability. If the Non-Price Retirement Request is rejected for reliability reasons and the resource elects not to proceed with retirement as provided in Section III.13.2.5.2.5.3(a)(iii), and the resource remains in operation to meet the reliability need, the resource will be compensated pursuant to Section III.13.2.5.2.5.1(c). Upon resolution of the reliability issue, the Non-Price Retirement Request will be approved and the resource, or portion thereof, as applicable, will retire pursuant to Section III.13.1.2.3.1.5.4.

#### **III.13.1.2.3.1.5.4. Obligation to Retire.**

A Generating Capacity Resource, or portion thereof, with an approved Non-Price Retirement Request will be retired as described in Section III.13.2.5.2.5.3(a) unless, in the case of a Generating Capacity Resource that had its Non-Price Retirement Request rejected for reliability reasons, the Commission directs that the obligation to retire be removed or the retirement date extended as part of an Incremental Cost of Reliability Service filing made pursuant to Section III.13.2.5.2.5.2.

**III.13.1.2.3.1.6. Static De-List Bids and Permanent De-List Bids for Existing Generating Capacity Resources at Stations having Common Costs.**

Where Existing Generating Capacity Resources at a Station having Common Costs elect to submit Static De-List Bids or Permanent De-List Bids, the provisions of this Section III.13.1.2.3.1.6 shall apply.

**III.13.1.2.3.1.6.1. Submission of Cost Data.**

In addition to the information required elsewhere in this Section III.13.1.2.3, Static De-List Bids or Permanent De-List Bids submitted by an Existing Generating Capacity Resource that is associated with a Station having Common Costs and seeking to delist must include detailed cost data to allow the ISO to determine the Asset-Specific Going Forward Costs for each asset associated with the Station and the Station Going Forward Common Costs.

**III.13.1.2.3.1.6.2. [Reserved.]**

**III.13.1.2.3.1.6.3. Internal Market Monitor Review.**

The Internal Market Monitor will review each Static De-List Bid and Permanent De-List Bid from an Existing Generating Capacity Resource that is associated with a Station having Common Costs pursuant to the following methodology:

- (i) Calculate the average Asset-Specific Going Forward Costs of each asset at the Station.
- (ii) Order the assets from highest average Asset-Specific Going Forward Costs to lowest average Asset-Specific Going Forward Costs; this is the preferred de-list order.
- (iii) Calculate and assign to each asset a station cost that is equal to the average cost of the assets remaining at the Station, including Station Going Forward Common Costs, assuming the successive de-listing of each individual asset in preferred de-list order.
- (iv) Calculate a set of composite costs that is equal to the maximum of the cost associated with each asset as calculated in (i) and (iii) above.

The Internal Market Monitor will adjust the set of composite costs to ensure a monotonically non-increasing set of bids as follows: any asset with a composite cost that is greater than the composite cost of the asset with the lowest composite cost and that has average Asset-Specific Going Forward Costs that

are less than its composite costs will have its composite cost set equal to that of the asset with the lowest composite cost. The bids of the asset with the lowest composite cost and of any assets whose composite costs are so adjusted will be considered a single non-rationable bid for use in the Forward Capacity Auction.

The Internal Market Monitor will compare a de-list bid developed using the adjusted composite costs to the de-list bid submitted by the Existing Generating Capacity Resource that is associated with a Station having Common Costs. If the Internal Market Monitor determines that the submitted de-list bid is less than or equal to the bid developed using the adjusted composite costs, then the bid shall be entered into the Forward Capacity Auction as described in Section III.13.2.3.2(b). If the Internal Market Monitor determines that the submitted de-list bid is greater than the bid developed using the adjusted composite costs or is not consistent with the submitted supporting cost data, then the Internal Market Monitor will reject the bid as described in Section III.13.1.2.3.2.1.1.

#### **III.13.1.2.3.2. Review by Internal Market Monitor of Bids from Existing Generating Capacity Resources.**

##### **III.13.1.2.3.2.1. Static De-List Bids, Export Bids Above 0.8 times CONE, and Permanent De-List Bids Above 1.25 times CONE.**

The Internal Market Monitor shall review each Static De-List Bid, each Export Bid above 0.8 times CONE, and each Permanent De-List Bid above 1.25 times CONE to determine whether the bid is consistent with the Existing Generating Capacity Resource's net risk-adjusted going forward costs (as determined pursuant to Section III.13.1.2.3.2.1.1) and opportunity costs (as determined pursuant to Section III.13.1.2.3.2.1.2). Sufficient documentation and information must be included in the Existing Capacity Qualification Package to allow the Internal Market Monitor to make such determinations. Any Existing Generating Capacity Resource submitting a Static De-List, Permanent De-List Bid, or Export Bid shall report costs using ISO spreadsheets and forms provided, and may supplement this information with other evidence as deemed necessary. The entire de-list submittal shall be accompanied by an affidavit executed by a corporate officer attesting to the accuracy of the reported costs and the reasonableness of the estimates and adjustments of costs that would otherwise be avoided if the resource were not required to meet the obligations of a listed resource, and shall be subject to audit upon request by the ISO.

##### **III.13.1.2.3.2.1.1. Internal Market Monitor Review of De-List Bids.**



The Internal Market Monitor may seek additional information from the Lead Market Participant after the qualification deadline to address any questions or concerns regarding the data submitted, as appropriate. If the Internal Market Monitor determines that the bid is consistent with the Existing Generating Capacity Resource's net risk-adjusted going forward and opportunity costs, then the bid shall be entered into the Forward Capacity Auction as described in Section III.13.2.3.2(b). If the Internal Market Monitor determines, after due consideration and consultation with the Lead Market Participant, as appropriate, that the bid is not consistent with the resource's net risk-adjusted going forward and opportunity costs, then the bid will be rejected. Where a de-list bid is rejected pursuant to this Section III.13.1.2.3.2, both the qualification determination notification described in Section III.13.1.2.4 and the informational filing made to the Commission as described in Section III.13.8.1(a) shall include an explanation of the reasons that the de-list bid was rejected based on the Internal Market Monitor review and the resource's net risk-adjusted going forward costs and opportunity costs as determined by the Internal Market Monitor. The Lead Market Participant for such a resource may elect to have the ISO-determined bid entered into the Forward Capacity Auction as described in Section III.13.2.3.2(b) by so indicating in a filing with the Commission in response to the informational filing described in Section III.13.8.1(a). Such a filing, and notification to the ISO of any such election, shall be made in accordance with the terms of Section III.13.8.1(b) and shall not limit the other rights provided under that section. A Lead Market Participant making such an election shall be prohibited from challenging pursuant to Section III.13.8.1(b) the Internal Market Monitor's determinations regarding the resource's net risk-adjusted going forward costs and opportunity costs. If no such election is made, the Existing Generating Capacity Resource will be entered into the Forward Capacity Auction as described in Section III.13.2.3.2(c) or as otherwise directed by the Commission. In no case shall rejection of a de-list bid by the Internal Market Monitor restrict the ability of the resource to dynamically de-list at prices below 0.8 times CONE.

#### **III.13.1.2.3.2.1.2. Net Risk-Adjusted Going Forward Costs.**

A Static De-List Bid, Export Bid above 0.8 times CONE, or Permanent De-List Bid above 1.25 times CONE shall be considered consistent with the Existing Generating Capacity Resource's net risk-adjusted going forward costs based on a review of the data submitted in the following formula. To the extent possible, all costs and operational data used in this calculation shall be the cumulative actual data for the Existing Generating Capacity Resource from the most recent full Capability Year available.

$$\frac{\left( \left[ \frac{GFC}{(AA)} \right] + [RF] - [(IMR - PER)] \right) \times InfIndex}{(CQ_{Summer}, kw) \times (12, months)}$$

Where:

GFC = annual going forward costs, in dollars. These are costs that might otherwise be avoided or not incurred if the resource were not subject to the obligations of a listed capacity resource during the Capacity Commitment Period (i.e., maintaining a constant condition of being ready to respond to commitment and dispatch orders). Costs that are not avoidable in a single Capacity Commitment Period and costs associated with the production of energy are not to be included. Service of debt is not a going forward cost. Staffing, maintenance and other normal expenses that might otherwise be deferred if the resource were in an inactive state (excluding capital expenses) may be included. These costs shall be reported to the ISO using the spreadsheet provided on the ISO website by any Existing Generating Capacity Resource submitting a Static De-List, Permanent De-List Bid, or Export Bid, shall be accompanied by a signed affidavit, and shall be subject to audit upon request by the ISO. To the extent that the Capability Year data used to calculate these data do not reflect known and measurable costs that would or are likely to be incurred in the relevant Capacity Commitment Period, the Internal Market Monitor shall also consider adjustments submitted, provided the costs are based on known and measurable conditions and supported by appropriate documentation to reflect those costs.

$CQ_{\text{Summer}}^{\text{kW}}$  = capacity seeking to de-list in kW. In no case shall this value exceed the resource's summer Qualified Capacity.

RF = risk factor, in dollars. This value shall be calculated using the following formula:

$$RF = [(RPC \times EFORD) + (P \times (\text{Forward Capacity Auction Starting Price} - \text{FCAFP}) \times 12, \text{months})] \times CQ_{\text{Summer}}^{\text{kW}}$$

Provided: If EFORD is greater than 0.40 then 0.40 shall be used, and if EFORD is less than 0.05 then 0.05 shall be used.

EFORD shall be for the corresponding period used in quantifying going forward costs and shall be calculated using reported availability data (GADS) for the Existing Generating Capacity Resource.

RPC = replacement power costs rate, in dollars/kW. As soon as practicable, this value shall be determined by the ISO by comparing the PER Proxy Unit's daily price to the resource's Real-Time nodal price. For each hour that the resource's nodal price exceeds the PER Proxy Unit's daily price, the RPC rate for that

hour will be the difference between the nodal price and the PER Proxy Unit's daily price. For each Capability Year, the annual RPC rate will then be the sum of all hourly RPC values. The RPC rate used in the RF equation shall then be the average of the annual RPC rates for the three most recent Capability Years. The Lead Market Participant may specify two of the three years to be averaged. Upon exercising such option, the RPC value used shall be an average of the RPC values for the two years selected, provided however that if the Lead Market Participant selects two of three years for the PER values, the same years must be selected for the PER values for both calculations.

P = Probability estimate of a significant decrease in capacity as specified in Section III.13.4.2.1.3 occurring after the de-list bid submittal deadline and before the last annual reconfiguration auction prior to the Capacity Commitment Period. This estimate shall be no greater than the EFORD of the resource for the corresponding period used in quantifying going forward costs, and in no case greater than 0.40. The Lead Market Participant is required to provide an explanation of the derivation of the probability estimate.

FCAFP = FCA Floor Price, in \$/kWmo. This value shall be determined in accordance with Section III.13.2.7.3(b), and thereafter shall be the average of the last three Forward Capacity Auction clearing prices in the resource's Capacity Zone.

AA = availability adjustment.  $AA = (1 - EFORD)$

Provided: If EFORD is greater than 0.40 then 0.40 shall be used, and if EFORD is less than 0.05 then 0.05 shall be used.

EFORD shall be for the corresponding period used in quantifying going forward costs and shall be calculated using reported availability data (GADS) for the Existing Generating Capacity Resource.

IMR = annual infra-marginal rents, in dollars. This value shall be calculated by subtracting all submitted cost data representing the cumulative actual cost of production (total expenses related to the production of energy, e.g. fuel, actual consumables such as chemicals and water, and, if quantified, incremental labor and maintenance) from the Existing Generating Capacity Resource's total ISO market revenues. As soon as practicable, the resource's total ISO market revenues used in this calculation shall be calculated by the ISO and available to the Lead Market Participant upon request.

PER = resource-specific annual peak energy rents, in dollars. As soon as practicable, this value shall be calculated by the ISO and available to the Lead Market Participant upon request.

At the option of the Lead Market Participant, the cumulative production costs for each of the most recent three Capability Years may be submitted and the annual infra-marginal rents calculated for each year. The Lead Market Participant may then specify two of the three years to be averaged and subsequently used as the IMR value. Upon exercising such option, the PER value used shall be an average of the PER values for the two years selected

InfIndex = inflation index.  $\text{infIndex} = (1 + i)^4$

Where: “*i*” is the most recent reported 1-Year Constant Maturity Treasury Rate at the beginning of the qualification period. The specific value to be used shall be specified by the ISO and available to the Lead Market Participant.

#### **III.13.1.2.3.2.1.3. Opportunity Costs.**

To the extent that an Existing Generating Capacity Resource submitting a Static De-List Bid, Export Bid above 0.8 times CONE, or Permanent De-List Bid above 1.25 times CONE has opportunity costs that support a de-list or export bid that exceeds the thresholds described in Section III.13.1.2.3.1, the Lead Market Participant must include in the Existing Capacity Qualification Package evidence supporting such costs. Any risk that can be quantified and analytically supported and that is not already reflected in the formula for net risk-adjusted going forward costs described in Section III.13.1.2.3.2.1.2 may be included as an opportunity cost. Opportunity costs associated with major repairs necessary to restore decreases in capacity as described in Section III.13.1.2.2.4, capital projects required to operate the plant as a capacity resource or other uses of the resource shall be considered, provided such costs are substantiated by evidence of a repair plan, documented business plan and fundamental market analysis, or other independent and transparent trading index or indices as applicable. Substantiation of opportunity costs relying on sales in reconfiguration auctions or risk aversion premiums shall not be considered sufficient justification. The ISO will consider evidence of opportunity costs described in this Section III.13.1.2.3.2.1.3, and if the ISO determines that the opportunity costs justify a de-list bid or export bid above the threshold described in Section III.13.1.2.3.1, the bid will be entered into the Forward Capacity Auction as described in Section III.13.2.3.2(b).

#### **III.13.1.2.3.2.2. Permanent De-List Bids Above 0.8 times CONE.**

For each Permanent De-List Bid above 0.8 times CONE, the Lead Market Participant must submit the same documentation as for a Permanent De-List Bid above 1.25 times CONE, described in Section III.13.1.2.3.2.1. A Permanent De-List Bid above 0.8 times CONE, but less than or equal to 1.25 times CONE shall be presumed competitive unless the Internal Market Monitor determines that the bid may be an attempt to manipulate the Forward Capacity Auction, in which case such Permanent De-List Bid shall be rejected, and the matter will be referred to the Commission in accordance with the protocols set forth in Appendix A to the Commission's Market Monitoring Policy Statement (111 FERC ¶ 61,267 (2005)).

#### **III.13.1.2.3.2.3. Administrative Export De-List Bids.**

The Internal Market Monitor shall review each Administrative Export De-List Bid associated with a multi-year contract entered into prior to April 30, 2007 in the first Forward Capacity Auction in which it clears. An Administrative Export De-List Bid shall be rejected if the Internal Market Monitor determines that the bid may be an attempt to manipulate the Forward Capacity Auction, and the matter will be referred to the Commission in accordance with the protocols set forth in Appendix A to the Commission's Market Monitoring Policy Statement (111 FERC ¶ 61,267 (2005)).

#### **III.13.1.2.3.2.4. Static De-List Bids for Reductions in Ratings Due to Ambient Air Conditions.**

A Lead Market Participant may submit a Static De-List Bid for up to the megawatt amount that the Lead Market Participant expects will not be physically available due to the difference between the summer Qualified Capacity at 90 degrees and the expected rating of the resource at 100 degrees. The ISO shall verify during the qualification process that the rating is accurate. Such Static De-List Bids may be entered into the Forward Capacity Market at prices up to and including the Forward Capacity Auction Starting Price, subject to validation of the physical limit. Static De-List Bids for reductions in ratings due to ambient air conditions shall not be subject to the review described in Section III.13.1.2.3.2 and need not include documentation for that purpose.

#### **III.13.1.2.3.2.5. Incremental Capital Expenditure Recovery Schedule.**

Except as described below, the Internal Market Monitor shall review all de-list bids using the following cost recovery schedule for incremental capital expenditures, which assumes an annual pre-tax weighted average cost of capital of 10 percent.

Age of Existing	Remaining Life	Annual Rate of Capital Cost
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<b>Resource (years)</b>	<b>(years)</b>	<b>Recovery</b>
1 to 5	30	0.106
6 to 10	25	0.110
11 to 15	20	0.117
16 to 20	15	0.131
21 to 25	10	0.163
25 plus	5	0.264

A Market Participant may request that a different pre-tax weighted average cost of capital be used to determine the resource's annual rate of capital cost recovery by submitting the request, along with supporting documentation, in the Existing Capacity Qualification Package. The Internal Market Monitor shall review the request and supporting documentation and may, at its sole discretion, replace the annual rate of capital cost recovery from the table above with a resource-specific value based on an adjusted pre-tax weighted average cost of capital. If the Internal Market Monitor uses an adjusted pre-tax weighted average cost of capital for the resource, then the resource's annual rate of capital cost recovery will be determined according to the following formula:

$$\frac{\text{Cost Of Capital}}{(1 - (1 + \text{CostOfCapital})^{-\text{RemainingLife}})}$$

Where:

Cost Of Capital = the adjusted pre-tax weighted average cost of capital.

Remaining Life = the remaining life of the existing resource, based on the age of the resource, as indicated in the table above.

#### **III.13.1.2.4. Qualification Determination Notification for Existing Capacity.**

No later than 127 days before the Forward Capacity Auction, the ISO shall send notification to the Lead Market Participant that submitted each Static De-List Bid, Permanent De-List Bid, Export Bid, and Administrative Export De-List Bid indicating whether the bid has been accepted for participation in the Forward Capacity Auction. Each accepted Static De-List Bid, Permanent De-List Bid, Export Bid, and Administrative Export De-List Bid shall be binding and shall be entered into the Forward Capacity Auction as described in Section III.13.2.3.2(b). Where a Static De-List Bid, Permanent De-List Bid, Export Bid, or Administrative Export De-List Bid is not accepted for participation in the Forward

Capacity Auction as a result of the Internal Market Monitor’s review pursuant to Section III.13.1.2.3.2, the notification shall include an explanation of the reasons the Existing Capacity Qualification Package was not accepted and shall include the resource’s net risk-adjusted going forward costs and opportunity costs as determined by the Internal Market Monitor. The qualification determination shall not include the results of the reliability review subject to Section III.13.2.5.2.5.

**III.13.1.2.5. Optional Existing Capacity Qualification Package for New Generating Capacity Resources Previously Counted as Capacity.**

A resource seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.2 (resources previously counted as capacity resources) may elect to submit an Existing Capacity Qualification Package in addition to the New Capacity Show of Interest Form and New Capacity Qualification Package that it is required to submit pursuant to Section III.13.1.1.2. The bids contained in an Existing Capacity Qualification Package submitted pursuant to this Section III.13.1.2.5 must clearly indicate which New Generating Capacity Resource the Existing Capacity Qualification Package is associated with, and if accepted in accordance with Section III.13.1.2.3, would only be entered into the Forward Capacity Auction where: (i) the new resource is not accepted for participation in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Section III.13.1.1.2; or (ii) no offer from that New Generating Capacity Resource clears in the Forward Capacity Auction, as described in Section III.13.2.3.2(e). An Existing Capacity Qualification Package submitted pursuant to this Section III.13.1.2.5 must conform in all other respects to the requirements of this Section III.13.1.2.

**III.13.1.3. Import Capacity.**

The qualification requirements for import capacity shall depend on whether the import capacity is an Existing Import Capacity Resource or a New Import Capacity Resource. Both Existing Import Capacity Resources and New Import Capacity Resources clearing in the Forward Capacity Auction shall have a Capacity Supply Obligation and shall receive payments only for the one-year Capacity Commitment Period associated with that Forward Capacity Auction. Both Existing Import Capacity Resources and New Import Capacity Resources clearing in the Forward Capacity Auction must be backed by one or more External Resources or by an external Control Area throughout the relevant Capacity Commitment Period. An external Demand Resource may not be an Existing Import Capacity Resource or a

New Import Capacity Resource. External nodes shall be mapped to Capacity Zones as shown in the following table:

<b>External Node Common Name</b>	<b>Capacity Zone</b>
NB-NE External Node	<b>Maine</b>
HQ Phase I/II External Node	<b>Rest-of-Pool</b>
Highgate External Node	<b>Rest-of-Pool</b>
NY-NE AC External Node	<b>Rest-of-Pool</b>
Cross Sound Cable External Node	<b>CT</b>

### **III.13.1.3.1. Definition of Existing Import Capacity Resource.**

Capacity associated with a multi-year contract entered into before the Existing Capacity Qualification Deadline to provide capacity in the New England Control Area from outside of the New England Control Area for a period including the whole Capacity Commitment Period, or capacity from an External Resource that is owned or directly controlled by the Lead Market Participant and which is committed for at least two whole consecutive Capacity Commitment Periods by the Lead Market Participant in the New Capacity Qualification Package, shall participate in the Forward Capacity Auction as an Existing Import Capacity Resource, except that if that Existing Import Capacity Resource has not cleared in a previous Forward Capacity Auction, then the import capacity shall participate in the Forward Capacity Auction as a New Import Capacity Resource. For the purposes of the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2010, a multi-year contract to provide capacity in the New England Control Area from outside the New England Control Area for a period including the whole Capacity Commitment Period entered into before June 16, 2006 shall be treated as an Existing Import Capacity Resource.

### **III.13.1.3.2. Qualified Capacity for Existing Import Capacity Resources.**

The summer Qualified Capacity and winter Qualified Capacity of an Existing Import Capacity Resource shall be based on the data provided to the ISO during the qualification process, subject to ISO review and verification.

The qualified capacity for the Existing Import Capacity Resources associated with the VJO and NYPA contracts listed in Section III.13.1.3.3(c) as of the Capacity Commitment Period beginning June 1, 2014 shall be equal to the lesser of the stated amount in Section III.13.1.3.3(c) or the median amount of the energy delivered from the Existing Import Capacity Resource during the New England system coincident peak over the previous five Capability Years at the time of qualification.



### **III.13.1.3.3. Qualification Process for Existing Import Capacity Resources.**

Existing Import Capacity Resources shall be subject to the same qualification process as Existing Generating Capacity Resources, as described in Section III.13.1.2.3, except as follows:

- (a) No later than 10 Business Days prior to the Existing Capacity Qualification Deadline, the Market Participant submitting each Existing Import Capacity Resource must also submit to the ISO: (i) documentation of a multi-year contract entered into before the Existing Capacity Qualification Deadline to provide capacity in the New England Control Area from outside the New England Control Area for a period including the whole Capacity Commitment Period, including documentation of the MW value of the contract; or (ii) proof of ownership or direct control over one or more External Resources that will be used to back the Existing Import Capacity Resource during the Capacity Commitment Period, together with information to establish the summer and winter ratings of the resource(s) backing the import. In either case, the Market Participant must specify the interface over which the capacity will be imported.
- (b) The rationing election described in Section III.13.1.2.3.1 shall not apply. An Existing Import Capacity Resource may not elect whether to be rationed. As described in Section III.13.2.6, Existing Import Capacity Resources are always subject to rationing, except where such rationing would violate any applicable physical minimum flow requirements on the associated interface.
- (c) The Existing Import Capacity Resources associated with contracts listed in the table below may qualify to receive the treatment described in Section III.13.2.7.3 for the duration of the contracts as listed. For each Forward Capacity Auction after the first Forward Capacity Auction, in order for an Existing Import Capacity Resource associated with a contract listed below to qualify for the treatment described in Section III.13.2.7.3, no later than 10 Business Days prior to the Existing Capacity Qualification Deadline, the Market Participant submitting the Existing Import Capacity Resource must also submit to the ISO documentation verifying that the contract will remain in effect throughout the Capacity Commitment Period and that it has not been amended. For the first Forward Capacity Auction, Existing Import Capacity Resources associated with contracts listed in the table below are qualified to receive the treatment described in Section III.13.2.7.3.

<b>Contract Description</b>	<b>MW</b>	<b>Contract End Date</b>
NYPA: NY — NE: CMEEC	13.2	8/31/2025
NYPA: NY — NE: MMWEC	53.3	8/31/2025
NYPA: NY — NE: Pascoag	2.3	8/31/2025

NYPA: NY— NE: VELCO	15.3	8/31/2025
	84.1	
VJO: Highgate — NE	Up to 225	10/31/2016
VJO: Highgate — NE (extension) (beginning 11/01/2016)	Up to 6	October 2020
VJO: Phase I/II — NE	Up to 110	10/31/2016

#### **III.13.1.3.4. Definition of New Import Capacity Resource.**

Capacity not associated with a multi-year contract entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside the New England Control Area for the whole Capacity Commitment Period, but that meets the requirements of Section III.13.1.3.5.1, shall participate in the Forward Capacity Auction as a New Import Capacity Resource. For capacity associated with a multi-year contract entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside the New England Control Area for a period including the whole Capacity Commitment Period, or capacity from an External Resource that is owned or directly controlled by the Lead Market Participant and which is committed for at least two whole consecutive Capacity Commitment Periods by the Lead Market Participant in the New Capacity Qualification Package, if the import capacity has not cleared in a previous Forward Capacity Auction, then the import capacity shall participate in the Forward Capacity Auction as a New Import Capacity Resource.

#### **III.13.1.3.5. Qualification Process for New Import Capacity Resources.**

The qualification process for a New Import Capacity Resource, whether backed by a new External Resource, by one or more existing External Resources, or by an external Control Area, shall be the same as the qualification process for a New Generating Capacity Resource, as described in Section III.13.1.1.2, except as follows:

##### **III.13.1.3.5.1. Documentation of Import.**

For each New Import Capacity Resource, the Market Participant submitting the import capacity must also submit: (i) documentation of a one-year contract entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside of the New England Control Area for the entire Capacity Commitment Period, including documentation of the MW value of the contract; (ii) documentation of a multi-year contract entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside of the New England Control

Area for a period including the entire Capacity Commitment Period if the import capacity has not cleared in a previous Forward Capacity Auction, including documentation of the MW value of the contract; (iii) proof of ownership or direct control over one or more External Resources that will be used to back the New Import Capacity Resource during the Capacity Commitment Period, including information to establish the summer and winter ratings of the resource(s) backing the import; or (iv) documentation for system-backed import capacity that the import capacity will be supported by the Control Area and that the energy associated with that system-backed import capacity will be afforded the same curtailment priority as that Control Area's native load. For each New Import Capacity Resource, the Market Participant must specify the interface over which the capacity will be imported.

#### **III.13.1.3.5.2. Import Backed by Existing External Resources.**

If the New Import Capacity Resource will be backed by one or more External Resources existing at the time of the Forward Capacity Auction, the provisions regarding site control (Section III.13.1.1.2.2.1) and critical path schedule (Section III.13.1.1.2.2.2) shall not apply, and the Market Participant shall instead submit a description of how the Capacity Supply Obligation, if an offer from the New Import Capacity Resource clears in the Forward Capacity Auction, will be met.

The description must indicate specifically which External Resources will back the New Import Capacity Resource during the Capacity Commitment Period, and if those External Resources are not owned or controlled directly by the Market Participant, the description must include a commitment that the External Resources will have sufficient capacity that is not obligated outside the New England Control Area to fully satisfy the New Import Capacity Resource's potential Capacity Supply Obligation during the Capacity Commitment Period and demonstrate how that commitment will be met.

#### **III.13.1.3.5.3. Imports Backed by an External Control Area.**

If the New Import Capacity Resource will be backed by an external Control Area, the provisions regarding site control (Section III.13.1.1.2.2.1) and critical path schedule (Section III.13.1.1.2.2.2) shall not apply, and the Market Participant shall instead submit system load and capacity projections for the external Control Area showing sufficient excess capacity during the Capacity Commitment Period to back the New Import Capacity Resource.

#### **III.13.1.3.5.3.1. Imports Crossing Intervening Control Areas.**

The preceding rules define requirements associated with the import of capacity from a Control Area, or resources located in a Control Area, directly adjacent to the New England Control Area. Imports of

capacity from a Control Area or resources located in a Control Area where such import crosses an intervening Control Area or Control Areas shall comply with the following additional requirements: (1) For imports crossing a single intervening Control Area, the Market Participant entering the import contract shall demonstrate, as detailed in the ISO New England Manuals, that the remote Control Area will afford the energy export to the adjacent intervening Control Area the same curtailment priority as its native load, that the adjacent intervening Control Area has procedures in place to explicitly recognize the linkage between the import and re-export of energy in support of the import contract, and that the energy export to the ISO will not be curtailed (except pro-rata with a curtailment of native load) so long as the linked import is flowing. (2) For imports crossing more than one intervening Control Area, in addition to the requirements above, the Market Participant entering the import contract shall demonstrate, as detailed in the ISO New England Manuals, by the New Capacity Qualification Deadline, that explicit market and operating procedures exist among the intervening Control Areas to ensure that the energy required to be delivered to the New England Control Area will be guaranteed the same curtailment priority as the intervening native loads, and that none of the intervening Control Areas will curtail the transaction except in conjunction with a curtailment of native load. (3) The Market Participant entering the import contract shall demonstrate that capacity it supplies to the New England Control Area will not be recalled or curtailed to satisfy the load of the external Control Area, or that the external Control Area in which it is located will afford New England Control Area load the same curtailment priority that it affords its own Control Area native load.

#### **III.13.1.3.5.4. Capacity Commitment Period Election.**

The provisions regarding Capacity Commitment Period election (Section III.13.1.1.2.2.4) shall not apply. A New Import Capacity Resource may not elect to have the Capacity Supply Obligation and the Capacity Clearing Price applicable to an offer that clears in the Forward Capacity Auction continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears.

#### **III.13.1.3.5.5. Initial Interconnection Analysis.**

The provisions regarding initial interconnection analysis (Section III.13.1.1.2.3) shall not apply.

#### **III.13.1.3.5.6. Review by Internal Market Monitor of Offers from New Import Capacity Resources and Existing Import Capacity Resources.**

The provisions regarding review by the Internal Market Monitor (Section III.13.1.1.2.6) shall not apply, and offers from New Import Capacity Resources shall instead be reviewed by the Internal Market Monitor as follows:

#### **III.13.1.3.5.6.1. Offers from Import Capacity Generally.**

The Internal Market Monitor shall review each offer from Existing Import Capacity Resources and New Import Capacity Resources. An offer from an Existing Import Capacity Resource or a New Import Capacity Resource shall be rejected if the Internal Market Monitor determines that the bid may be an attempt to manipulate the Forward Capacity Auction, and the matter will be referred to the Commission in accordance with the protocols set forth in Appendix A to the Commission's Market Monitoring Policy Statement (111 FERC ¶ 61,267 (2005)).

#### **III.13.1.3.5.6.2. Offers from New Import Capacity Resources Below 0.75 Times CONE.**

The Internal Market Monitor shall review each offer from a New Import Capacity Resource below 0.75 times CONE to determine whether the offer is consistent with the opportunity cost of that New Import Capacity Resource, and sufficient documentation and information must be included in the resource's New Capacity Qualification Package to allow the Internal Market Monitor to make such a determination. If the new import is backed by a new External Resource, such documentation should include all relevant financial estimates and cost projections for the project, including the project's pro-forma financing support data. If the new import is backed by one or more existing External Resources or by an external Control Area, such documentation should include evidence showing, to the extent necessary, why potential alternative and transparent trading indices are not applicable. In any case, all offers from New Import Capacity Resources are subject to review by the Internal Market Monitor pursuant to Section III.13.1.7. If an offer from a New Import Capacity Resource that the Internal Market Monitor has determined is not consistent with the opportunity cost, clears in the Forward Capacity Auction at a price below 0.75 times CONE, then the amount of capacity clearing from that offer shall be considered Out-of-Market Capacity for purposes of determining the applicability of the Alternative Capacity Price Rule, as discussed in Section III.13.2.7.8. A New Import Capacity Resource may not change offers below 0.75 times CONE or supporting documentation after the New Capacity Qualification Deadline.

#### **III.13.1.3.5.7. Qualification Determination Notification for New Import Capacity Resources.**

For New Import Capacity Resources, the qualification determination notification described in Section III.13.1.1.2.8 shall be modified to reflect the differences in the qualification process described in this Section III.13.1.3.5.

#### **III.13.1.3.5.8. Rationing Election.**

The rationing election described in Section III.13.1.1.2.2.3(b) shall not apply. A New Import Capacity Resource may not elect whether to be rationed. As described in Section III.13.2.6, New Import Capacity Resources are always subject to rationing, except where such rationing would violate any applicable physical minimum flow requirements on the associated interface.

#### **III.13.1.4. Demand Resources.**

##### **III.13.1.4.1. Demand Resources.**

To participate in a Forward Capacity Auction as a Demand Resource, a resource must meet the definitions and requirements of this Section III.13.1.4.1. The amount of capacity offered by a Demand Resource shall be a minimum of 100 kW aggregated in a Load Zone. Beginning with the Capacity Commitment Period starting June 1, 2011, a Real-Time Demand Response Resource and a Real-Time Emergency Generation Resource shall be a minimum of 100 kW aggregated in a Dispatch Zone. A Demand Resource may continue to offer capacity into Forward Capacity Auctions and reconfiguration auctions for Capacity Commitment Periods in an amount less than or equal to its remaining Measure Life. Demand Resources are not permitted to submit import or export bids or Administrative Export De-list Bids. A Demand Resource that certifies in writing to the ISO no later than 45 days prior to the start of the second Forward Capacity Auction that the resource will be retired as of the start of the second Capacity Commitment Period will not be included in the second Forward Capacity Auction. The reliability review for this certification will be performed pursuant to the reliability review criteria set out in Section III.13.2.5.2.5 and the reliability review must be concluded prior to the submission of the certification. The certification must indicate the date on which the resource will be retired.

The certification to retire will be binding on the resource, and, if applicable, the generator interconnection rights for the resource will terminate as of the date the resource is retired or the start of the second Capacity Commitment Period, whichever is earlier. Only resources that do not have a Capacity Supply Obligation for any Capacity Commitment Period or portion thereof may retire pursuant to this provision. A Demand Resource shall no longer be eligible to participate in the Forward Capacity Market if its Permanent De-list Bid is accepted. For purposes of this Section III.13.1.4, references to the Lead Market Participant for a resource shall include the Enrolling Participant for a Demand Resource.

##### **III.13.1.4.1.1. Existing Demand Resources.**

Demand Resources that previously have been in service and registered with the ISO, and which are not otherwise New Demand Resources, shall be Existing Demand Resources. Existing Demand Resources

shall include and are limited to (i) Demand Resources that have been in service and registered with the ISO to fulfill a Capacity Supply Obligation created by clearing in a past Forward Capacity Auction, (ii) Other Demand Resources in service and registered with the ISO during the ICAP Transition Period and before the Existing Capacity Qualification Deadline of the applicable Forward Capacity Auction, or (iii) Demand Resources participating in the Real-Time Demand Response Program (30-Minute and 2-Hour) and in the Real-Time Profiled Response Program, as defined in Appendix E of this Market Rule 1, before the Existing Capacity Qualification Deadline of the applicable Forward Capacity Auction. Except as specified in Section III.13.1.4.1, Existing Demand Resources shall be subject to the same qualification process as Existing Generating Capacity Resources, as described in Section III.13.1.2.3. Existing Demand Resources shall be subject to Section III.13.1.2.2.5.2. An Existing Demand Resource may submit a Non-Price Retirement Request pursuant to the provisions of Section III.13.1.2.3.1.5, provided, however, that Non-Price Retirement Requests shall not be used as a mechanism to inappropriately qualify assets associated with Existing Demand Resources as New Demand Resources. Existing Demand Resources may de-list consistent with Sections III.13.1.2.3.1.1 and III.13.1.2.3.1.2.

#### **III.13.1.4.1.2. New Demand Resources.**

A New Demand Resource is a Demand Resource that has not been in service prior to the applicable Existing Capacity Qualification Deadline of the Forward Capacity Auction, or Distributed Generation that has operated only to address an electric power outage due to failure of the electrical supply, on-site disaster, local equipment failure, or public service emergencies such as flood, fire, or natural disaster, or excessive deviations from standard voltage from the electrical supplier to the premises during the 12-month period prior to the applicable Existing Capacity Qualification Deadline of the Forward Capacity Auction, and is not an Existing Demand Resource. A Demand Resource that has previously been defined as an Existing Demand Resource shall be considered a New Demand Resource if it meets one of the conditions listed in Section III.13.1.1.1.2. A New Demand Resource may participate in the Forward Capacity Market as a New Demand Resource or as an Existing Demand Resource for the first Forward Capacity Auction.

#### **III.13.1.4.1.2.1. Qualified Capacity of New Demand Resources.**

For Forward Capacity Auctions a New Demand Resource shall have a summer Qualified Capacity and winter Qualified Capacity based on the resource's Demand Reduction Values as submitted and reviewed pursuant to this Section III.13.1.4.

The documentation, analysis, studies and methodologies used to support the estimates described in this Section III.13.1.4.1.2.1 must be submitted as part of the Measurement and Verification Plan, which shall be reviewed by the ISO to ensure consistency with the measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals.

#### **III.13.1.4.1.2.2. Initial Analysis for Certain New Demand Resources**

For each New Demand Resource that is a Real-Time Demand Response Resource or a Real-Time Emergency Generation Resource, , the ISO shall perform an analysis based on the information provided in the New Demand Resource Show of Interest Form to determine the amount of capacity that the resource could provide by the start of the associated Capacity Commitment Period. This analysis shall be performed consistent with the criteria and conditions described in ISO New England Planning Procedures. Where, as a result of this analysis, the ISO determines that because of overlapping interconnection impacts, such a New Demand Resource that is otherwise accepted for participation in the Forward Capacity Auction in accordance with the other provisions and requirements of this Section III.13.1 cannot deliver any of the capacity that it would otherwise be able to provide (in the absence of the other relevant Existing Capacity Resources), then that New Demand Resource will not be accepted for participation in the Forward Capacity Auction.

#### **III.13.1.4.1.3. Special Provisions for Real-Time Emergency Generation Resources.**

All Real-Time Emergency Generation Resources shall be treated in the same manner as Existing Demand Resources in the Forward Capacity Auction as described in Section III.13.2. Real-Time Emergency Generation Resources may: (i) submit Static De-list Bids pursuant to Section III.13.1.2.3.1.1, (ii) submit Dynamic De-list Bids pursuant to Section III.13.2.3.2(d), or (iii) submit Permanent De-list Bids pursuant to Section III.13.1.2.3.1.2. Real-Time Emergency Generation Resources may not submit an Export Bid pursuant to Section III.13.1.2.3.1.3 or an Administrative Export De-list Bid pursuant to Section III.13.1.2.3.1.4. Real-Time Emergency Generation Resources may not import capacity pursuant to Section III.13.1.3. A Real-Time Emergency Generation Resource may not participate in a reconfiguration auction. Such resources may participate in a Capacity Supply Obligation Bilateral as either a Capacity Transferring Resource or a Capacity Acquiring Resource, provided, however, that where a Real-Time Emergency Generation Resource participates in a Capacity Supply Obligation Bilateral as a Capacity Acquiring Resource, the Capacity Transferring Resource must also be a Real-Time Emergency Generation Resource. Such resources may not be Supplemental Capacity Resources. Real-Time Emergency Generation Resources that are New Demand Resources as defined in Section III.13.1.4.1.2



shall be subject to the qualification and financial assurance requirements applicable to New Demand Resources.

#### **III.13.1.4.2. Show of Interest Form for New Demand Resources.**

For each resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Demand Resource, the Project Sponsor must submit to the ISO a New Demand Resource Show of Interest Form as described in this Section III.13.1.4.2 during the New Capacity Show of Interest Submission Window, as described in Section III.13.1.10. The ISO may waive the submission of any information not required for evaluation of a project. The New Demand Resource Show of Interest Form is available on the ISO website.

(a) A completed New Demand Resource Show of Interest Form shall include, but is not limited to, the following information: project name; Load Zone within which the Demand Resource project will be located; beginning with the Forward Capacity Auction for the Capacity Commitment Period starting June 1, 2013, the Dispatch Zone within which a Real-Time Demand Response Resource and a Real-Time Emergency Generation Resource will be located; estimated summer and winter Demand Reduction Values (MW) (measured at the customer meter and not including losses or reserve margin credit) expected to be achieved five weeks prior to the first and second annual Forward Capacity Auctions after the Forward Capacity Auction in which the Demand Resource Project Sponsor's capacity award would be made, if applicable, and on the Commercial Operation date; Demand Resource type (On-Peak Demand Resource, Seasonal Peak Demand Resource, Real-Time Demand Response Resource or Real-Time Emergency Generation Resource); brief Demand Resource project description including measure type (i.e., Energy Efficiency, Load Management, and/or Distributed Generation), customer classes and end-uses served; expected Commercial Operation date – i.e., the date by which the Project Sponsor expects to reach Commercial Operation (Commercial Operation for a Demand Resource shall mean the demonstration to the ISO by the Project Sponsor that the Demand Resource described in the Project Sponsor's New Demand Resource Qualification Package has achieved its full Demand Reduction Value); ISO Market Participant status and ISO customer identification (if applicable); status under Schedules 22 or 23 of the Transmission, Markets and Services Tariff (if applicable); with regard to the first Forward Capacity Auction, whether the Project Sponsor elects to have the resource treated as an Existing Demand Resource; project/technical and credit/financial contacts; and for individual Distributed Generation projects and Demand Resource projects from a single facility with a Demand Reduction Value equal to or greater than 5 MW, the Pnode and service address at which the end-use facility is located.

#### **III.13.1.4.2.1. Qualification Package for Existing Demand Resources.**

For each resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as an Existing Demand Resource, the Project Sponsor must submit an Existing Capacity Qualification Package no later than the Existing Capacity Qualification Deadline. The Existing Capacity Qualification Package for an Existing Demand Resource shall conform to the requirements of Section III.13.1.4.1. All Existing Demand Resources must provide a Measurement and Verification Plan which complies with the ISO's measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals.

#### **III.13.1.4.2.2. Qualification Package for New Demand Resources.**

For each resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Demand Resource, the Project Sponsor must submit a New Demand Resource Qualification Package no later than the New Capacity Qualification Deadline. The New Demand Resource Qualification Package shall conform to the requirements of this Section III.13.1.4.2.2. The ISO may waive the submission of any information not required for evaluation of a project.

##### **III.13.1.4.2.2.1. Demand Resource Project Description.**

The Project Sponsor must provide a project description which includes, but is not limited to, the following information: location (Load Zone within which the Demand Resource project will be located, and, beginning with the Forward Capacity Auction for the Capacity Commitment Period starting June 1, 2012, the Dispatch Zone within which the Real-Time Demand Response Resource and a Real-Time Emergency Generation Resource will be located); Demand Resource type (On-Peak Demand Resource, Seasonal Peak Demand Resource, Critical Peak Demand Resource, Real-Time Demand Response Resource, or Real-Time Emergency Generation Resource); types of measures that will be implemented (i.e., Energy Efficiency, Load Management, Distributed Generation); types of facilities at which the measures will be implemented; estimated summer and winter Demand Reduction Values (kW) per measure and/or per customer facility (measured at the customer meter), including supporting documentation (e.g., engineering estimates or documentation of verified savings from comparable projects) to substantiate the reasonableness of the estimated Demand Reduction Value; estimated total summer and winter Demand Reduction Value of the Demand Resource project; capability and experience of the Project Sponsor.

##### **III.13.1.4.2.2.2. Source of Funding.**

The Project Sponsor must provide source of funding which includes, but is not limited to, the following information: The source(s) of public benefits funding or private financing, or a funding plan supplemented by information on how previous projects were funded; A completed ISO credit application.

#### **III.13.1.4.2.2.3. Measurement and Verification Plan.**

The Project Sponsor must provide a Measurement and Verification Plan which complies with the ISO's measurement and verification requirements pursuant to Section III.13.1.4.3, Section III.8 and the ISO New England Manuals.

#### **III.13.1.4.2.2.4. Customer Acquisition Plan.**

A Project Sponsor with more than a single customer must provide a description of its plan to acquire customers that includes, but is not limited to, the following information: a description of proposed customer market; the estimated size of target market and supporting documentation; a marketing plan with supporting documentation describing the manner in which customers will be recruited; and evidence supporting the viability of the marketing plan.

#### **III.13.1.4.2.2.4.1. Individual Distributed Generation Projects and Demand Resource Projects From a Single Facility With A Demand Reduction Value Greater Than or Equal to 5 MW.**

For individual Distributed Generation projects and Demand Resource projects from a single facility with a Demand Reduction Value greater than or equal to 5 MW the critical path schedule requirements and the monitoring and milestones are the same as those required for New Generating Capacity Resources as set forth in Section III.13.1.1.2.2.2.

#### **III.13.1.4.2.2.4.2. Demand Resource Projects Involving Multiple Facilities and Demand Resource Projects From a Single Facility With A Demand Reduction Value Less Than 5 MW.**

A critical path schedule for Demand Resource projects installed at multiple facilities and Demand Resource projects from a single facility with a Demand Reduction Value of less than 5 MW shall be comprised of a delivery schedule of the share of total offered Demand Reduction Value achieved as of target dates which are: (i) The cumulative percentage of total Demand Reduction Value achieved on target date 1 occurring five weeks prior to the first annual Forward Capacity Auction after the Forward Capacity Auction in which the Demand Resource Project Sponsor's capacity award was made; (ii) The cumulative percentage of total Demand Reduction Value achieved on target date 2 occurring five weeks

prior to the second annual Forward Capacity Auction after the Forward Capacity Auction in which the Demand Resource Project Sponsor's capacity award was made; and (iii) target date 3 which is the expected Commercial Operation date, which must be on or before the first day of the relevant Capacity Commitment Period and by which date 100% of total Demand Reduction Value must be complete

**III.13.1.4.2.2.4.3. Additional Requirement For Demand Resource Project Sponsor Proposing Total Demand Reduction Value of 30 Percent or Less by the Second Target Date.**

If a Demand Resource Project Sponsor proposes in its New Demand Resource Qualification Package a cumulative Percent of Total Demand Reduction Value Complete that is 30 percent or less by the second critical path schedule target date, then a pipeline analysis must be submitted to the ISO five weeks prior to the second annual Forward Capacity Auction after the Forward Capacity Auction in which the award was made. A pipeline analysis demonstrates the Demand Resource Project Sponsor's ability to fulfill its obligation to deliver capacity that cleared in a Forward Capacity Auction by the relevant Capacity Commitment Period. Such an analysis must list the customers that have made a commitment to participate in the Demand Resource Project Sponsor's program to deliver capacity to meet the Demand Resource Project Sponsor's Forward Capacity Auction obligations, and must include each customer's projected summer and winter Demand Reduction Values, and expected measure installation date; provided, however, that a Demand Resource Project Sponsor targeting customer facilities with under 10 kW of Demand Reduction Value per facility shall have the option of using a targeting and marketing plan based on past performance in that market to determine the Project Sponsor's ability to fulfill its obligation by the relevant Capacity Commitment Period. To the extent that the Demand Resource Project Sponsor is unable to demonstrate through its pipeline analysis that it has sufficient customers to meet its Capacity Supply Obligation by the beginning of the relevant Capacity Commitment Period, the Demand Resource Project Sponsor shall be subject to the ISO's critical path schedule monitoring procedures, as specified in Section III.13.3 of Market Rule 1.

**III.13.1.4.2.2.5. Capacity Commitment Period Election.**

In the New Demand Resource Qualification Package, the Project Sponsor must specify whether, if its New Demand Resource offer clears in the Forward Capacity Auction, the associated Capacity Supply Obligation and Capacity Clearing Price (indexed for inflation) shall continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, for up to four additional and consecutive Capacity Commitment Periods, in whole Capacity Commitment Period increments only. If no such election is made in the New Demand Resource Qualification Package, the

Capacity Supply Obligation and Capacity Clearing Price associated with the New Demand Resource offer shall apply only for the Capacity Commitment Period associated with the Forward Capacity Auction in which the New Demand Resource offer clears. If the Project Sponsor elects to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, then the Project Sponsor may not change the Demand Resource type as long as that Capacity Supply Obligation and Capacity Clearing Price continue to apply, provided, however, that a Project Sponsor with a Capacity Supply Obligation and Capacity Clearing Price associated with a cleared Critical Peak Demand Resource that would continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the Critical Peak Demand Resource offer cleared may change that resource's Demand Resource type once pursuant to Section III.13.1.4.7. If an offer from a New Demand Resource clears in the Forward Capacity Auction, the capacity associated with the resulting Capacity Supply Obligation may not be subject to any type of de-list or export bid in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply pursuant to this Section III.13.1.4.2.2.5.

**III.13.1.4.2.2.6.            Rationing Election.**

The Project Sponsor for a New Demand Resource must indicate in the New Demand Resource Qualification Package if an offer from the New Demand Resource may be rationed. A Project Sponsor may specify a single MW quantity to which offers may be rationed. Without such indication, offers will only be accepted or rejected in whole. This rationing election shall apply for the entire Forward Capacity Auction.

**III.13.1.4.2.3.            Consistency of the New Demand Resource Qualification Package and New Demand Resource Show of Interest Form.**

The ISO shall review the Project Sponsor's New Demand Resource Qualification Package for consistency with its New Demand Resource Show of Interest Form. The New Demand Resource Qualification Package may not contain material changes relative to the New Demand Resource Show of Interest Form. A material change may include, but is not limited to the following: (i) a change in the designation of the Demand Resource type; (ii) a change in the Project Sponsor, subject to review by the ISO of the capability and experience of the new Project Sponsor; (iii) a change in the Load Zone within which the project is located, and beginning with the Forward Capacity Auction for the Capacity Commitment Period starting June 1, 2013, a change in the Dispatch Zone within which the Real-Time Demand Response Resource and a Real-Time Emergency Generation Resource is located; (iv) a change in the total summer

or winter Demand Reduction Value of the project by more than 30 percent (for the Forward Capacity Auction for the Capacity Commitment Period starting June 1, 2012, a Real-Time Demand Response or Real-Time Emergency Generation project's total Demand Reduction Value by Load Zone as represented in the New Demand Resource Show of Interest Form deviating from the sum of its Demand Reduction Values by Dispatch Zones contained within the Load Zone by more than 30 percent); (v) a change in the general type of measure being implemented (e.g., Energy Efficiency, Load Management, Distributed Generation); (vi) a change in the treatment as an Existing Demand Resource for the first Forward Capacity Auction; or (viii) a misrepresentation of the interconnection status of a Distributed Generation project.

#### **III.13.1.4.2.4. Offers From New Demand Resources Below 0.75 Times CONE.**

(a) All New Demand Resources that might submit offers in the Forward Capacity Auction at prices below 0.75 times CONE must have included such offers in the New Demand Resource Qualification Package in the form of a supply curve (up to five price-quantity pairs) for all prices below 0.75 times CONE. The supply curve may in no case increase the quantity offered as the price decreases. During the Forward Capacity Auction, at each price below 0.75 times CONE, a New Demand Resource may not offer more capacity than submitted in its New Demand Resource Qualification Package at that price. Any offer below 0.75 times CONE from a New Demand Resource that was not submitted during qualification will be removed from the Forward Capacity Auction. A New Demand Resource may not change offers below 0.75 times CONE or supporting documentation after the New Capacity Qualification Deadline.

(b) The Internal Market Monitor shall review each offer from New Demand Resources below 0.75 times CONE. The Internal Market Monitor shall determine whether the offer is consistent with the long run average costs of that resource net of expected net revenues for its Demand Reduction Value other than capacity revenues. The Internal Market Monitor will consider reductions in costs such as reduced taxes in determining expected net revenues. Expected net revenues considered in this determination shall only include net revenues that are: (i) tradeable throughout the New England Control Area or not restricted to resources within a particular state or other geographic sub-region; and (ii) available to all resources of the same physical type within the New England Control Area, regardless of the resource owner. Expected net revenues shall include economic development incentives that are offered broadly by state or local government and that are not expressly intended to reduce prices in the Forward Capacity Market. In estimating expected net revenues other than capacity revenues, the Internal Market Monitor shall consider whether any contract revenues relied on by the New Demand Resource reasonably represent the market price for the non-capacity products or services provided. If the Internal Market

Monitor determines that the offer is not consistent with the long run average costs net of expected net revenues for its Demand Reduction Value other than capacity revenues, as described above, then the amount of capacity clearing from that offer shall be considered Out-of-Market Capacity for purposes of determining the applicability of the Alternative Capacity Price Rule, as discussed in Section III.13.2.7.8. Sufficient documentation and information must be included in the resource's qualification package to allow the Internal Market Monitor to make such a determination. Such documentation should include all relevant financial estimates and cost projections for the project, including the project's pro-forma financing support data. The long run average cost of a New Demand Resource shall be that resource's total cost (including opportunity costs, as appropriate) minus the customer's avoided electric energy charge at the point of delivery, on a levelized, net present value basis over the resource's Measure Life.

#### **III.13.1.4.2.5. Notification of Qualification for Demand Resources.**

##### **III.13.1.4.2.5.1. Evaluation of Demand Resource Qualification Materials.**

The ISO shall review the information submitted by Existing Demand Resources and New Demand Resources and shall determine whether the information submitted complies with the requirements set forth in this Section III.13.1.4 and whether, based on the information provided, the Demand Resource is accepted for participation in the Forward Capacity Auction. In making these determinations, the ISO may consider, but is not limited to consideration of, the following:

- (a) whether the information submitted by Existing Demand Resources and New Demand Resources is accurate and contains all of the elements required by this Section III.13.1.4;
- (b) whether the critical path schedule submitted by New Demand Resources includes all necessary elements and is sufficiently developed;
- (c) whether the milestones in the critical path schedule submitted by New Demand Resources are reasonable and likely to be met;
- (d) whether, in the case of a resource previously listed as a capacity resource, the requirements for treatment as a New Demand Resource are satisfied; and
- (e) whether the Measurement and Verification Plan complies with the ISO's measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals.

#### **III.13.1.4.2.5.2. Notification of Qualification for Existing Demand Resources.**

For each Existing Demand Resource, the ISO will notify the Resource's Lead Market Participant no later than 15 Business Days before the Existing Capacity Qualification Deadline of: (i) Demand Resource type; and (ii) summer and winter Demand Reduction Values and estimates of summer and winter Qualified Capacity as defined in Section III.13.1.4.3 and the Load Zone in which the Capacity Resource is located, and beginning with the Forward Capacity Auction for the Capacity Commitment Period starting June 1, 2015, the Dispatch Zone within which a Real-Time Demand Response Resource and a Real-Time Emergency Generation Resource is located. If the Lead Market Participant believes that an ISO-determined summer Qualified Capacity or winter Qualified Capacity for an Existing Demand Resource does not accurately reflect the determination described in Section III.13.1.4.3, then the Lead Market Participant must notify the ISO within 5 Business Days of receipt of the Qualified Capacity notification. If an Existing Demand Resource is not submitting a change in its Demand Resource type, a Permanent De-List Bid or Static De-List Bid for the Forward Capacity Auction, then no further submissions or actions for that resource are necessary, and the resource shall participate in the Forward Capacity Auction as described in Section III.13.2.3.2(c) with Qualified Capacity as indicated in the ISO's notification, and may not elect to have the Capacity Supply Obligation and Capacity Clearing Price apply after the Capacity Commitment Period associated with the Forward Capacity Auction. If a Market Participant believes that the Demand Reduction Value or Qualified Capacity for an Existing Demand Resource is inaccurate or wishes to change its Demand Resource type, the Market Participant must notify the ISO within 5 Business Days of receipt of the Qualified Capacity notification and submit an Updated Measurement and Verification Plan to reflect the change in its Demand Resource type, if applicable. For the first Forward Capacity Auction, such Updated Measurement and Verification Plans must be received by the ISO no later than June 15, 2007; for every Forward Capacity Auction thereafter, such Updated Measurement and Verification Plans must be received by the ISO no later than 5 Business Days after receipt of the Qualified Capacity notification. Designation of the Demand Resource type may not be changed during the Capacity Commitment Period.

#### **III.13.1.4.2.5.3. Notification of Qualification for New Demand Resources.**

No later than 127 days prior to the relevant Forward Capacity Auction, the ISO shall send notification to Project Sponsors for each New Demand Resource indicating whether the New Demand Resource has been accepted for participation in the Forward Capacity Auction.

#### **III.13.1.4.2.5.3.1. Notification of Acceptance to Qualify of a New Demand Resource.**



For a New Demand Resource accepted for participation in the Forward Capacity Auction, the notification will specify the Demand Resource's summer and winter Demand Reduction Value and summer and winter Qualified Capacity. Designation of the Demand Resource type may not be changed during the Capacity Commitment Period.

**III.13.1.4.2.5.3.2. Notification of Failure to Qualify of a New Demand Resource.**

For a New Demand Resource not accepted for participation in the Forward Capacity Auction, the notification will provide an explanation as to why the resource did not meet the requirements set forth in this Section III.13.1.4 and was not accepted.

**III.13.1.4.3. Measurement and Verification Applicable to All Demand Resources.**

To demonstrate the Demand Reduction Value of a Demand Resource project, as defined in Section III.13.1.4.1, all Demand Resources participating in the Forward Capacity Auction, Capacity Supply Obligation Bilaterals or reconfiguration auctions shall submit to the ISO the Demand Resource project Measurement and Verification Documents in accordance with this Section III.13.1.4.3, Section III.8 and the ISO New England Manuals. The ISO shall review such Measurement and Verification Documents to determine whether they are consistent with the measurement and verification requirements set forth in this Section III.13.1.4.3, Section III.8 and the ISO New England Manuals.

**III.13.1.4.3.1. Measurement and Verification Documents.**

Measurement and Verification Documents must demonstrate both availability and performance of Demand Resource projects in reducing demand coincident with Demand Resource On-Peak Hours, Demand Resource Seasonal Peak Hours, Demand Resource Critical Peak Hours, Real-Time Demand Response Event Hours, or Real-Time Emergency Generation Event Hours, such that the reported monthly Demand Reduction Value shall achieve at least a ten percent relative precision and an eighty percent confidence interval as described and applied in the ISO New England Manual on Measurement and Verification of Demand Reduction Value from Demand Resources. The Measurement and Verification Documents shall serve as the basis for the claimed Demand Reduction Value of a Demand Resource project. The Measurement and Verification Documents shall document the measurement and verification performed to verify the achieved Demand Reduction Value of the Demand Resource project. The Measurement and Verification Documents shall contain a projection of the Demand Resource project's Demand Reduction Value for each month of the Capacity Commitment Period and over the expected Measure Life of the Demand Resource project. The Measurement and Verification Documents shall affirm that the siting, interconnection, and operation of the Demand Resource project complies with all

applicable federal, state, and local regulatory, siting, and tariff requirements, including interconnection tariff requirements. A Demand Resource's Measurement and Verification Documents must describe the methodology used to calculate electrical energy load reduction or output during Demand Resource On-Peak Hours, Demand Resource Seasonal Peak Hours, Demand Resource Critical Peak Hours, Real-Time Demand Response Event Hours, or Real-Time Emergency Generation Event Hours. The Measurement and Verification Documents shall include a Measurement and Verification Plan submitted in the Forward Capacity Auction Qualification, as described in Section III.13.1.4.3 and a monthly Measurement and Verification Summary Report during the Capacity Commitment Period. The monthly Measurement and Verification Summary Reports shall reference the measurement and verification protocols and performance data documented in the Measurement and Verification Plan or the Measurement and Verification Reference Report(s). Such monthly Measurement and Verification Summary Reports will document the Demand Resource Project Sponsor's total Demand Reduction Value from eligible pre-existing measures and new measures, and the Project Sponsor's total Demand Reduction Value from both eligible pre-existing measures and new measures, for all measures it had in operation as of the end of the previous month. The monthly Measurement and Verification Summary Reports shall be based on Measurement and Verification Documents determined in accordance with Market Rule 1 and the ISO New England Manuals, and shall be the basis for monthly settlement with Demand Resource Project Sponsors. All Measurement and Verification Documents shall conform to the ISO's specifications with respect to content, format and delivery methodology, and shall be submitted in accordance with the timelines and deadlines set forth in Market Rule 1 and the ISO New England Manuals.

#### **III.13.1.4.3.1.1. Optional Measurement and Verification Reference Reports.**

At the option of the Demand Resource Project Sponsor, the Measurement and Verification Documents may also include one or more Measurement and Verification Reference Report(s) submitted during the Capacity Commitment Period subject to the schedule in the Measurement and Verification Plan and consistent with the schedule and reporting standards set forth in the ISO New England Manuals. Measurement and Verification Reference Reports shall update the prospective Demand Reduction Value of the Demand Resource project based on measurement and verification studies performed during the Capacity Commitment Period.

#### **III.13.1.4.3.1.2. Updated Measurement and Verification Documents.**

At the option of the Demand Resource Project Sponsor, an Updated Measurement and Verification Plan may be submitted during a subsequent Forward Capacity Auction qualification process prior to the beginning of the Capacity Commitment Period of the Demand Resource project. The Updated

Measurement and Verification Plan may include updated Demand Resource project specifications, measurement and verification protocols, and performance data. However, the Updated Measurement and Verification Plan shall not modify for the duration of the Capacity Commitment Period the total Demand Reduction Value and the Demand Resource type from the applicable Forward Capacity Auction in which the Demand Resource Project Sponsor's offer cleared. Additionally, the Updated Measurement and Verification Plan shall provide measurement and verification consistent with the requirements specified in the ISO New England Manuals, and shall be comparable to the quality of the original Measurement and Verification Plan accepted during the Forward Capacity Auction qualification process in which the Demand Resource project cleared the Forward Capacity Auction.

**III.13.1.4.3.1.2.1. Annual Certification of Accuracy of Measurement and Verification Documents.**

Demand Resource Project Sponsors shall submit no less frequently than once per year, a statement certifying that the Demand Resource projects for which the Project Sponsor is requesting compensation continue to perform in accordance with the submitted Measurement and Verification Documents reviewed by the ISO. One such statement must be received by the ISO no later than 10 Business Days before the Existing Capacity Qualification Deadline. For Demand Resource projects targeting customer facilities with greater than or equal to 10 kW of Demand Reduction Value per facility, Demand Resource Project Sponsors shall maintain records of retail customers served including, at a minimum, the retail customer's address, the customer's utility distribution company, utility distribution company account identifier, measures installed, and corresponding monthly Demand Reduction Values. For Demand Resource projects targeting customer facilities with under 10 kW of Demand Reduction Value per facility, the Demand Resource Project Sponsor shall maintain records as described above for customer facilities with greater than or equal to 10 kW of Demand Reduction Value per facility, or shall maintain records of aggregated Demand Reduction Value and measures installed by Load Zone and meter domain. Demand Resource Project Sponsors shall maintain such records until the end of the Measure Life, or until the Demand Resource is permanently de-listed from the Forward Capacity Market, and shall submit such records to the ISO upon request in a readable electronic format.

**III.13.1.4.3.1.3. Measurement and Verification Documentation of Demand Reduction Values.**

The Demand Resource Project Sponsor shall designate the specific methodology used to establish Demand Reduction Values, including the specification of Demand Resource On-Peak Hours for On-Peak Demand Resources, Demand Resource Seasonal Peak Hours for Seasonal Peak Demand Resources,

Demand Resource Critical Peak Hours for Critical Peak Demand Resources, Real-Time Demand Response Event Hours for Real-Time Demand Response Resources, or Real-Time Emergency Generation Event Hours for Real-Time Emergency Generation Resources, in its Measurement and Verification Plan pursuant to Section III.13.1.4.3. Distributed Generation, Real-Time Demand Response, and Real-Time Emergency Generation Resource projects must include individual metering or a metering protocol consistent with the measurement and verification requirements set forth in Market Rule 1 and the ISO New England Manuals to monitor and verify the Demand Reduction Values of the Demand Resource project.

**III.13.1.4.3.1.3.1. No Performance Data to Determine Demand Reduction Values.**

Should a new Demand Resource enter service at a time such that there is no performance data for June, July, August, December or January upon which to establish summer or winter seasonal Demand Reduction Values, and the Demand Resource has relieved itself of its Capacity Supply Obligation for those months through a Capacity Supply Obligation Bilateral or reconfiguration auction, then the summer or winter seasonal Demand Reduction Values will be the simple average of its Demand Reduction Values for those months with a Capacity Supply Obligation. For a new Demand Resource that enters service outside of the summer DR Auditing Period or winter DR Auditing Period and the Demand Resource has relieved itself of its Capacity Supply Obligation for those months through a Capacity Supply Obligation Bilateral or reconfiguration auction, the Demand Resource Commercial Operation Audit results shall be used in the determination of the summer or winter seasonal Demand Reduction Value.

**III.13.1.4.3.1.3.2. ISO Review of Measurement and Verification Documents.**

The ISO shall review the Measurement and Verification Documents and complete such review and identify any necessary modifications in accordance with the Forward Capacity Auction qualification process as described in Section III.13.1 and pursuant to the ISO New England Manuals. In its review of the Measurement and Verification Documents, the ISO may consult with the Project Sponsor to seek clarification, to gather additional necessary information, or to address questions or concerns arising from the materials submitted. At the discretion of the ISO, the ISO may consider revisions or additions to the Measurement and Verification Documents resulting from such consultation; provided, however, that in no case shall the ISO consider revisions or additions to the Measurement and Verification Documents if the ISO believes that such consideration cannot be properly accomplished within the time periods established for the qualification process.

**III.13.1.4.3.1.3.3. Measurement and Verification Costs.**

Costs associated with measurement and verification of the Demand Resource project shall be borne by the Demand Resource Project Sponsor. Demand Resource Project Sponsors submitting application materials and Measurement and Verification Documents for review during the Forward Capacity Auction qualification process shall be subject to the Qualification Process Cost Reimbursement Deposit, as described in Section III.13.1.9.3.

#### **III.13.1.4.4. Dispatch of Active Demand Resources During Event Hours.**

##### **III.13.1.4.4.1. Notification of Demand Resource Forecast Peak Hours.**

The ISO shall issue notice to Market Participants concerning Demand Resource Forecast Peak Hours on the day before the relevant Operating Day. The notice issued pursuant to this section is for informational purposes only and shall not constitute a Dispatch Instruction.

##### **III.13.1.4.4.2. Dispatch of Demand Resources During Real-Time Demand Resource Dispatch Hours.**

The ISO shall issue Dispatch Instructions to Market Participants with Critical Peak Demand Resources and Real-Time Demand Response Resources to curtail and restore loads during Real-Time Demand Resource Dispatch Hours. Dispatch Instructions shall apply to specific Critical Peak Demand Resources and to Real-Time Demand Response Resources. The amount of Demand Resources dispatched for each Real-Time Demand Resource Dispatch Hour will be the amount that the ISO determines is necessary to meet the reserve deficiency. The ISO may issue Dispatch Instructions that reduce or increase the amount dispatched in each hour.

##### **III.13.1.4.4.3. Dispatch of Demand Resources During Real-Time Emergency Generation Event Hours.**

The ISO shall issue Dispatch Instructions to Market Participants with Real-Time Emergency Generation Resources to curtail and restore loads during Real-Time Emergency Generation Event Hours. Dispatch Instructions shall apply to specific Real-Time Emergency Generation Resources. The amount of Real-Time Emergency Generation Resources dispatched for each Real-Time Emergency Generation Event Hour will be the amount the ISO determines is necessary to meet the reserve deficiency.

##### **III.13.1.4.5. Selection of Active Demand Resources For Dispatch.**

#### **III.13.1.4.5.1. Management of Real-Time Demand Response Assets and Real-Time Demand Response Resources.**

A Market Participant must manage its Real-Time Demand Response Assets that are registered as a component of a Real-Time Demand Response Resource as of the first of a month so that the Real-Time Demand Response Resource complies with Dispatch Instructions. If the operation or potential operation of Real-Time Demand Response Assets cause, or potentially cause, a reliability problem, the ISO may direct Market Participants to not dispatch such assets or to restore the loads of such assets that have already been dispatched. If the ISO directs a Market Participant to not dispatch a Real-Time Demand Response Asset or to restore the load of a dispatched Real-Time Demand Response Asset, an adjustment to the dispatch and/or settlement process will be made to reflect the exclusion of that asset from dispatch or the restoration of that asset. Market Participants with Real-Time Demand Response Assets shall report to the ISO the load reduction and consumption, or generator output of each asset. Market Participants with Real-Time Demand Response Resources consisting of an aggregation of more than one Real-Time Demand Response Asset shall report the load reduction and consumption, or generator output of the resource, to the ISO as the sum of the load reduction, consumption, or generator output of the individual assets making up that resource. Real-Time Demand Response Resources shall be assigned a unique resource identification number. The load reduction and consumption, or generator output of a Real-Time Demand Response Resource is reported to the ISO as a single set of values. A Real-Time Demand Response Resource shall consist of one or more Real-Time Demand Response Assets that are located within the same Load Zone. Beginning on June 1, 2011, a Real-Time Demand Response Resource shall consist of one or more Real-Time Demand Response Assets that are located within the same Dispatch Zone.

#### **III.13.1.4.5.2. Management of Real-Time Emergency Generation Assets and Real-Time Emergency Generation Resources.**

A Market Participant must manage its Real-Time Emergency Generation Assets that are registered as a component of a Real-Time Emergency Generation Resource as of the first of a month so that the Real-Time Emergency Generation Resource complies with Dispatch Instructions. If the operation or potential operation of Real-Time Emergency Generation Assets causes, or potentially causes, a reliability problem, the ISO may direct Market Participants to not dispatch such assets or to discontinue the output of such assets that have already been dispatched. If the ISO directs a Market Participant to not dispatch a Real-Time Emergency Generation Asset or to discontinue the output of a dispatched Real-Time Emergency Generation Asset, an adjustment to the dispatch and/or settlement process will be made to reflect the exclusion of that asset from dispatch or the discontinued output of that asset. Market Participants with

Real-Time Emergency Generation Assets shall report to the ISO the load reduction and consumption, or generator output of each asset. Market Participants with Real-Time Emergency Generation Resources consisting of an aggregation of more than one Real-Time Emergency Generation Asset shall report the generator output of the resource to the ISO as the sum of the generator outputs of the individual assets making up that resource. Real-Time Emergency Generation Resources shall be assigned a unique resource identification number. The generator output of a Real-Time Emergency Generation Resource is reported to the ISO as a single set of values. A Real-Time Emergency Generation Resource shall consist of one or more Real-Time Emergency Generation Assets that are located within the same Load Zone. Beginning on June 1, 2011, a Real-Time Emergency Generation Resource shall consist of one or more Real-Time Emergency Generation Assets that are located within the same Dispatch Zone.

#### **III.13.1.4.5.3. Dispatch of Critical Peak Demand Resources.**

Market Participants with Critical Peak Demand Resources shall dispatch all of their Critical Peak Demand Resources during system-wide Real-Time Demand Resource Dispatch Hours. During Dispatch Zone or Load Zone Real-Time Demand Resource Dispatch Hours, Market Participants shall dispatch all Critical Peak Demand Resources within the affected Load Zone. Market Participants are responsible for monitoring system conditions and dispatching all applicable Critical Peak Demand Resources during Dispatch Zone, Load Zone, or system-wide Real-Time Demand Resource Dispatch Hours. Notwithstanding the above, the ISO shall notify Market Participants with Critical Peak Demand Resources and Real-Time Demand Resource Dispatch Hours using electronic notification, such as email, and through notices posted on the ISO's website.

#### **III.13.1.4.6. Conversion of Active Demand Resources Defined at the Load Zone to Active Demand Resources Defined at Dispatch Zones.**

##### **III.13.1.4.6.1. Establishment of Dispatch Zones.**

The ISO shall establish Dispatch Zones that reflect potential transmission constraints within a Load Zone that are expected to exist during each Capacity Commitment Period. Dispatch Zones shall be used to establish the geographic location and dispatch of Real-Time Demand Response Resources and Real-Time Emergency Generation Resources. Dispatch Zones shall not change during a Capacity Commitment Period. For the Capacity Commitment Period beginning June 1, 2011, the ISO shall establish and publish Dispatch Zones by November 7, 2008. For the Capacity Commitment Period beginning June 1, 2012, the ISO shall establish and publish Dispatch Zones by January 14, 2009. For each Capacity Commitment Period thereafter, the ISO shall establish and publish Dispatch Zones by the beginning of the New

Capacity Show of Interest Submission Window of the applicable Forward Capacity Auction. The ISO will review proposed Dispatch Zones with Market Participants prior to establishing and publishing final Dispatch Zones.

**III.13.1.4.6.2. Disaggregation of Real-Time Demand Response Resources and Real-Time Emergency Generation Resources From Load Zones to Dispatch Zones.**

**III.13.1.4.6.2.1. Real-Time Demand Response Resource Disaggregation.**

Beginning with the Capacity Commitment Period starting June 1, 2011, Market Participants with a Capacity Supply Obligation that is being fulfilled using a Real-Time Demand Response Resource in a Load Zone shall, prior to the start of the relevant Capacity Commitment Period, disaggregate that Real-Time Demand Response Resource into one or more Real-Time Demand Response Resources located within one or more Dispatch Zones within the original Load Zone. The sum of the Capacity Values of the disaggregated Real-Time Demand Response Resources located within one or more Dispatch Zones within the Load Zone must be equal to the initial Capacity Supply Obligation within the original Load Zone. If the sum of the Capacity Values of the disaggregated Real-Time Demand Response Resources located within one or more Dispatch Zones within a Load Zone is less than the initial Capacity Supply Obligation by the start of the relevant Capacity Commitment Period, and the Market Participant does not transfer the entire difference through a Capacity Supply Obligation Bilateral or an annual reconfiguration auction by the beginning of the relevant Capacity Commitment Period, then the Market Participant will be deemed to have failed to meet its Capacity Supply Obligation, in which case the ISO shall terminate the Market Participant's Capacity Supply Obligation associated with the resource in the amount of the difference (which shall then be entered into subsequent reconfiguration auctions), terminate the Market Participant's right to any payments associated with the terminated Capacity Supply Obligation, and retain any applicable financial assurance associated with the terminated Capacity Supply Obligation.

**III.13.1.4.6.2.2. Real-Time Emergency Generation Resource Disaggregation.**

Beginning with the Capacity Commitment Period starting June 1, 2011, Market Participants with a Capacity Supply Obligation that is being fulfilled using a Real-Time Emergency Generation Resource in a Load Zone shall, prior to the start of the relevant Capacity Commitment Period, disaggregate that Real-Time Emergency Generation Resource into one or more Real-Time Emergency Generation Resources located within one or more Dispatch Zones within the original Load Zone. The sum of the Capacity Values of the disaggregated Real-Time Emergency Generation Resources located within one or more Dispatch Zones within the Load Zone must be equal to the initial Capacity Supply Obligation within the



original Load Zone. If the sum of the Capacity Values of the disaggregated Real-Time Emergency Generation Resources located within one or more Dispatch Zones within a Load Zone is less than the initial Capacity Supply Obligation by the start of the relevant Capacity Commitment Period, and the Market Participant does not transfer the entire difference through a Capacity Supply Obligation Bilateral or an annual reconfiguration auction by the beginning of the relevant Capacity Commitment Period, then the Market Participant will be deemed to have failed to meet its Capacity Supply Obligation in which case the ISO shall terminate the Market Participant's Capacity Supply Obligation associated with the resource in the amount of the difference (which shall then be entered into subsequent reconfiguration auctions), terminate the Market Participant's right to any payments associated with the terminated Capacity Supply Obligation, and retain any applicable financial assurance associated with the terminated Capacity Supply Obligation.

#### **III.13.1.4.7. Critical Peak Demand Resource Conversion Date.**

The Critical Peak Demand Resource type will be eliminated as of the Capacity Commitment Period beginning on June 1, 2012. Market Participants with Critical Peak Demand Resources must convert those resources to a different Demand Resource type, except the Real-Time Emergency Generation Resource type, by the Existing Capacity Qualification Deadline for the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2012, or submit a Permanent De-list Bid for that Capacity Commitment Period at 2.0 times CONE. If a Market Participant with an existing Critical Peak Demand Resource does not change the Demand Resource type or submit a Permanent De-list Bid at 2.0 times CONE for the Capacity Commitment Period beginning June 1, 2012, a Permanent De-list Bid shall be entered at 2.0 times CONE for the Critical Peak Demand Resource. Project Sponsors of Critical Peak Demand Resources with a Capacity Supply Obligation for the Capacity Commitment Period beginning June 1, 2010 may convert such resources to a different Demand Resource type, except the Real-Time Emergency Generation Resource type, by submitting an Updated Measurement and Verification Plan to reflect the change in its Demand Resource type by the Existing Capacity Qualification Deadline for the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2012. Project Sponsors of Critical Peak Demand Resources with a Capacity Supply Obligation for the Capacity Commitment Period beginning June 1, 2011 may convert such resources to a different Demand Resource type, except the Real-Time Emergency Generation Resource type, by submitting an Updated Measurement and Verification Plan to reflect the change in its Demand Resource type by the Existing Capacity Qualification Deadline for the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2013. The ISO shall review such Updated Measurement and Verification Plans. To the extent that such Updated Measurement and Verification Plans are not consistent with the measurement

and verification requirements set forth in Section III.13.1.4.3 and the ISO New England Manuals, the proposed conversion of the Demand Resource type shall be rejected.

**III.13.1.4.7.1. Conversion of New Critical Peak Demand Resources for the Capacity Commitment Period Beginning June 1, 2012.**

Proposals for new Critical Peak Demand Resources, as indicated on New Demand Resource Show of Interest Forms for the Forward Capacity Auction related to the Capacity Commitment Period beginning June 1, 2012, shall be converted to new Real-Time Demand Response Resources. A Project Sponsor may reject the conversion of new Critical Peak Demand Resources to new Real-Time Demand Response Resources by withdrawing its new Demand Resource Show of Interest Form before the New Capacity Qualification Deadline and receive a full refund of the portion of its Qualification Process Cost Reimbursement Deposit related to the proposed new Critical Peak Demand Resource.

**III.13.1.4.8. Demand Resource Operable Capacity Analysis.**

The ISO shall perform a Demand Resource Operable Capacity Analysis, which estimates the expected dispatch hours of active Demand Resources given different assumed levels of Demand Resources clearing in the primary Forward Capacity Auction, prior to each primary Forward Capacity Auction. The Demand Resource Operable Capacity Analysis shall be performed: (i) on a system-wide and Load Zone basis, (ii) at least 30 business days prior to the Existing Capacity Qualification Deadline, with the exception that the Demand Resource Operable Capacity Analysis shall be performed at least 30 business days prior to the first day of the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2011, and (iii) based on the quantities of resources that cleared in the most recent Forward Capacity Auction and on the quantities of resources from recently submitted New Demand Resource Show of Interest Forms for the upcoming Forward Capacity Auction.

**III.13.1.4.8.1. Existing Active Demand Resources.**

Market Participants with existing Critical Peak, Real-Time Demand Response, and Real-Time Emergency Generation Demand Resources shall submit an Updated Measurement and Verification Plan to the ISO no later than 5 business days after receipt of the Qualified Capacity notification to establish the summer and winter Qualified Capacity amounts of their resources. Such Qualified Capacity amounts shall at least be based on the quantities of Demand Resources that cleared in the most recent Forward Capacity Auction.

**III.13.1.4.8.2. New Active Demand Resources.**

Project Sponsors of new Critical Peak, Real-Time Demand Response, and Real-Time Emergency Generation Demand Resources shall use the results of the ISO's most recent Demand Resource Operable Capacity Analysis to establish the Demand Reduction Values and Capacity Values of their project. To the extent the ISO's most recent Demand Resource Operable Capacity Analysis includes location-specific estimates of Demand Resource Critical Peak Hours, Real-Time Demand Response Event Hours, and/or Real-Time Emergency Generation Event Hours, the Project Sponsor shall use the appropriate location specific estimates of such hours in establishing the Demand Reduction Values and Capacity Values of their project. Such Demand Reduction Values and Capacity Values shall at least be based on the quantities of Demand Resources that cleared in the most recent Forward Capacity Auction. If the Qualification Package submitted by the Project Sponsor does not clearly describe how the ISO's most recent Demand Resource Operable Capacity Analysis results were used to establish the Demand Reduction Values and Capacity Values of their project, the ISO shall not qualify the project.

#### **III.13.1.4.8.3. Demand Resource Operable Capacity Analysis Results.**

The ISO shall perform a Demand Resource Operable Capacity Analysis, which estimates the expected dispatch hours of active Demand Resources given different assumed levels of Demand Resources clearing in the primary Forward Capacity Auction, prior to each primary Forward Capacity Auction. The Demand Resource Operable Capacity Analysis shall be performed: (i) on a system-wide and Load Zone basis, (ii) at least 30 business days prior to the Existing Capacity Qualification Deadline, with the exception that the Demand Resource Operable Capacity Analysis shall be performed at least 30 business days prior to the first day of the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2011, and (iii) based on the quantities of resources that cleared in the most recent Forward Capacity Auction and on the quantities of resources from recently submitted New Demand Resource Show of Interest Forms for the upcoming Forward Capacity Auction.

#### **III.13.1.4.9. Restrictions on Real-Time Demand Response Asset, Real-Time Emergency Generation Asset, On-Peak Demand Resource and Seasonal Peak Demand Resource Registration.**

A Market Participant may not register and, if previously registered, must retire in accordance with Section III.13.1.4.9.1, a Real-Time Demand Response Asset, Real-Time Emergency Generation Asset or asset associated with an On-Peak Demand Resource or Seasonal Peak Demand Resource that is comprised of:

- (a) the customers of Host Utilities that distributed more than 4 million MWh in the previous fiscal year if the relevant electric retail regulatory authority prohibits such customers' demand response to be bid into the ISO-administered markets or programs, or
- (b) the customers of Host Utilities that distributed 4 million MWh or less in the previous fiscal year, unless the relevant electric retail regulatory authority permits such customers' demand response to be bid into the ISO-administered markets or programs.

**III.13.1.4.9.1. Requirement for Real-Time Demand Response Asset, Real-Time Emergency Generation Asset, On-Peak Demand Resource and Seasonal Peak Demand Resource Retirement.**

A Market Participant must retire a previously registered Real-Time Demand Response Asset, Real-Time Emergency Generation Asset or asset associated with an On-Peak Demand Resource or Seasonal Peak Demand Resource that is comprised of customers specified in subsections (a) or (b) of Section III.13.1.4.9 no later than 12 months from the date that the ISO receives notice that the relevant electric retail regulatory authority prohibits such customer's demand response to be bid into the ISO-administered markets or programs or May 31, 2013, whichever is later.

**III.13.1.4.10. Providing Information On Real-Time Demand Response and Real-Time Emergency Generation Resource.**

If requested by a Market Participant with a registered Load Asset, the ISO will provide the following information about end use customers served by the Market Participant: (a) whether the end use customer's facility is registered with the ISO as part of an asset and whether the asset is associated with a Real-Time Demand Response Resource or Real-Time Emergency Generation Resource, and; (b) the load reduction capability of the asset, as specified in the ISO's asset registration system, to which the end-use customer's facility is registered.

**III.13.1.4.11. Assignment of Demand Assets to a Demand Resource.**

The following mapping provisions apply to Demand Resources.

- (a) When a demand asset can be mapped to more than one Demand Resource, any demand assets shall be mapped to a commercial Demand Resource whose demand reduction capability is less than the lower of (i) its commercial capacity, as reflected in the resource's highest audit value or (ii) its highest

Capacity Supply Obligation acquired for the current Capacity Commitment Period or any future Capacity Commitment Period, before being mapped to a non-commercial Demand Resource or non-commercial increment of a Demand Resource.

(b) A demand asset cannot be unmapped from a Demand Resource if, following the unmapping, the sum of the audit values of the remaining demand assets that are mapped to the Demand Resource would be lower than the resource's highest Capacity Supply Obligation acquired for the current Capacity Commitment Period or any future Capacity Commitment Period.

#### **III.13.1.5. Offers Composed of Separate Resources.**

Separate resources seeking to participate together in a Forward Capacity Auction shall submit a composite offer form no later than 10 Business Days after the date on which the ISO provides qualification determination notifications, as described in Section III.13.1.1.2.8, Section III.13.1.2.4, and Section III.13.1.2.4.5.3. Offers composed of separate resources may not be modified or withdrawn after the deadline for submission of the composite offer form. Separate resources may together participate in a Forward Capacity Auction as a single resource if the following conditions are met:

(a) In all months of the summer period (June through September where the summer resource is not a Demand Resource, April through November where the summer resource is a Demand Resource) of the Capacity Commitment Period, only one resource may be used to supply the amount of capacity offered during the entire summer period. In all months of the winter period (October through May where the summer resource is not a Demand Resource, December through March where the summer resource is a Demand Resource) of the Capacity Commitment Period, multiple resources may be combined to supply the amount of capacity offered, provided that: (i) the resources together meet the amount of the offer in all months of the winter period; and (ii) to combine for a month, that month must be considered a winter month for both the summer resource and the resource combining with that summer resource in that month.

(b) Each resource that is part of an offer composed of separate resources must qualify in accordance with all of the provisions of this Section III.13.1.5 applicable to that resource type. An offer composed of separate resources participates in the Forward Capacity Auction in accordance with the resource type of the resource providing capacity in the summer period. A resource electing (pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.2.2.5) to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity

Auction in which its New Capacity Offer clears shall not be eligible to participate in an offer composed of separate resources as the resource providing capacity in the summer period in the Forward Capacity Auction in which the resource is a New Generating Capacity Resource or New Demand Resource.

(c) The summer Qualified Capacity of an offer composed of separate resources shall be the summer Qualified Capacity of the single resource that will provide the Capacity Supply Obligation during the summer period. If the summer Qualified Capacity of an offer composed of separate resources is greater than the winter capacity for any month, then the provisions of Section III.13.1.2.2.5.2 shall apply, even where any of the resources comprising the offer composed of separate resources is an Intermittent Power Resource or Intermittent Settlement Only Resource. If the winter capacity of the offer composed of separate resources in any month is higher than the summer Qualified Capacity, then the capacity offered from the winter resources will be reduced pro-rata to equal the summer Qualified Capacity.

(d) If an offer is composed of separate resources, and is intended to meet the Local Sourcing Requirement in an import-constrained Capacity Zone, then each resource comprising the offer must be located in that import-constrained Capacity Zone.

(e) If an offer is composed of separate resources, and is intended to meet the capacity requirement in the Rest-of-Pool Capacity Zone, then each resource comprising the offer must be located in a Capacity Zone that is not export-constrained.

(f) If an offer is composed of separate resources, and is for capacity in an export-constrained Capacity Zone, then each resource comprising the offer must be located inside of the export-constrained Capacity Zone or be located in any non-export constrained Capacity Zone.

(g) A Real-Time Emergency Generation Resource may only participate in an offer composed of separate resources as a winter resource if the summer resource is also a Real-Time Emergency Generation Resource.

#### **III.13.1.5.A. Notification of FCA Qualified Capacity.**

No later than 5 Business Days after the deadline for submission of offers composed of separate resources, the ISO shall notify the Project Sponsor or Lead Market Participant for each New Generating Capacity Resource, New Import Capacity Resource, and New Demand Resource of the resource's final FCA

Qualified Capacity for the Forward Capacity Auction. Such notification will detail the resource's financial assurance requirements in accordance with Section III.13.1.9.

#### **III.13.1.6. Self-Supplied FCA Resources.**

Where a Project Sponsor elects to designate all or a portion of a New Generating Capacity Resource or an Existing Generating Capacity Resource as a Self-Supplied FCA Resource, the Project Sponsor must make such designation in writing to the ISO no later than the date by which the Project Sponsor is required to submit the financial assurance deposit and, if the Project Sponsor is not also the associated load serving entity, the Project Sponsor must at that time provide written confirmation from the load serving entity regarding the Self-Supplied FCA Resource designation. A New Import Capacity Resource or Existing Import Capacity Resource may be designated as a Self-Supplied FCA Resource. All offers submitted in a Forward Capacity Auction by a new Self-Supplied FCA Resource shall be counted as Out-of-Market Capacity. All Self-Supplied FCA Resources shall be subject to the eligibility and locational requirements in this Section III.13.1.6. If designated as a Self-Supplied FCA Resource and otherwise accepted in the qualification process, the resource will clear in the Forward Capacity Auction as described in Section III.13.2.3.2(c) and, with the exception of demand programs for Self-Supplied FCA Resources, shall offset an equal amount of the load serving entity's share of Installed Capacity Requirement in the Capacity Commitment Period. A load serving entity seeking to self-supply using a Demand Resource shall realize the benefit through the actual reduction in its annual system coincident peak load, shall not receive credit for a resource and, therefore, is not required to participate in the qualification process described in this Section III.13.1. All designations as a Self-Supplied FCA Resource in the Forward Capacity Auction qualification process are binding.

##### **III.13.1.6.1. Self-Supplied FCA Resource Eligibility.**

Where all or a portion of a resource is designated as a Self-Supplied FCA Resource, it shall also maintain its status as a New Generating Capacity Resource, Existing Generating Capacity Resource, New Import Capacity Resource or Existing Import Capacity Resource, and must satisfy the Forward Capacity Auction qualification process requirements set forth in the remainder of Section III.13.1 applicable to that resource type, in addition to the requirements of this Section III.13.1.6. Where an offer composed of separate resources is designated as a Self-Supplied FCA Resource, all of the requirements and deadlines specified in Section III.13.1.5 shall apply to that offer, in addition to the requirements of this Section III.13.1.6. The total quantity of capacity that an load serving entity designates as Self-Supplied FCA Resources may not exceed the load serving entity's projected share of the Installed Capacity Requirement during the Capacity Commitment Period which shall be calculated by determining the load serving entity's most

recent percentage share of the Installed Capacity Requirement multiplied by the projected Installed Capacity Requirement for the commitment year. No resource may be designated as a Self-Supplied FCA Resource for more MW than the lesser of that resource's summer Qualified Capacity and winter Qualified Capacity.

#### **III.13.1.6.2. Locational Requirements for Self-Supplied FCA Resources.**

In order to participate in the Forward Capacity Auction as a Self-Supplied FCA Resource for a load in an import-constrained Capacity Zone, the Self-Supplied FCA Resource must be located in the same Capacity Zone as the associated load, unless the Self-Supplied FCA Resource is a pool-planned unit or other unit with a special allocation of Capacity Transfer Rights. In order to participate in the Forward Capacity Auction as a Self-Supplied FCA Resource in an export-constrained Capacity Zone for a load outside that export-constrained Capacity Zone, the Self-Supplied FCA Resource must be a pool-planned unit or other unit with a special allocation of Capacity Transfer Rights.

#### **III.13.1.7. Internal Market Monitor Review of Offers and Bids.**

In addition to the other provisions of this Section III.13.1, the Internal Market Monitor shall have the authority to review in the qualification process each resource's summer and winter Seasonal Claimed Capability if it is significantly lower than historical values, and if the Internal Market Monitor determines that it may be an attempt to exercise physical withholding, the matter will be referred to the Commission in accordance with the protocols set forth in Appendix A to the Commission's Market Monitoring Policy Statement (111 FERC ¶ 61,267 (2005)). Where an entity submits: (i) an offer as a New Generating Capacity Resource, a New Import Capacity Resource or a New Demand Resource; and (ii) a Static De-List Bid, a Permanent De-List Bid, an Export Bid or an Administrative Export De-List Bid in the same Forward Capacity Auction, the Internal Market Monitor shall take appropriate steps to ensure that the resource bid to de-list or export in the Forward Capacity Auction is not inappropriately replaced by that new capacity in a subsequent reconfiguration auction or Capacity Supply Obligation Bilateral. In its review of any offer or bid pursuant to this Section III.13.1.7, the Internal Market Monitor may consult with the Project Sponsor or Market Participant, as appropriate, to seek clarification, or to address questions or concerns regarding the materials submitted.

#### **III.13.1.8. Publication of Offer and Bid Information.**

(a) Resource name, quantity, price, and Load Zone (or interface, as applicable) in which the resource is located about each Permanent De-list Bid will be posted no later than 15 days after the Forward Capacity Auction is conducted.



- (b) The quantity, price, and Load Zone (or interface, as applicable) in which the resource is located of each Static De-List Bid will be posted no later than 15 days after the Forward Capacity Auction is conducted.
- (c) Name of submitter, quantity, and interface of Export Bids and Administrative Export Bids shall be published no later than 15 days after the Forward Capacity Auction is conducted.
- (d) Name of submitter, quantity, and interface about offers from New Import Capacity Resources shall be published no later than 15 days after the Forward Capacity Auction is conducted.
- (e) If a Permanent De-List Bid above 0.8 times CONE or a Static De-List Bid is approved by the Internal Market Monitor, resource name, quantity, price, and Load Zone (or interface, as applicable) in which the resource is located shall be published no later than 15 days after the Forward Capacity Auction is conducted.
- (f) The name of each Lead Market Participant submitting de-list bids, as well as the number and type of de-list bids submitted by each Lead Market Participant, shall be published no later than three Business Days after the ISO issues the qualification determination notifications described in Sections III.13.1.1.2.8, III.13.1.2.4, and III.13.1.3.5.7. Authorized Persons of Authorized Commissions will be provided confidential access to full information about posted Static De-list Bids and Permanent De-List Bids upon request pursuant to Section 3.3 of the ISO New England Information Policy.

#### **III.13.1.9. Financial Assurance.**

Except as noted in this Section III.13.1.9, all financial assurance requirements associated with Forward Capacity Auctions and annual reconfiguration auctions and other payments and charges resulting from the Forward Capacity Market shall be governed by the ISO New England Financial Assurance Policy. The ISO and the NEPOOL Budget and Finance Subcommittee shall reconsider these financial assurance requirements no later than five years after the first Forward Capacity Auction is conducted.

#### **III.13.1.9.1. Financial Assurance for New Generating Capacity Resources and New Demand Resources Participating in the Forward Capacity Auction.**

In order to participate in any Forward Capacity Auction, New Generating Capacity Resources (including, for the fourth and future auctions, Conditional Qualified New Generating Capacity Resources) and New

Demand Resources shall be required to meet the financial assurance requirements as described in the ISO New England Financial Assurance Policy. Timely payment of the financial assurance deposit specified in the ISO New England Financial Assurance Policy by the Project Sponsor for a New Generating Capacity Resource or New Demand Resource accepted for participation in the Forward Capacity Auction constitutes a commitment to offer the full FCA Qualified Capacity of that New Generating Capacity Resource or New Demand Resource in the Forward Capacity Auction at the starting price. If this financial assurance deposit is not received within the timeframe specified in the ISO New England Financial Assurance Policy, the New Generating Capacity Resource or New Demand Resource shall not be permitted to participate in the Forward Capacity Auction. If capacity offered by the New Generating Capacity Resource or New Demand Resource clears in the Forward Capacity Auction, the deposit shall be applied toward the resource's financial assurance obligation, as described in the ISO New England Financial Assurance Policy. If no capacity offered by that New Generating Capacity Resource or New Demand Resource clears in the Forward Capacity Auction, the deposit will be returned pursuant to the terms of the ISO New England Financial Assurance Policy.

**III.13.1.9.2. Financial Assurance for New Generating Capacity Resources and New Demand Resources Clearing in a Forward Capacity Auction.**

Where a New Generating Capacity Resource's offer or a New Demand Resource's offer is accepted in a Forward Capacity Auction, that resource must provide financial assurance as described in the ISO New England Financial Assurance Policy.

**III.13.1.9.2.1. Failure to Provide Financial Assurance or to Meet Milestone.**

If a New Generating Capacity Resource or New Demand Resource: (i) fails to provide the required financial assurance on any required date for any reason; or (ii) has its Capacity Supply Obligation terminated by the ISO pursuant to Section III.13.3.4(c), it shall lose its Capacity Supply Obligation (which shall then be entered by the ISO into subsequent annual reconfiguration auctions) and its right to any payments associated with that Capacity Supply Obligation, and it shall forfeit any financial assurance provided with respect to that Capacity Supply Obligation.

**III.13.1.9.2.2. Release of Financial Assurance.**

Once a New Generating Capacity Resource or New Demand Resource achieves Commercial Operation and is tested for its capacity rating, its financial assurance obligation shall be released pursuant to the terms of the ISO New England Financial Assurance Policy and it shall have the same financial assurance requirements as an Existing Generating Capacity Resource, as governed by the ISO New England

Financial Assurance Policy. If a New Generating Capacity Resource or New Demand Resource is only capable of delivering less than the amount of capacity that cleared in the Forward Capacity Auction, then the portion of its financial assurance associated with the shortfall shall be forfeited. Any resulting shortfall in capacity shall then be entered by the ISO into subsequent annual reconfiguration auctions.

**III.13.1.9.2.2.1. [Reserved.]**

**III.13.1.9.2.3. Forfeit of Financial Assurance.**

Where any financial assurance is forfeited pursuant to the provisions of this Section III.13, there shall be no further coverage for such forfeit under the ISO New England Billing Policy. Any financial assurance that is forfeited pursuant to the provisions of this Section III.13 shall be used to reduce payments incurred by load in the relevant Capacity Zone to replace that capacity.

**III.13.1.9.2.4. Financial Assurance for New Import Capacity Resources.**

A New Import Capacity Resource that is backed by a new External Resource shall be subject to the same financial assurance requirements as a New Generating Capacity Resource, as described in Section III.13.1.9.1 and Section III.13.1.9.2. Once the new External Resource achieves Commercial Operation, the New Import Capacity Resource shall be subject to the same financial assurance requirements as an Existing Generating Capacity Resource, as described in Section III.13.1.9. A New Import Capacity Resource that is backed by one or more existing External Resources or by an external Control Area shall be subject to the same financial assurance requirements as an Existing Generating Capacity Resource, as governed by the ISO New England Financial Assurance Policy.

**III.13.1.9.3. Qualification Process Cost Reimbursement Deposit.**

For each New Capacity Show of Interest Form and New Demand Resource Show of Interest Form submitted for the purposes of qualifying for either a Forward Capacity Auction or reconfiguration auction, the Project Sponsor must submit to the ISO a refundable deposit in the amount shown in the table below (“Qualification Process Cost Reimbursement Deposit”). The Qualification Process Cost Reimbursement Deposit must be received in accordance with the ISO New England Billing Policy. Such deposit shall be used for costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owners, associated with the qualification process described in Section III.13.1 and with the critical path schedule monitoring described in Section III.13.3. An additional Qualification Process Cost Reimbursement Deposit is not required if: (i) the Project Sponsor is actively seeking qualification for another Forward Capacity Auction or annual reconfiguration

auction, or is having the project's critical path schedule monitored pursuant to Section III.13.3; and (ii) the costs already incurred in the qualification process and critical path schedule monitoring do not equal or exceed 90 percent of the amount of the previously-submitted Qualification Process Cost Reimbursement Deposit(s). The ISO shall provide the Project Sponsor with an annual statement in writing of the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring. In any case where resources are aggregated or disaggregated, the associated Qualification Process Cost Reimbursement Deposits will be adjusted as appropriate. After aggregation or disaggregation of resources, historical data regarding the costs already incurred in the qualification process of the original resources will no longer be provided. Coincident with the issuance of the annual statement, where incurred costs are equal to or greater than 90 percent of the Qualification Process Cost Reimbursement Deposit(s) previously submitted, the ISO will issue an invoice in the amount determined pursuant to the Qualification Process Cost Reimbursement Deposit table contained in Section III.13.1.9.3.1 plus any excess of costs incurred to date by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owners, associated with the qualification process described in Section III.13.1 and with the critical path schedule monitoring described in Section III.13.3. Any refunds that may result from aggregation of resources will be issued coincident with the annual statement. Payment on the invoice must be received in accordance with the ISO New England Billing Policy. If the Project Sponsor fails to pay the amount due by the stated due date, the ISO will consider the resources that were invoiced withdrawn by the Project Sponsor. Such a withdrawal shall be irrevocable, and payment on the invoice after the due date will not remedy the failure to pay or the withdrawal.

#### **III.13.1.9.3.1. Partial Waiver Of Deposit.**

A portion of the deposit shall be waived when there is an active Interconnection Request and an executed Interconnection Feasibility Study Agreement or Interconnection System Impact Study Agreement under Schedule 22 or 23 of the OATT or where a resource modification does not require a revision to the Interconnection Agreement.

<b>New Generating Resources ≥ 20 MW</b>	<b>New Generating Resources &lt; 20 MW and ≥ 2 MW</b>	<b>Imports and New Demand Resources (including Distributed Generation)</b>		<b>New Generating Resources &lt; 2 MW</b>
<i>Including Up-rates, Re-powering, Environmental Compliance &amp;</i>	<i>Including Up-rates, Re-powering, Environmental Compliance &amp;</i>			

<i>Intermittent Power Resources</i>	<i>Intermittent Power Resources</i>			
\$25,000	\$7,500	\$1,000		\$500
<i>With Executed Interconnection Feasibility Study Agreement or System Impact Study Agreement</i>	<i>With Executed Interconnection Feasibility Study Agreement or System Impact Study Agreement</i>			
\$15,000	\$6500	n/a		n/a

### **III.13.1.9.3.2. Settlement of Costs.**

#### **III.13.1.9.3.2.1. Settlement Of Costs Associated With Resources Participating In A Forward Capacity Auction Or Reconfiguration Auction.**

Upon the latter of: (i) the first day of the Capacity Commitment Period for which a resource offers into the Forward Capacity Market or (ii) the date on which the entire resource is accepted by the ISO for Commercial Operation, the ISO shall provide the Project Sponsor with a statement in writing of the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring. If any portion of the Qualification Process Cost Reimbursement Deposit exceeds the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owner(s) associated with the qualification process and critical path schedule monitoring, the ISO shall refund to the Project Sponsor the excess including interest calculated in accordance with 18 CFR § 35.19a(a)(2). If the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring exceed the Qualification Process Cost Reimbursement Deposit, the Project Sponsor shall pay such excess, including interest calculated in accordance with 18 CFR § 35.19a(a)(2) – For Demand Resources, the ISO shall provide all of the above concurrently with the annual statement required under Section III.13.1.9.3.

#### **III.13.1.9.3.2.2. Settlement Of Costs Associated With Resources That Withdraw From A Forward Capacity Auction Or Reconfiguration Auction.**

Upon the withdrawal or failure to meet the requirements of the qualification process set forth in Section III.13.1, the ISO shall provide the Project Sponsor with a statement in writing of the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring. A Project

Sponsor that withdraws or is deemed to have withdrawn its request for qualification shall pay to the ISO all costs prudently incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring. The ISO shall refund to the Project Sponsor any portion of the Qualification Process Cost Reimbursement Deposit that exceeds the costs associated with the qualification process and critical path schedule monitoring incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), including interest calculated in accordance with 18 CFR § 35.19a(a)(2). The ISO shall charge the Project Sponsor the amount of such costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), that exceeds the Qualification Process Cost Reimbursement Deposit, including interest calculated in accordance with 18 CFR § 35.19a(a)(2). For Demand Resources, the ISO shall provide all of the above concurrently with the annual statement required under Section III.13.1.9.3.

#### **III.13.1.9.3.2.3.            Crediting Of Reimbursements.**

Cost reimbursements received (excluding amounts passed through to the ISO's consultants and to affected Transmission Owner(s)) by the ISO pursuant to this Section III.13.1.9.3.2 shall be credited against revenues received by the ISO pursuant to Section IV.A.6.1 of the Transmission, Markets and Services Tariff.

#### **III.13.1.10.                Forward Capacity Auction Qualification Schedule.**

The table below provides the major dates and deadlines for each of the first eight Forward Capacity Auctions.

<b>New Capacity Show of Interest Submission Window</b>	<b>Existing Capacity Qualification Deadline</b>	<b>New Capacity Qualification Deadline</b>	<b>First Day of Forward Capacity Auction for the Capacity Commitment Period</b>	<b>Capacity Commitment Period Begins</b>
For all resources except Demand Resources, Nov. 1, 2006 through Jan. 2, 2007 For Demand Resources, Dec. 18, 2006 through Feb. 28, 2007	Apr. 30, 2007	June 15, 2007	Feb. 4, 2008	June 1, 2010
Sept. 18, 2007 through Nov. 14, 2007	Mar. 14, 2008	Apr. 29, 2008	Dec. 8, 2008	June 1, 2011
July 15, 2008 through Sep. 16, 2008	Feb. 3, 2009	Feb. 17, 2009	Oct. 5, 2009	June 1, 2012
May 15, 2009 through July 14, 2009	Dec. 1, 2009	Dec. 15, 2009	Aug. 2, 2010	June 1, 2013
Mar. 15, 2010 through May 14, 2010	Oct. 1, 2010	Oct. 15, 2010	June 6, 2011	June 1, 2014
Mar. 1, 2011 through Mar. 14, 2011	Aug. 1, 2011	Aug. 15, 2011	Apr. 2, 2012	June 1, 2015
Jan. 3, 2012 through Jan. 17, 2012	June 1, 2012	June 15, 2012	Feb. 4, 2013	June 1, 2016
Feb. 14, 2013 through Feb. 28, 2013	June 3, 2013	June 17, 2013	Feb. 3, 2014	June 1, 2017

Beginning with the timeline for the Capacity Commitment Period beginning on June 1, 2017 (the eighth Forward Capacity Auction), and for each Capacity Commitment Period thereafter, the deadlines will be consistent for each Capacity Commitment Period, as follows:

- (a) each Capacity Commitment Period shall begin in June;
- (b) the New Capacity Show of Interest Submission Window will be in February (after the Forward Capacity Auction for the prior Capacity Commitment Period), approximately four years and three months before the beginning of the Capacity Commitment Period;
- (c) the Existing Capacity Qualification Deadline will be in June just over four years before the beginning of the Capacity Commitment Period;
- (d) the New Capacity Qualification Deadline will be in June or July that is just under four years before the beginning of the Capacity Commitment Period; and
- (e) the Forward Capacity Auction for the Capacity Commitment Period will begin in February approximately three years and four months before the beginning of the Capacity Commitment Period.

The table below shows this generic timeline for the Capacity Commitment Period beginning in yer “X”, where X is any year after 2015.

<b>New Capacity Show of Interest Submission Window</b>	<b>Existing Capacity Qualification Deadline</b>	<b>New Capacity Qualification Deadline</b>	<b>First Day of Forward Capacity Auction for the Capacity Commitment Period</b>	<b>Capacity Commitment Period Begins</b>
Feb. (X-4)	June (X-4)	June/July (X-4)	Feb. (X-3)	June X

After the second Forward Capacity Auction is conducted, the ISO shall review this qualification schedule and consider whether the timeframe between the conduct of subsequent Forward Capacity Auctions and the start of the associated Capacity Commitment Periods can be increased to three years and four months earlier than the seventh Forward Capacity Auction.



### **III.13.2. Annual Forward Capacity Auction.**

#### **III.13.2.1. Timing of Annual Forward Capacity Auctions.**

Except with respect to the first six Forward Capacity Auctions (as described in Section III.13.1.10), each Forward Capacity Auction will be conducted beginning on the first Monday in the February that is approximately three years and four months before the beginning of the associated Capacity Commitment Period (unless, no later than the immediately preceding December 1, an alternative date is announced by the ISO), or, where exigent circumstances prevent the start of the Forward Capacity Auction at that time, as soon as possible thereafter.

#### **III.13.2.2. Amount of Capacity Purchased in Each Forward Capacity Auction.**

Each Forward Capacity Auction shall procure one hundred percent of the Installed Capacity Requirement (net of HQICCs) approved by the Commission for the associated Capacity Commitment Period, except where the procurement of capacity to replace Export Bids, Permanent De-list Bids, and Static De-list Bids clearing in that Forward Capacity Auction is deferred to subsequent annual reconfiguration auctions, as described in Section III.13.2.5.2, and except as a result of the Capacity Rationing Rule, as described in Sections III.13.2.6 and III.13.2.7.4. The sum of the Hydro-Quebec Interconnection Capability Credits and import capacity purchased over the Phase I/II HVDC-TF interconnection shall not exceed the capacity transfer limit of those facilities, as determined by the ISO.

#### **III.13.2.3. Conduct of the Forward Capacity Auction.**

The Forward Capacity Auction shall be a descending clock auction, which will determine, subject to the provisions of Section III.13.2.7, the Capacity Clearing Price for each Capacity Zone modeled in that Forward Capacity Auction pursuant to Section III.12.4, and the Capacity Clearing Price for certain offers from New Import Capacity Resources and Existing Import Capacity Resources pursuant to Section III.13.2.3.3(d). The Forward Capacity Auction shall determine the outcome of all offers and bids accepted during the qualification process and submitted during the auction. Each Forward Capacity Auction shall be conducted as a series of rounds, which shall continue (for up to five consecutive Business Days, with up to eight rounds per day, absent extraordinary circumstances) until the Forward Capacity Auction is concluded for all modeled Capacity Zones in accordance with the provisions of Section III.13.2.3.3. Each round of the Forward Capacity Auction shall consist of the following steps, which shall be completed simultaneously for each Capacity Zone included in the round:

##### **III.13.2.3.1. Step 1: Announcement of Start-of-Round Price and End-of-Round Price.**

For each round, the auctioneer shall announce a single Start-of-Round Price (the highest price associated with a round of the Forward Capacity Auction) and a single (lower) End-of-Round Price (the lowest price associated with a round of the Forward Capacity Auction). If a Capacity Zone has a Forward Capacity Auction Starting Price (determined in accordance with Section III.13.2.4) below the End-of-Round Price, then that Capacity Zone shall not be included in the round. In the first round, the Start-of-Round Price shall equal the highest Forward Capacity Auction Starting Price of all modeled Capacity Zones. In each round after the first round, the Start-of-Round Price shall equal the End-of-Round Price from the previous round.

#### **III.13.2.3.2. Step 2: Compilation of Offers and Bids.**

The auctioneer shall compile all of the offers and bids for that round, as follows:

##### **(a) Offers from New Generating Capacity Resources, New Import Capacity Resources, and New Demand Resources.**

(i) The Project Sponsor for any New Generating Capacity Resource, New Import Capacity Resource, or New Demand Resource accepted in the qualification process for participation in the Forward Capacity Auction may submit an offer (a “New Capacity Offer”) indicating the quantity of capacity that the Project Sponsor would commit to provide from the resource (in the associated modeled Capacity Zone during the qualification process) during the Capacity Commitment Period at that round’s prices. A New Capacity Offer shall be defined by the submission of one to five prices, each strictly less than the Start-of-Round Price but greater than or equal to the End-of-Round Price, and an associated quantity in the associated modeled Capacity Zone. Each price shall be expressed in units of dollars per kilowatt-month to an accuracy of at most three digits to the right of the decimal point, and each quantity shall be expressed in units of MWs to an accuracy of at most three digits to the right of the decimal point. Such a New Capacity Offer shall imply a supply curve indicating quantities offered at all of that round’s prices, pursuant to the convention of Section III.13.2.3.2(a)(iii).

(ii) If the Project Sponsor of a New Generating Capacity Resource, a New Import Capacity Resource, or New Demand Resource elects to offer in a Forward Capacity Auction, the Project Sponsor must offer the resource’s full FCA Qualified Capacity at the Forward Capacity Auction Starting Price in the first round of the auction. A New Capacity Offer for a resource may in no event be for greater capacity than the resource’s full FCA Qualified Capacity at any price. A

New Capacity Offer for a resource may not be for less capacity than the resource's Economic Minimum Limit at any price, except where the New Capacity Offer is for a capacity quantity of zero.

(iii) Let the Start-of-Round Price and End-of-Round Price for a given round be  $P_S$  and  $P_E$ , respectively. Let the  $m$  prices ( $1 \leq m \leq 5$ ) submitted by a Project Sponsor for a modeled Capacity Zone be  $p_1, p_2, \dots, p_m$ , where  $P_S > p_1 > p_2 > \dots > p_m \geq P_E$ , and let the associated quantities submitted for a New Generating Capacity Resource, New Import Capacity Resource, or New Demand Resource be  $q_1, q_2, \dots, q_m$ . Then the Project Sponsor's supply curve, for all prices strictly less than  $P_S$  but greater than or equal to  $P_E$ , shall be taken to be:

$$S(p) = \begin{cases} q_0, & \text{if } p > p_1, \\ q_1, & \text{if } p_2 < p \leq p_1, \\ q_2, & \text{if } p_3 < p \leq p_2, \\ \dots & \dots, \\ q_m, & \text{if } p \leq p_m. \end{cases}$$

where, in the first round,  $q_0$  is the resource's full FCA Qualified Capacity and, in subsequent rounds,  $q_0$  is the resource's quantity offered at the lowest price of the previous round.

(iv) [Reserved.]

(v) For a New Generating Capacity Resource, New Import Capacity Resource, or New Demand Resource that submitted an offer at prices below 0.75 times CONE in the New Capacity Qualification Package, the amount of capacity offered at each price below 0.75 times CONE in a New Capacity Offer submitted during the Forward Capacity Auction may not exceed the amount of capacity offered at each price below 0.75 times CONE in the New Capacity Qualification Package. Such capacity may be subject to the Alternative Capacity Price Rule, as described in Section III.13.2.7.8. A New Generating Capacity Resource, New Import Capacity Resource, or New Demand Resource that did not submit any offer at prices below 0.75 times CONE in the New Capacity Qualification Package may not submit a New Capacity Offer during the Forward Capacity Auction at prices below 0.75 times CONE. The amount of capacity included in each New Capacity Offer at each price shall be included in the aggregate supply curves at that price as described in Section III.13.2.3.3.

(b) **Bids from Existing Capacity Resources Accepted in Qualification.** Static De-List Bids, Permanent De-List Bids, and Export Bids from Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Resources submitted and accepted in the qualification process (or as directed by the Commission) shall be automatically bid into the appropriate round(s) of the Forward Capacity Auction, such that each such resource's summer Qualified Capacity will be included in the aggregate supply curves as described in Section III.13.2.3.3. until any Static De-List Bid, Permanent De-List Bid, or Export Bid clears in the Forward Capacity Auction, as described in Section III.13.2.5.2, and is removed from the aggregate supply curves. Administrative Export De-List Bids shall be automatically entered into the first round of the Forward Capacity Auction at the Forward Capacity Auction Starting Price. If the amount of capacity associated with Export Bids for an interface exceeds the transfer limit of that interface (minus any accepted Administrative De-List Bids over that interface), then the set of Export Bids associated with that interface equal to the interface's transfer limit (minus any accepted Administrative De-List Bids over that interface) having the highest bid prices shall be included in the auction as described above; capacity for which Export Bids are not included in the auction as a result of this provision shall be entered into the auction pursuant to Section III.13.2.3.2(c).

(c) **Existing Capacity Resources Not Having Accepted De-List or Export Bids and Self-Supplied FCA Resources.** Each Existing Generating Capacity Resource, Existing Import Capacity Resource, and Existing Demand Resource that did not submit a Static De-List Bid, a Permanent De-List Bid, an Export Bid, or an Administrative Export De-List Bid in its Existing Capacity Qualification Package, or an Existing Generating Capacity Resource, Existing Import Capacity Resource, or Existing Demand Resource that did not have any such bid accepted in the qualification process, and each Self-Supplied FCA Resource shall be automatically entered into each round of the Forward Capacity Auction at its summer Qualified Capacity, such that the resource's summer Qualified Capacity will be included in the aggregate supply curves as described in Section III.13.2.3.3, except where such resource, if permitted, submits an appropriate Dynamic De-List Bid, as described in Section III.13.2.3.2(d).

(d) **Dynamic De-List Bids.** In any round of the Forward Capacity Auction in which prices are below 0.8 times CONE, any Existing Generating Capacity Resource, Existing Import Capacity Resource, or Existing Demand Resource (but not any Self-Supplied FCA Resources) may submit a Dynamic De-List Bid at prices below 0.8 times CONE. Such a bid shall be defined by the submission of one to five prices, each less than 0.8 times CONE (or the Start-of-Round Price, if lower than 0.8 times CONE) but greater than or equal to the End-of-Round Price, and a single quantity associated with each price. Such a bid

shall be expressed in the same form as specified in Section III.13.2.3.2(a)(i) and shall imply a curve indicating quantities at all of that round's relevant prices, pursuant to the convention of Section III.13.2.3.2(a)(iii). The curve may in no case increase the quantity offered as the price decreases. A dynamic De-List Bid may not offer less capacity than the resource's Economic Minimum Limit at any price, except where the amount of capacity offered is zero. All Dynamic De-List Bids are subject to a reliability review as described in Section III.13.2.5.2.5, and if not rejected for reliability reasons, shall be included in the round in the same manner as Static De-List Bids as described in Section III.13.2.3.2(b). Where a resource elected pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.2.2.5 to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, the capacity associated with any resulting Capacity Supply Obligation may not be subject to a Dynamic De-List Bid in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply. Where a Lead Market Participant submits any combination of Dynamic De-List Bid, Static De-List Bid, Export Bid, and Administrative Export De-List Bid for a single resource, none of the prices in a set of price-quantity pairs associated with a bid may be the same as any price in any other set of price-quantity pairs associated with another bid for the same resource.

(e) **Repowering.** Offers and bids associated with a resource participating in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.2 (resources previously counted as capacity resources) shall be addressed in the Forward Capacity Auction in accordance with the provisions of this Section III.13.2.3.2(e). The Project Sponsor shall offer such a New Generating Capacity Resource into the Forward Capacity Auction in the same manner and pursuant to the same rules as other New Generating Capacity Resources, as described in Section III.13.2.3.2(a). As long as any capacity is offered from the New Generating Capacity Resource, the amount of capacity offered is the amount that the auctioneer shall include in the aggregate supply curve at the relevant prices, and the quantity of capacity offered from the associated Existing Generating Capacity Resource shall not be included in the aggregate supply curve. If any portion of the New Generating Capacity Resource clears in the Forward Capacity Auction, the associated Existing Generating Capacity Resource shall be permanently de-listed as of the start of the associated Capacity Commitment Period (and not subject to the replacement provisions contained in Section III.13.2.5.2.1). If at any price, no capacity is offered from the New Generating Capacity Resource, then the auctioneer shall include capacity from the associated Existing Generating Capacity Resource at that price, subject to any bids submitted and accepted in the qualification process for that Existing Generating Capacity Resource pursuant to Section III.13.1.2.5. Bids submitted and

accepted in the qualification process for an Existing Generating Capacity Resource pursuant to Section III.13.1.2.5 shall only be entered into the Forward Capacity Auction after the associated New Generating Capacity Resource is fully withdrawn (that is, the Forward Capacity Auction reaches a price at which the resource's New Capacity Offer is zero capacity), and shall only then be subject to the reliability review described in Section III.13.2.5.2.5.

(f) **Conditional Qualified New Generating Capacity Resources.** Starting with the fourth auction, offers associated with a resource participating in the Forward Capacity Auction as a Conditional Qualified New Generating Capacity Resource pursuant to Section III.13.1.1.2.3(f) shall be addressed in the Forward Capacity Auction in accordance with the provisions of this Section III.13.2.3.2(f). The Project Sponsor shall offer such a Conditional Qualified New Generating Capacity Resource into the Forward Capacity Auction in the same manner and pursuant to the same rules as other New Generating Capacity Resources, as described in Section III.13.2.3.2(a). An offer from at most one resource at a Conditional Qualified New Generating Capacity Resource's location will be permitted to clear (receive a Capacity Supply Obligation for the associated Capacity Commitment Period) in the Forward Capacity Auction. As long as a positive quantity is offered at the End-of-Round Price in the final round of the Forward Capacity Auction by the resource having a higher queue priority at the Conditional Qualified New Generating Capacity Resource's location, as described in Section III.13.1.1.2.3(f), then no capacity from the Conditional Qualified New Generating Capacity Resource shall clear. If at any price greater than or equal to the End-of-Round Price in the final round of the Forward Capacity Auction, zero quantity is offered from the resource having higher queue priority at the Conditional Qualified New Generating Capacity resource's location, as described in Section III.13.1.1.2.3(f), then the auctioneer shall consider capacity offered from the Conditional Qualified New Generating Capacity Resource in the determination of clearing, including the application of Section III.13.2.7.

(g) **Mechanics.** Offers and bids that may be submitted during a round of the Forward Capacity Auction must be received between the starting time and ending time of the round, as announced by the auctioneer in advance. The ISO at its sole discretion may authorize a participant in the auction to complete or correct its submission after the ending time of a round, but only if the participant can demonstrate to the ISO's satisfaction that the participant was making reasonable efforts to complete a valid offer submission before the ending time of the round, and only if the ISO determines that allowing the completion or correction will not unreasonably disrupt the auction process. All decisions by the ISO concerning whether or not a participant may complete or correct a submission after the ending time of a round are final.

### **III.13.2.3.3. Step 3: Determination of the Outcome of Each Round.**

The auctioneer shall use the offers and bids for the round as described in Section III.13.2.3.2 to determine the aggregate supply curves for the New England Control Area and for each modeled Capacity Zone included in the round. The aggregate supply curve for the New England Control Area (the “Total System Capacity”) shall reflect at each price the sum of (the amount of capacity offered in all Capacity Zones modeled as import-constrained Capacity Zones at that price (excluding capacity offered from New Import Capacity Resources and Existing Import Capacity Resources)) plus (the amount of capacity offered in the Rest-of-Pool Capacity Zone at that price (excluding capacity offered from New Import Capacity Resources and Existing Import Capacity Resources)) plus (for each Capacity Zone modeled as an export-constrained Capacity Zone, the lesser of the amount of capacity offered in the Capacity Zone at that price (excluding capacity offered from New Import Capacity Resources and Existing Import Capacity Resources) or the Capacity Zone’s Maximum Capacity Limit) plus (for each interface between the New England Control Area and an external Control Area, the lesser of that interface’s approved capacity transfer limit (net of tie benefits) or the amount of capacity offered from New Import Capacity Resources and Existing Import Capacity Resources). In computing the Total System Capacity, the total capacity associated with any Capacity Zone at any price greater than the Forward Capacity Auction Starting Price for that Capacity Zone is taken to be the total capacity at the Forward Capacity Auction Starting Price for that Capacity Zone. In no event shall the Capacity Clearing Price for a Capacity Zone be greater than the Forward Capacity Auction Starting Price for that Capacity Zone. On the basis of these aggregate supply curves, the auctioneer shall determine the outcome of the round for each modeled Capacity Zone as follows:

#### **(a) Import-Constrained Capacity Zones.**

For a Capacity Zone modeled as an import-constrained Capacity Zone, if either of the following two conditions is met during the round:

- (1) the aggregate supply curve for the import-constrained Capacity Zone, adjusted as necessary in accordance with Section III.13.2.6 (Capacity Rationing Rule), equals or is less than the Capacity Zone’s Local Sourcing Requirement, adjusted as necessary in accordance with Section III.13.2.5.2 (replacement provisions); or

(2) the Total System Capacity, adjusted as necessary in accordance with Section III.13.2.6 (Capacity Rationing Rule), equals or is less than the Installed Capacity Requirement (net of HQICCs), adjusted as necessary in accordance with Section III.13.2.5.2 (replacement provisions);

then the Forward Capacity Auction for that Capacity Zone is concluded, except as required to minimize the total cost for the associated Capacity Commitment Period, as described in Section III.13.2.7, and such Capacity Zone will not be included in further rounds of the Forward Capacity Auction. The Capacity Clearing Price for that Capacity Zone shall be set at the highest price at which either of the two conditions above are satisfied, subject to the other provisions of this Section III.13.2. If neither of the two conditions above are met in the round, then the auctioneer shall publish the quantity of system-wide excess supply at the End-of-Round Price (the amount of capacity offered at the End-of-Round Price in all modeled Capacity Zones minus the Installed Capacity Requirement (net of HQICCs)) and the quantity of capacity from Demand Resources by type at the End-of-Round Price, and that Capacity Zone will be included in the next round of the Forward Capacity Auction.

(b) **Rest-of-Pool Capacity Zone.** For the Rest-of-Pool Capacity Zone, if the Total System Capacity adjusted as necessary in accordance with Section III.13.2.6 (Capacity Rationing Rule), equals or is less than the Installed Capacity Requirement (net of HQICCs), adjusted as necessary in accordance with Section III.13.2.5.2 (replacement provisions) in the round, then the Forward Capacity Auction for the Rest-of-Pool Capacity Zone is concluded, except as required to minimize the total cost for the associated Capacity Commitment Period, as described in Section III.13.2.7, and the Rest-of-Pool Capacity Zone will not be included in further rounds of the Forward Capacity Auction. The Capacity Clearing Price for the Rest-of-Pool Capacity Zone shall be set at the highest price at which the Total System Capacity is less than or equal to the Installed Capacity Requirement (net of HQICCs), subject to the other provisions of this Section III.13.2. If the Total System Capacity exceeds the Installed Capacity Requirement (net of HQICCs) at the End-of-Round Price, then the auctioneer shall publish the quantity of system-wide excess supply at the End-of-Round Price (the amount of capacity offered at the End-of-Round Price in all modeled Capacity Zones minus the Installed Capacity Requirement (net of HQICCs)) and the quantity of capacity from Demand Resources by type at the End-of-Round Price, and the Rest-of-Pool Capacity Zone will be included in the next round of the Forward Capacity Auction.



(c) **Export-Constrained Capacity Zones.** For a Capacity Zone modeled as an export-constrained Capacity Zone, if both of the following two conditions are met during the round:

- (i) the aggregate supply curve for the export-constrained Capacity Zone, adjusted as necessary in accordance with Section III.13.2.6 (Capacity Rationing Rule), is equal to or below the Capacity Zone's Maximum Capacity Limit, adjusted as necessary in accordance with Section III.13.2.5.2 (replacement provisions); and
- (ii) the Total System Capacity, adjusted as necessary in accordance with Section III.13.2.6 (Capacity Rationing Rule), equals or is less than the Installed Capacity Requirement (net of HQICCs), adjusted as necessary in accordance with Section III.13.2.5.2 (replacement provisions);

then the Forward Capacity Auction for that Capacity Zone is concluded, except as required to minimize the total cost for the associated Capacity Commitment Period, as described in Section III.13.2.7, and such Capacity Zone will not be included in further rounds of the Forward Capacity Auction. The Capacity Clearing Price for that Capacity Zone shall be set at the highest price at which both of the conditions above are satisfied, subject to the other provisions of this Section III.13.2. If it is not the case that both of the two conditions above are satisfied in the round, then the auctioneer shall publish the quantity of system-wide excess supply at the End-of-Round Price (the amount of capacity offered at the End-of-Round Price in all modeled Capacity Zones minus the Installed Capacity Requirement) and the quantity of excess supply in the export-constrained Capacity Zone (the amount of capacity offered at the End-of-Round Price in the export-constrained Capacity Zone minus the Maximum Capacity Limit of the export-constrained Capacity Zone) and the quantity of capacity from Demand Resources by type at the End-of-Round Price, and that Capacity Zone will be included in the next round of the Forward Capacity Auction.

(d) **Treatment of Import Capacity.** Where the amount of capacity offered from New Import Capacity Resources and Existing Import Capacity Resources over an interface between the New England Control Area and an external Control Area is less than or equal to that interface's approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF), then the capacity offers from those resources shall be treated as capacity offers in the modeled Capacity Zone associated with that interface. Where the amount of capacity offered from New Import Capacity Resources and Existing Import Capacity Resources over an interface between the New England Control

Area and an external Control Area is greater than that interface's approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF), then the following provisions shall apply (separately for each such interface):

- (i) For purposes of determining which capacity offers from the New Import Capacity Resources and Existing Import Capacity Resources over the interface shall clear and at what price, the offers over the interface shall be treated in the descending-clock auction as if they comprised a separately-modeled export-constrained capacity zone, with an aggregate supply curve consisting of the offers from the New Import Capacity Resources and Existing Import Capacity Resources over the interface.
  - (ii) The amount of capacity offered over the interface that will be included in the aggregate supply curve of the modeled Capacity Zone associated with the interface shall be the lesser of the following two quantities: the amount of capacity offered from New Import Capacity Resources and Existing Import Capacity Resources over the interface; and the interface's approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF).
  - (iii) The Forward Capacity Auction for New Import Capacity Resources and Existing Import Capacity Resources over the interface is concluded when the following two conditions are both satisfied: the amount of capacity offered from New Import Capacity Resource and Existing Import Capacity Resources over the interface is less than or equal to the interface's approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF); and the Forward Capacity Auction is concluded in the modeled Capacity Zone associated with the interface.
- (e) **Treatment of Export Capacity.** Any Export Bid or any Administrative Export De-List Bid that is used to export capacity through an export interface connected to an import-constrained Capacity Zone from another Capacity Zone, or through an export interface connected to the Rest-of-Pool Capacity Zone from an export-constrained Capacity Zone in the Forward Capacity Auction will be modeled in the Capacity Zone where the export interface that is identified in the Existing Capacity Qualification Package is located. The Export Bid or Administrative Export De-List Bid clears against the Capacity Clearing Price in the Capacity Zone where the Export Bid or Administrative Export De-List Bid is modeled.

(i) Then the MW quantity equal to the relevant Export Bid or Administrative Export De-List Bid will be procured subject to Section III.13.2.5.2.2. The resource associated with the Export Bid or Administrative Export De-List Bid will be de-listed in the Capacity Zone where the resource is located. If the export interface is connected to an import-constrained Capacity Zone, the MW quantity procured will be in addition to the Local Sourcing Requirement of the import-constrained Capacity Zone.

(ii) If the Export Bid or Administrative Export De-List Bid does not clear, then the resource associated with the Export Bid or Administrative Export De-List Bid will not be de-listed in the Capacity Zone where the resource is located.

(f) **Treatment of Real-Time Emergency Generation Resources.** In determining when the Forward Capacity Auction is concluded, no more than 600 MW of capacity from Real-Time Emergency Generation Resources shall be counted towards meeting the Installed Capacity Requirement (net of HQICCs). If the sum of the Capacity Supply Obligations of Real-Time Emergency Generation Resources exceeds 600 MW, the Capacity Clearing Price, or in the case of Inadequate Supply or Insufficient Competition, the payment as described in Section III.13.2.8, (as adjusted pursuant to Section III.13.2.7.3(b)) paid to all Real-Time Emergency Generation Resources shall be adjusted by the ratio of 600 MW divided by the total of the final Capacity Supply Obligations of Real-Time Emergency Generation Resources. The acceptance of a Real-Time Emergency Generation Resource Static De-list Bid, Dynamic De-list Bid, or Permanent De-list Bid shall be based on the effective Capacity Clearing Price as described in Section III.13.2.7.

#### **III.13.2.3.4. Determination of Final Capacity Zones.**

(a) For all Forward Capacity Auctions up to and including the sixth Forward Capacity Auction (for the Capacity Commitment Period beginning June 1, 2015), after the Forward Capacity Auction is concluded for all modeled Capacity Zones, the final set of distinct Capacity Zones that will be used for all purposes associated with the relevant Capacity Commitment Period, including for the purposes of reconfiguration auctions and Capacity Supply Obligation Bilaterals, shall be those having distinct Capacity Clearing Prices as a result of constraints between modeled Capacity Zones binding in the running of the Forward Capacity Auction. Where a modeled constraint does not bind in the Forward Capacity Auction, and as a result adjacent modeled Capacity Zones clear at the same Capacity Clearing Price, those modeled Capacity Zones shall be a single Capacity Zone used for all purposes of the relevant

Capacity Commitment Period, including for the purposes of reconfiguration auctions and Capacity Supply Obligation Bilaterals.

(b) For all Forward Capacity Auctions beginning with the seventh Forward Capacity Auction (for the Capacity Commitment Period beginning June 1, 2016) the final set of distinct Capacity Zones that will be used for all purposes associated with the relevant Capacity Commitment Period, including for the purposes of reconfiguration auctions and Capacity Supply Obligation Bilaterals, shall be those described in Section III.12.4.

#### **III.13.2.4. Starting Price and Determination of CONE.**

(a) Each Capacity Zone modeled in a Forward Capacity Auction shall have a Forward Capacity Auction Starting Price. The Forward Capacity Auction Starting Price for a Capacity Zone in the Forward Capacity Auction for the Capacity Commitment Periods beginning on June 1, 2013, June 1, 2014, and June 1, 2015 shall equal two times the CONE applicable to that Capacity Zone. The Forward Capacity Auction Starting Price for each Capacity Zone in the Forward Capacity Auction for the Capacity Commitment Period beginning on June 1, 2016 shall be \$15/kW-month. Thereafter, the Forward Capacity Auction Starting Price will be adjusted after each Forward Capacity Auction using a rolling three-year average of the Handy-Whitman Index of Public Utility Construction Costs.

(b) In the Forward Capacity Auction for the Capacity Commitment Period beginning on June 1, 2013, the CONE applicable to each Capacity Zone shall be \$4.918/kW-month.

(c) After each Forward Capacity Auction, the CONE for each Capacity Zone to be used in the next Forward Capacity Auction shall be the sum of (70% of the Capacity Zone's CONE from the previous Forward Capacity Auction) plus (30% of the Capacity Zone's Capacity Clearing Price from the previous Forward Capacity Auction); provided, however, that if any of the following conditions are met, then the Capacity Zone's CONE for the next Forward Capacity Auction shall be the same as the Capacity Zone's CONE used in the previous Forward Capacity Auction, adjusted using a rolling three-year average of the Handy-Whitman Index of Public Utility Construction Costs:

- (i) the price is set pursuant to the Capacity Clearing Price Floor described in Section III.13.2.7.3 or pursuant to one of the Alternative Capacity Price Rules described in Section III.13.2.7.8;

- (ii) the amount of New Capacity Required in the Capacity Zone in the previous Forward Capacity Auction is no greater than zero (in an import-constrained Capacity Zone, “New Capacity Required” shall mean the Capacity Zone’s Local Sourcing Requirement, minus the total amount of capacity of Existing Generating Capacity Resources, Existing Import Capacity Resources (but not in excess of any relevant interface transfer limit), and Existing Demand Resources in the Capacity Zone (that is not permanently de-listed for the Capacity Commitment Period), minus capacity otherwise obligated (including capacity subject to Administrative Export De-List Bids) in the Capacity Zone for the Capacity Commitment Period; in the Rest-of-Pool Capacity Zone, “New Capacity Required” shall mean the Installed Capacity Requirement (net of HQICCs), minus the Local Sourcing Requirement of each modeled import-constrained Capacity Zone, minus, for each modeled export-constrained Capacity Zone, the lesser of the Capacity Zone’s Maximum Capacity Limit or the total amount of capacity of Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Resources in the Capacity Zone (that is not permanently de-listed for the Capacity Commitment Period), minus the total amount of capacity of Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Resources in the Rest-of-Pool Capacity Zone (that is not permanently de-listed for the Capacity Commitment Period), minus capacity otherwise obligated in the Rest-of-Pool Capacity Zone for the Capacity Commitment Period);
  - (iii) the previous Forward Capacity Auction was not a Successful FCA in the Capacity Zone;
  - (iv) the Capacity Clearing Price in the Capacity Zone in the previous Forward Capacity Auction was set by a New Import Capacity Resource or Existing Import Capacity Resource; or
  - (v) the Capacity Clearing Price in the Capacity Zone in the previous Forward Capacity Auction was set by a resource qualifying as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.3 (incremental output) or Section III.13.1.1.1.4 (derated capacity that is restored).
- (d) If a Capacity Zone that experienced price separation in any previous Forward Capacity Auction is either not included in a subsequent Forward Capacity Auction or does not experience price separation in that subsequent Forward Capacity Auction, its CONE will be updated using the Capacity Clearing Price of the Capacity Zone in which it was included in that subsequent Forward Capacity Auction.

(e) The CONE for each Capacity Zone that is determined pursuant to the provisions of this Section III.13.2.4 shall be used for all purposes associated with the Capacity Commitment Period associated with the Forward Capacity Auction for which the CONE was determined. References in this Section III.13 to CONE shall mean the CONE applicable to the relevant Capacity Zone or modeled Capacity Zone for the relevant Capacity Commitment Period.

**III.13.2.5. Treatment of Specific Offer and Bid Types in the Forward Capacity Auction.**

**III.13.2.5.1. Offers from New Generating Capacity Resources, New Import Capacity Resources, and New Demand Resources.**

A New Capacity Offer (other than one from a Conditional Qualified New Generating Capacity Resource) clears (receives a Capacity Supply Obligation for the associated Capacity Commitment Period) in the Forward Capacity Auction if the Capacity Clearing Price is greater than or equal to the price specified in the offer, except possibly as a result of the Capacity Rationing Rule described in Section III.13.2.6. Starting with the fourth auction, an offer from a Conditional Qualified New Generating Capacity Resource clears (receives a Capacity Supply Obligation for the associated Capacity Commitment Period) in the Forward Capacity Auction, except possibly as a result of the Capacity Rationing Rule described in Section III.13.2.6, if all of the following conditions are met: (i) the Capacity Clearing Price is greater than or equal to the price specified in the offer; (ii) capacity from that resource is considered in the determination of clearing as described in Section III.13.2.3.2(f); and (iii) such offer minimizes the total costs for the associated Capacity Commitment Period, subject to Section III.13.2.7.7(c).

The amount of capacity that receives a Capacity Supply Obligation through the Forward Capacity Auction shall not exceed the quantity of capacity offered from the New Generating Capacity Resource, New Import Capacity Resource, or New Demand Resource at the Capacity Clearing Price.

**III.13.2.5.2. Bids and Offers from Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Resources.**

**III.13.2.5.2.1. Permanent De-List Bids.**

Except as provided in Section III.13.2.5.2.5 and Section III.13.2.5.2.7, a Permanent De-List Bid clears in the Forward Capacity Auction (does not receive a Capacity Supply Obligation for the associated Capacity Commitment Period) if the Capacity Clearing Price is less than or equal to the price specified in the bid,

except possibly as a result of the Capacity Rationing Rule described in Section III.13.2.6. Except as provided in Section III.13.2.5.2.6, where a Permanent De-List Bid clears, the amount of permanently de-listed capacity will be replaced either in the current Forward Capacity Auction or in subsequent annual reconfiguration auctions, as follows:

(a) If the Capacity Clearing Price in the Capacity Zone is equal to or greater than 1.5 times CONE, then the permanently de-listed capacity will not be replaced in the current Forward Capacity Auction (that is, the amount of capacity procured in the Forward Capacity Auction shall be the Installed Capacity Requirement (net of HQICCs) or Local Sourcing Requirement, as appropriate, minus the amount of the permanently de-listed capacity) and shall be included in subsequent annual reconfiguration auctions for that Capacity Commitment Period (that is, the amount of capacity procured in subsequent annual reconfiguration auctions for that Capacity Commitment Period shall be increased by the amount of the permanently de-listed capacity).

(b) If the Capacity Clearing Price in the Capacity Zone is between 1.5 times CONE and 1.25 times CONE, the portion of the permanently de-listed capacity that is replaced in the current Forward Capacity Auction shall increase linearly (for example, if the Capacity Clearing Price is 1.45 times CONE, then one-fifth of the amount of permanently de-listed capacity shall be replaced in the current Forward Capacity Auction). Any portion of the permanently de-listed capacity that is not replaced in the current Forward Capacity Auction shall be included in subsequent annual reconfiguration auctions for that Capacity Commitment Period.

(c) If the Capacity Clearing Price in the Capacity Zone is equal to or lower than 1.25 times CONE, then the full amount of the permanently de-listed capacity shall be replaced in the current Forward Capacity Auction (that is, the amount of capacity procured in the Forward Capacity Auction shall be the Installed Capacity Requirement (net of HQICCs) or Local Sourcing Requirement, as appropriate, not decreased by the amount of the permanently de-listed capacity).

#### **III.13.2.5.2.2. Static De-List Bids and Export Bids.**

Except as provided in Section III.13.2.5.2.5 and Section III.13.2.5.2.7, a Static De-List Bid or an Export Bid clears in the Forward Capacity Auction (does not receive a Capacity Supply Obligation for the associated Capacity Commitment Period) if the Capacity Clearing Price is less than or equal to the price specified in the bid, except possibly as a result of the Capacity Rationing Rule described in Section III.13.2.6. Except as provided in Section III.13.2.5.2.6, where a Static De-List Bid or an Export Bid

clears, the amount of de-listed or exported capacity will be replaced either in the current Forward Capacity Auction or in subsequent annual reconfiguration auctions, as follows:

- (a) If the Capacity Clearing Price in the Capacity Zone is equal to or greater than 1.2 times CONE, then the de-listed or exported capacity will not be replaced in the current Forward Capacity Auction (that is, the amount of capacity procured in the Forward Capacity Auction shall be the Installed Capacity Requirement (net of HQICCs) or Local Sourcing Requirement, as appropriate, minus the amount of the de-listed or exported capacity) and shall be included in subsequent annual reconfiguration auctions for that Capacity Commitment Period (that is, the amount of capacity procured in subsequent annual reconfiguration auctions for that Capacity Commitment Period shall be increased by the amount of the de-listed or exported capacity).
- (b) If the Capacity Clearing Price in the Capacity Zone is between 1.2 times CONE and 0.8 times CONE, the portion of the de-listed or exported capacity that is replaced in the current Forward Capacity Auction shall increase linearly (for example, if the Capacity Clearing Price is 1.1 times CONE, then one-fourth of the amount of de-listed or exported capacity shall be replaced in the current Forward Capacity Auction). Any portion of the de-listed or exported capacity that is not replaced in the current Forward Capacity Auction shall be included in subsequent annual reconfiguration auctions for that Capacity Commitment Period.
- (c) If the Capacity Clearing Price in the Capacity Zone is equal to or lower than 0.8 times CONE, then the full amount of the de-listed or exported capacity shall be replaced in the current Forward Capacity Auction (that is, the amount of capacity procured in the Forward Capacity Auction shall be the Installed Capacity Requirement (net of HQICCs) or Local Sourcing Requirement, as appropriate, not decreased by the amount of the de-listed or exported capacity).

#### **III.13.2.5.2.3. Dynamic De-List Bids.**

A Dynamic De-List Bid clears in the Forward Capacity Auction (does not receive a Capacity Supply Obligation for the associated Capacity Commitment Period) if the Capacity Clearing Price is less than or equal to the price specified in the bid, except possibly as a result of the Capacity Rationing Rule described in Section III.13.2.6. If more Dynamic De-List Bids are submitted at a price than are needed to clear the market, such Dynamic De-List Bids shall be cleared pro-rata, but in no case less than a resource's Economic Minimum Limit. The full amount of the dynamically de-listed capacity shall be replaced in the current Forward Capacity Auction (that is, the amount of capacity procured in the Forward Capacity



Auction shall be the Installed Capacity Requirement (net of HQICCs) or Local Sourcing Requirement, as appropriate, not decreased by the amount of the dynamically de-listed capacity).

#### **III.13.2.5.2.4. Administrative Export De-List Bids.**

An Administrative Export De-List Bid clears in the Forward Capacity Auction (does not receive a Capacity Supply Obligation for the associated Capacity Commitment Period) regardless of the Capacity Clearing Price and regardless of whether there is Inadequate Supply or Insufficient Competition in the Capacity Zone. The full amount of the administratively de-listed capacity shall be replaced in the current Forward Capacity Auction (that is, the amount of capacity procured in the Forward Capacity Auction shall be the Installed Capacity Requirement (net of HQICCs) or Local Sourcing Requirement, as appropriate, not decreased by the amount of the administratively de-listed capacity).

#### **III.13.2.5.2.5. Bids Rejected for Reliability Reasons.**

The ISO shall review each Non-Price Retirement Request, Permanent De-List Bid, Static De-List Bid, Export Bid, Administrative Export De-List Bid, and Dynamic De-List Bid entered into the Forward Capacity Auction to determine whether the capacity associated with that Non-Price Retirement Request or de-list bid is needed for reliability reasons during the Capacity Commitment Period associated with the Forward Capacity Auction. The capacity shall be deemed needed for reliability reasons if the absence of the capacity would result in the violation of any NERC or NPCC (or their successors) criteria, or ISO New England System Rules. Non-Price Retirement Requests and de-list bids shall not be rejected pursuant to this Section III.13.2.5.2.5 solely on the basis that acceptance of the Non-Price Retirement Request or de-list bid may result in the procurement of less capacity than the Installed Capacity Requirement (net of HQICCs) or Local Sourcing Requirement for Load Zones or aggregations of Load Zones considered for modeling in a Forward Capacity Auction. Where a Non-Price Retirement Request would otherwise be accepted, or a Permanent De-List Bid, Static De-List Bid, Export Bid, Administrative Export De-List Bid, or Dynamic De-List Bid would otherwise clear in the Forward Capacity Auction, but the ISO has determined that some or all of the capacity associated with the Non-Price Retirement Request or de-list bid is needed for reliability reasons, then the de-list bid having capacity needed for reliability will not clear in the Forward Capacity Auction and the Non-Price Retirement Request will not be approved as described in Section III.13.1.2.3.1.5.3, and the following provisions will apply:

- (a) The Lead Market Participant shall be notified that its de-list bid did not clear for reliability reasons at the later of: (i) immediately after the end of the Forward Capacity Auction round in which the auction price reaches the price of the de-list bid; or (ii) as soon as practicable after the time at which the

ISO has determined that the de-list bid must be rejected for reliability reasons. In no event, however, shall a Lead Market Participant be notified that a bid submitted pursuant to Section III.13.1.2.5 and accepted in the qualification process for an Existing Generating Capacity Resource did not clear for reliability reasons if the associated New Generating Capacity Resource remains in the Forward Capacity Auction. In such a case, the Lead Market Participant shall be notified that its bid did not clear for reliability reasons at the later of: (i) immediately after the end of the Forward Capacity Auction round in which the auction price reaches the price of the bid; (ii) immediately after the end of the Forward Capacity Auction round in which the associated New Generating Capacity Resource is fully withdrawn (that is, the Forward Capacity Auction reaches a price at which the resource's New Capacity Offer is zero capacity); or (iii) as soon as practicable after the time at which the ISO has determined that the bid must be rejected for reliability reasons.

- (i) In the case of Non-Price Retirement Request, the Lead Market Participant will be notified whether or not the request has been rejected for reliability reasons within 90 days of the submission of the request.
- (b) A resource that has a de-list bid rejected pursuant to this Section III.13.2.5.2.5 shall be compensated pursuant to the terms set out in Section III.13.2.5.2.5.1. An Existing Generating Capacity Resource or Existing Demand Resource that has a Non-Price Retirement Request rejected pursuant to this Section III.13.2.5.2.5 shall have the option to retire pursuant to Section III.2.5.2.5.3(a)(iii) or to continue operation and be compensated pursuant to Section III.13.2.5.2.5.1. A resource receiving payment under this Section III.13.2.5.2.5 and Section III.13.2.5.2.5.1 shall have the obligations of listed capacity resources as described in Section III.13.6.1. Such resources shall be counted towards the Installed Capacity Requirement (net of HQICCs) for the Capacity Commitment Period.
- (c) The ISO shall review the results of each annual reconfiguration auction and determine whether the reliability need which prevented the de-listing of the resource has been met through the annual reconfiguration auction. The ISO may also attempt to address the reliability concern through other reasonable means (including transmission enhancements).
- (d) If the reliability need that prevented the de-listing of the resource is met through a reconfiguration auction or other means, the resource shall be de-listed, be relieved of its Capacity Supply Obligation and no longer be eligible to receive the compensation specified in Section III.13.2.5.2.5(b). The ISO shall enter bids at 2.0 times CONE to replace the capacity on behalf of load in subsequent annual

reconfiguration auctions associated with the Capacity Commitment Period (and subsequent Capacity Commitment Periods, in the case of a Permanent De-List Bid).

(e) If a Permanent De-List Bid that would otherwise clear in a Forward Capacity Auction or a Non-Price Retirement Request is rejected for reliability reasons, that resource, or portion thereof, as applicable, is no longer eligible to participate as an Existing Generating Capacity Resource in any reconfiguration auction, Forward Capacity Auction or Capacity Supply Obligation Bilateral for that and subsequent Capacity Commitment Periods. If the resource, or portion thereof, continues to be needed for reliability reasons, it shall be counted as capacity in the Forward Capacity Auction and shall be compensated as described in Section III.13.2.5.2.5.1 until such time as it is no longer needed for reliability reasons.

(f) Beginning in April 2007, the ISO will evaluate, in consultation with NEPOOL stakeholders and state utility regulatory agencies, whether to modify the treatment of de-list bids rejected for reliability reasons pursuant to this section, including but not limited to an evaluation of the application of the Alternative Capacity Price Rule, or similar mechanism, to Forward Capacity Auctions affected by de-list bids rejected for reliability reasons. Pursuant to Section 205 of the Federal Power Act, the ISO will file with the Commission on or before May 17, 2010 either: (i) any potential rule changes relating to the treatment of de-list bids rejected for reliability reasons or (ii) its recommendation not to institute any rule changes and to delete this subsection (f).

(g) The ISO shall review with the Reliability Committee (i) the status of any prior rejected delist bids reported to the Commission in an FCA results filing pursuant to Section 13.8.2, and (ii) the status of any Non-Price Retirement Request that has been rejected for reliability reasons and has elected to continue to operate, prior to the New Capacity Qualification Deadline in accordance with Section 4.1(c) of Attachment K of the ISO OATT.

In instances where an identified reliability need results in the rejection of a Non-Price Retirement Request, or the rejection of a Permanent De-List Bid, Export Bid, Administrative Export De-List Bid, Static De-List Bid, or Dynamic De-List Bid while executing an FCA, the ISO shall (i) review each specific reliability need with the Reliability Committee in accordance with the timing provided for in the ISO New England Operating Documents and, (ii) update the current system Needs Assessments pursuant to Section 4.1(c) of Attachment K of the ISO OATT. For de-list bids, this review and update will follow ISO's filing of the FCA results with the Commission pursuant to Section 13.8.2. System needs associated with Non-Price Retirement Requests that are rejected for reliability reasons will be reviewed with the

Reliability Committee prior to the notification of the Lead Market Participant that has submitted the Non-Price Retirement Request consistent with Section 13.2.5.2.5(a)(i).

**III.13.2.5.2.5.1. Compensation for Bids Rejected for Reliability Reasons.**

(a)(i) In cases where a Static De-List Bid, Export Bid, Administrative Export De-List Bid, Dynamic De-List Bid, or partial Permanent De-List Bid would otherwise clear in the Forward Capacity Auction but the de-list bid has been rejected for reliability reasons pursuant to Section III.13.2.5.2.5 and the resource qualifies for payment under Section III.13.2.5.2.5.1(a)(ii), the resource will be paid in the same manner as all other capacity resources, except that payment shall be made on the basis of its de-list bid as accepted for the Forward Capacity Auction for the relevant Capacity Commitment Period instead of the Forward Capacity Market Clearing Price. Under this Section, accepted Dynamic De-list Bids filed with the Commission as part of the FCA results filing are subject to review and approval by the Commission pursuant to the “just and reasonable” standard of Section 205 of the Federal Power Act.

(a)(ii) A resource will qualify for payment under Section III.13.2.5.2.5.1(a)(i) if the ISO has not notified the resource that it is no longer needed for reliability reasons by 12:00 a.m. on June 1 of the year preceding the commencement of the Capacity Commitment Period for which the de-list bid was rejected. Once qualified under this Section III.13.2.5.2.5.1(a)(ii), the resource will have a Capacity Supply Obligation for the 12-month Capacity Commitment Period for which the de-list bid was rejected.

(b)(i) In cases where a Permanent De-List Bid for the capacity of an entire resource would otherwise clear in the Forward Capacity Auction but the Permanent De-List Bid has been rejected for reliability reasons pursuant to Section III.13.2.5.2.5 and the resource qualifies for payment under Section III.13.2.5.2.5.1(b)(ii), the resource will be paid either (i) in the same manner as all other capacity resources, except that payment shall be made on the basis of its de-list bid as accepted for the Forward Capacity Auction for the relevant Capacity Commitment Period instead of the Forward Capacity Market Clearing Price or (ii) under the terms of a cost-of-service agreement pursuant to Section III, Appendix I. Resources must notify the ISO of their election within six months after the ISO files the results of the relevant Forward Capacity Auction with the Commission. A resource that has had a Permanent De-List Bid rejected for reliability reasons and does not notify the ISO of its election as described in this paragraph will be paid on the basis of the resource’s Permanent De-List Bid as accepted for the Forward Capacity Auction. Cost-of-service agreements must be filed with and approved by the Commission, and cost-of-service compensation may not commence until the Commission has approved the use of cost-of-service rates for the unit in question or has accepted the use of the cost-of-service rates subject to refund

while the rate is reviewed. In no event will payment under the cost-of-service agreement start prior to the start of the relevant Capacity Commitment Period for which the Permanent De-List Bid was submitted. Resources that elect payment based on the accepted Permanent De-List Bid may file with the Commission pursuant to Section 205 of the Federal Power Act to update its Permanent De-List Bid if the unit is retained for reliability for a period longer than the Capacity Commitment Period for which the Permanent De-List Bid was originally submitted.

(b)(ii) A resource will qualify for payment under Section III.13.2.5.2.5.1(b)(i) if the ISO has not notified the resource that it is no longer needed for reliability reasons by 12:00 a.m. on June 1 of the year preceding the commencement of the Capacity Commitment Period for which the Permanent De-List Bid was rejected. Once qualified under this Section III.13.2.5.2.5.1(b)(ii), the resource will have a Capacity Supply Obligation for the 12-month Capacity Commitment Period for which the Permanent De-List Bid was rejected. If a resource continues to be needed for reliability in Capacity Commitment Periods following the Capacity Commitment Period for which the Permanent De-List Bid was rejected, payment pursuant to Section III.13.2.5.2.5.1(b)(i) will continue and will terminate upon 120 day notice from the ISO to the resource that it is no longer needed for reliability.

(c)(i) In cases where a Non-Price Retirement Request for less than the entire resource has been submitted and the request has been rejected for reliability reasons pursuant to Section III.13.2.5.2.5 and the resource has not elected to retire pursuant to Section III.13.2.5.2.5.3(a)(iii), the resource will continue to be paid in the same manner as other listed capacity resources until such time as the resource is no longer needed for reliability. In cases where a Non-Price Retirement Request for the entire resource has been submitted and the request has been rejected for reliability reasons pursuant to Section III.13.2.5.2.5 and the resource has not elected to retire pursuant to Section III.13.2.5.2.5.3(a)(iii), the resource may elect to either (i) continue to be paid in the same manner as other listed capacity resources until such time as the resource is no longer needed for reliability, or (ii) the resource may elect to receive cost-of-service compensation pursuant to Section III, Appendix I. Resources must notify the ISO of their election within six months after the ISO files the results of the relevant Forward Capacity Auction with the Commission. A resource that has had a Non-Price Retirement Request rejected for reliability reasons and does not notify the ISO of its election as described in this paragraph will be paid in the same manner as other listed capacity resources. Cost-of-service agreements must be filed with and approved by the Commission, and cost-of-service compensation may not commence until the Commission has approved the use of cost-of-service rates for the unit in question or has accepted subject to refund while the rate is reviewed. In no

event will compensation under the cost-of-service agreement start prior to the start of the relevant Capacity Commitment Period for which the Non-Price Retirement Request was rejected.

(c)(ii) A resource will qualify for payment under Section III.13.2.5.2.5.1(c)(i) if the ISO has not notified the resource that it is no longer needed for reliability reasons by 12:00 a.m. on June 1 of the year preceding the commencement of the Capacity Commitment Period for which the Non-Price Retirement Request was rejected. Once qualified under this Section III.13.2.5.2.5.1(c)(ii), compensation will be provided for the 12-month Capacity Commitment Period for which the Non-Price Retirement Request was rejected. If a resource continues to be needed for reliability in Capacity Commitment Periods following the Capacity Commitment Period for which the Non-Price Retirement Request was rejected, payment pursuant to Section III.13.2.5.2.5.1 will continue and will terminate upon 120 day notice from the ISO to the resource that it is no longer needed for reliability.

(d) The difference between payments based on resource de-list bids or cost-of-service compensation as detailed in this Section III.13.2.5.2.5.1 and payments based on the market clearing price for the Forward Capacity Market under this Section III.13.2.5.2.5.1 shall be allocated to Regional Network Load within the affected Reliability Region.

(e) **Compensation for Existing Generating Capacity Resources at Stations with Common Costs that are Retained for Reliability.** If a Static De-List Bid or Permanent De-List Bid from an Existing Generating Capacity Resource that is associated with a Station having Common Costs is rejected for reliability reasons, the Existing Generating Capacity Resource will be paid as follows: (i) if one or more Existing Generating Capacity Resources at the Station assume a Capacity Supply Obligation through the normal clearing of the Forward Capacity Auction and one or more Existing Generating Capacity Resources are retained for reliability, then the Existing Generating Capacity Resources retained for reliability will be paid the sum of the Asset-Specific Going Forward Costs for the assets comprising that Existing Generating Capacity Resource; or (ii) if no Existing Generating Capacity Resources at the Station assumes a Capacity Supply Obligation through the normal clearing of the Forward Capacity Auction and one or more Existing Generating Capacity Resources are retained for reliability, then each Existing Generating Capacity Resource retained for reliability will be paid the sum of the Asset-Specific Going Forward Costs for the assets associated with that Existing Generating Capacity Resource plus a portion of the Station Going Forward Common Costs (such that the full amount of Station Going Forward Common Costs are allocated to the Existing Generating Capacity Resources retained for reliability).

**III.13.2.5.2.5.2. Incremental Cost of Reliability Service From Non-Price Retirement Request Resources:**

In cases where an Existing Generating Capacity Resource or Existing Demand Resource has had a Non-Price Retirement Request for the entire resource rejected for reliability reasons pursuant to Section III.13.2.5.2.5, does not elect to retire pursuant to Section III.13.2.5.2.5.3(a)(iii), and must make a capital improvement to the unit to remain in operation in order to continue to operate to meet the reliability need identified by the ISO, the resource may make application to the Commission pursuant to Section 205 of the Federal Power Act to receive just and reasonable compensation of the capital investment pursuant to the following:

**(a) Notice to State Utility Commissions, the ISO and Stakeholder Committees of Expectation that a Capital Expense will be Necessary to Meet the Reliability Need Identified by ISO New England:**

A resource seeking to avail itself of the recovery mechanism provided in this Section must notify the state utility commissions in the states where rate payers will fund the capital improvement, the ISO, and the Participants Committee of its intent to make the capital expenditure and the need for the expenditure. This notification must be made at least 120 days prior to the resource making the capital expenditure.

**(b) Required Showing Made to the Federal Energy Regulatory Commission:** In order to receive just and reasonable compensation for a capital expenditure under this Section, a resource must file an explanation of need with the Commission that explains why the capital expenditure is necessary in order to meet the reliability need identified by the ISO. This showing must demonstrate that the expenditure is reasonably determined to be the least-cost commercially reasonable option consistent with Good Utility Practice to meet the reliability need identified by the ISO. If the resource elects cost-of-service treatment pursuant to Section III.13.2.5.2.5.1(c), the Incremental Cost of Reliability Service filing described in this Section must be made separately from and may be made in advance of the resource's cost-of-service filing.

**(c) Allocation:** Costs of capital expenditures approved by the Commission under this provision shall be allocated to Regional Network Load within the affected Reliability Region.

**III.13.2.5.2.5.3. Retirement of Resources**

(a)(i) A resource, or portion thereof, that submits a Non-Price Retirement Request pursuant to Section III.13.1.2.3.1.5 will be retired coincident with the commencement of the Capacity Commitment Period for

which the Non-Price Retirement Request is submitted if the request is approved, or if not approved the resource nonetheless elects to retire pursuant to Section III.13.2.5.2.5.3(a)(iii). If the Non-Price Retirement Request is approved after the resource has a Capacity Supply Obligation for the Capacity Commitment Period for which the Non-Price Retirement Request was submitted, the resource, or portion thereof, will be retired coincident with the end of Capacity Supply Obligation under Section III.13.2.5.2.5.1(c)(ii). The interconnection rights, or relevant portion thereof, for the resource will terminate and the status of the resource, or portion thereof, will be converted to retired on the date of retirement, consistent with the provisions of Schedules 22 and 23 of the OATT.

(a)(ii) An Existing Generating Capacity Resource or Existing Demand Resource with an approved Non-Price Retirement Request may retire the resource, or portion thereof, earlier than the Capacity Commitment Period for which its Non-Price Retirement Request has been approved if it is able to transfer the relevant Capacity Supply Obligation of the resource to another resource through one or more approved Capacity Supply Obligation Bilateral transactions as described in Section III.13.5.1 or reconfiguration auctions as described in Section III.13.4.1. A resource, or portion thereof, electing to retire pursuant to this provision must notify the ISO in writing of its election to retire and the date of retirement. The interconnection rights, or relevant portion thereof, for the resource will terminate and the status of the resource, or portion thereof, will be converted to retired on the date of retirement, consistent with the provisions of Schedules 22 and 23 of the OATT.

(a)(iii) In cases where an Existing Generating Capacity Resource or Existing Demand Resource has submitted a Non-Price Retirement Request and the request is not approved because the resource is determined to be needed for reliability pursuant to Section III.13.2.5.2.5, the portion of the resource subject to the Non-Price Retirement Request may nonetheless retire as permitted by applicable law coincident with the commencement of the Capacity Commitment Period for which the Non-Price Retirement Request is submitted by notifying ISO within six months of receiving the notice from the ISO that the Non-Price Retirement Request has not been approved for reliability reasons. Such an election will be binding. A resource making an election pursuant to this Section III.13.2.5.2.5.3(a)(iii) will not be eligible for compensation pursuant to Sections III.13.2.5.2.5.1 or III.13.2.5.2.5.2. The interconnection rights, or relevant portion thereof, for the resource will terminate and the status of the resource, or portion thereof, will be converted to retired on the date of retirement, consistent with the provisions of Schedules 22 and 23 of the OATT.



(b)(i) A resource that has submitted a non-partial Permanent De-List Bid that has cleared in the Forward Capacity Auction may retire the resource as of the Capacity Commitment Period for which its Permanent De-List Bid has cleared or earlier as described in Section III.13.2.5.2.5.3(b)(ii) by notifying the ISO in writing of its election to retire and the date of retirement. The date specified for retirement is subject to the limit for resource inactivity set out in Section III.13.2.5.2.5.3(d). The interconnection rights for the resource will terminate and the status of the resource will be converted to retired on the date of retirement.

(b)(ii) A resource with a cleared non-partial Permanent De-List Bid may retire the resource earlier than the Capacity Commitment Period for which its Permanent De-List Bid has cleared if it is able to transfer the entire Capacity Supply Obligation of the resource to another resource through one or more approved Capacity Supply Obligation Bilateral transactions as described in Section III.13.5.1 or reconfiguration auctions as described in Section III.13.4. A resource electing to retire pursuant to this provision must notify ISO in writing of its election to retire and the date of retirement. The interconnection rights for the resource will terminate and the status of the resource will be converted to retired on the date on retirement.

(c) A resource that has never been listed as a capacity resource may retire the asset by notifying the ISO in writing of its election to retire and the date of retirement. The date specified for retirement is subject to the limit for resource inactivity set out in Section III.13.2.5.2.5.3(d). The interconnection rights for the resource will terminate and the status of the resource will be converted to retired on the date of retirement.

(d) A resource that does not operate commercially for a period of three calendar years will be deemed by the ISO to be retired. The interconnection rights for the unit will terminate and the status of the unit will be converted to retired on the date of retirement. Where a generator has submitted an application to repower under Schedule 22 or 23 of the OATT, the current interconnection space will be maintained beyond the three years unless the application under Schedule 22 or 23 is withdrawn voluntarily or by the operation of those provisions. Where an application is withdrawn under Schedule 22 or 23, the three year period will be calculated from the last day of commercial operation of the resource.

#### **III.13.2.5.2.6. Exception to Replacement Provisions.**

The replacement provisions described in this Section III.13.2.5.2 shall not apply to: (i) de-list bids from Real-Time Emergency Generation Resources that clear; (ii) de-list or export bids from Existing Import

Capacity Resources that clear; (iii) de-list bids from any resources in a Capacity Zone that is modeled as an export-constrained Capacity Zone that clear; or (iv) export bids from any resources in a Capacity Zone that is modeled as an export-constrained Capacity Zone that clear where the interface associated with the export bid is connected to the export-constrained Capacity Zone. The full amount of such de-listed or exported capacity shall be replaced in the current Forward Capacity Auction. Export bids from any resources in a Capacity Zone that is modeled as an export-constrained Capacity Zone that clear where the interface associated with the export bid is connected to an import-constrained Capacity Zone or the Rest-of-Pool Capacity Zone shall be subject to the replacement provisions described in this Section

III.13.2.5.2.

**III.13.2.5.2.7. Treatment of De-List and Export Bids When the Capacity Clearing Price is Set Administratively.**

Where the Capacity Clearing Price is set pursuant to Section III.13.2.7 (Capacity Clearing Price Floor) or Section III.13.2.8 (Inadequate Supply and Insufficient Competition), and as a result a Permanent De-List Bid, Static De-List Bid, or Export Bid clears that would not otherwise have cleared, then the de-listed or exported capacity will not be replaced in the current Forward Capacity Auction (that is, the amount of capacity procured in the Forward Capacity Auction shall be the Installed Capacity Requirement (net of HQICCs) or Local Sourcing Requirement, as appropriate, minus the amount of the de-listed or exported capacity that results from the application of administratively determined prices) and shall be included in subsequent annual reconfiguration auctions (that is, the amount of capacity procured in subsequent annual reconfiguration auctions shall be increased by the amount of the de-listed or exported capacity).

**III.13.2.6. Capacity Rationing Rule.**

Except for Dynamic De-List Bids, Export Bids, and offers from New Import Capacity Resources and Existing Import Capacity Resources, offers and bids in the Forward Capacity Auction must clear or not clear in whole, unless the offer or bid specifically indicates that it may be rationed. A resource may elect to be rationed to either its Economic Minimum Limit or a level above its Economic Minimum Limit. These levels are submitted pursuant to Section III.13.1.1.2.2.3. Offers from New Import Capacity Resources and Existing Import Capacity Resources are subject to rationing, except where such rationing would violate any applicable physical minimum flow requirements on the associated interface. Export Bids may elect to be rationed generally, but regardless of such election will always be subject to potential rationing where the associated external interface binds. If more Dynamic De-List Bids are submitted at a price than are needed to clear the market, the bids shall be cleared pro-rata, subject to honoring the Economic Minimum Limit of the resources. Where an offer or bid may be rationed, such rationing may

not result in procuring an amount of capacity that is below the associated resource's Economic Minimum Limit.

**III.13.2.7. Determination of Capacity Clearing Prices.**

The Capacity Clearing Price in each Capacity Zone shall be the price established by the descending clock Forward Capacity Auction as described in Section III.13.2.3, subject to the other provisions of this Section III.13.2.

**III.13.2.7.1. Import-Constrained Capacity Zone Capacity Clearing Price Floor.**

The Capacity Clearing Price in an import-constrained Capacity Zone shall not be lower than the Capacity Clearing Price in the Rest-of-Pool Capacity Zone. If after the Forward Capacity Auction is conducted, the Capacity Clearing Price in an import-constrained Capacity Zone is less than the Capacity Clearing Price in the Rest-of-Pool Capacity Zone, all resources clearing in the import-constrained Capacity Zone shall be paid based on the Capacity Clearing Price in the Rest-of-Pool Capacity Zone during the associated Capacity Commitment Period.

**III.13.2.7.2. Export-Constrained Capacity Zone Capacity Clearing Price Ceiling.**

The Capacity Clearing Price in an export-constrained Capacity Zone shall not be higher than the Capacity Clearing Price in the Rest-of-Pool Capacity Zone. If after the Forward Capacity Auction is conducted, the Capacity Clearing Price in an export-constrained Capacity Zone is higher than the Capacity Clearing Price in the Rest-of-Pool Capacity Zone, all resources clearing in the export-constrained Capacity Zone shall be paid based on the Capacity Clearing Price in the Rest-of-Pool Capacity Zone during the associated Capacity Commitment Period.

**III.13.2.7.3. Capacity Clearing Price Floor.**

In the Forward Capacity Auctions for the Capacity Commitment Periods beginning on June 1, 2013, June 1, 2014, June 1, 2015, and June 1, 2016 only, the following additional provisions regarding the Capacity Clearing Price shall apply in all Capacity Zones (and in the application of Section III.13.2.3.3(d)(iii)):

(a) [Reserved.]

(b) The Capacity Clearing Price shall not fall below 0.6 times CONE (or in the case of the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2016 below \$3.15). Where the Capacity Clearing Price reaches 0.6 times CONE (or in the case of the Forward Capacity Auction for the

Capacity Commitment Period beginning June 1, 2016 reaches \$3.15), offers shall be prorated such that no more than the Installed Capacity Requirement (net of HQICCs) is procured in the Forward Capacity Auction, as follows:

- (i) The total payment to all listed capacity resources during the associated Capacity Commitment Period shall be equal to 0.6 times CONE (or in the case of the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2016 shall be equal to \$3.15) times the Installed Capacity Requirement (net of HQICCs) applicable in the Forward Capacity Auction.
- (ii) Payments to individual listed resources shall be prorated based on the total number of MWs of capacity clearing in the Forward Capacity Auction (receiving a Capacity Supply Obligation for the associated Capacity Commitment Period).
- (iii) Suppliers may instead prorate their bid MWs of participation in the Forward Capacity Market by partially de-listing one or more resources. Regardless of any such proration, the full amount of capacity that cleared in the Forward Capacity Auction will be ineligible for treatment as new capacity in subsequent Forward Capacity Auctions (except as provided under Section III.13.1.1.1.2).
- (iv) Any proration shall be subject to reliability review. Where proration is rejected for reliability reasons, the resource's payment shall not be prorated as described in subsection (ii) above, and the difference between its actual payment based on the Capacity Clearing Price and what its payment would have been had prorationing not been rejected for reliability reasons shall be allocated to Regional Network Load within the affected Reliability Region. In this case, the total payment described in subsection (i) above will increase accordingly.
- (v) Any election to prorate bid MWs associated with a New Capacity Offer that clears in the Forward Capacity Auction shall also apply in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.2.2.5.

(c) Where the Capacity Clearing Price reaches 0.6 times CONE (or in the case of the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2016 reaches \$3.15), if the amount of capacity offered from New Import Capacity Resources and Existing Import Capacity Resources over an interface between an external Control Area and the New England Control Area is greater than that interface's approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF):

- (i) the full amount of capacity offered at that price from Existing Import Capacity Resources associated with contracts listed in Section III.13.1.3.3(c) shall clear; and
- (ii) the capacity offered at that price from New Import Capacity Resources and Existing Import Capacity Resources other than Existing Import Capacity Resources associated with the contracts listed in Section III.13.1.3.3(c) will be prorated such that the interface's approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF) is not exceeded. If the capacity offered at that price by any single New Import Capacity Resource or Existing Import Capacity Resource that is not associated with the contracts listed in Section III.13.1.3.3(c) is greater than the interface's approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF), then the capacity offered by that resource that is above the interface's approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF) shall not be included in the prorationing.
- (iii) Capacity remaining after the treatment described in Sections III.13.2.7.3(c)(i) and III.13.2.7.3(c)(ii) shall be subject to the proration described in Section III.13.2.7.3(b).

#### **III.13.2.7.4. Effect of Capacity Rationing Rule on Capacity Clearing Price.**

Where the requirement that offers and bids clear or not clear in whole (Section III.13.2.6) prohibits the descending clock auction in its normal progression from clearing a Capacity Zone at the precise amount of capacity required, then the auctioneer shall analyze the aggregate supply curve to determine whether to clear more excess capacity at a lower Capacity Clearing Price or to clear less or no excess capacity at a higher Capacity Clearing Price, and shall choose the alternative that results in procuring at least the amount of capacity required while seeking to minimize the total cost for the associated Capacity Commitment Period by enumerating as many combinations of non-rationable offers and bids as practicable. De-list bids that would not be replaced in full upon clearing (Permanent De-List Bids when the Capacity Clearing Price is above 1.25 times CONE, Static De-List Bids, and Export Bids) will not

clear if they are below the Capacity Clearing Price. In an import-constrained Capacity Zone, the cost minimization will not consider blocks of capacity not needed to meet the import-constrained Capacity Zone's Local Sourcing Requirement when price separation occurs between the import-constrained Capacity Zone and the Rest-of-Pool Capacity Zone. The cost minimization may result in offers below the Capacity Clearing Price not clearing, and in certain de-list bids (Permanent De-List Bids when the Capacity Clearing Price is equal to or below 1.25 times CONE and Dynamic De-List Bids) below the Capacity Clearing Price clearing.

#### **III.13.2.7.5. Effect of Decremental Repowerings on the Capacity Clearing Price.**

Where the effect of accounting for certain repowering offers and bids (as described in Section III.13.2.3.2(e)) results in the auction not clearing at the lowest price for the required quantity of capacity, then the auctioneer will conduct additional auction rounds of the Forward Capacity Auction as necessary to minimize total capacity costs.

#### **III.13.2.7.6. Minimum Capacity Award.**

Each offer (excluding, starting with the fourth auction, offers from Conditional Qualified New Generating Capacity Resources that do not satisfy the conditions specified in Sections III.13.2.5.1(i)-(iii)) clearing in the Forward Capacity Auction shall be awarded a Capacity Supply Obligation at least as great as the amount of capacity offered at the End-of-Round Price in the final round of the Forward Capacity Auction, except possibly as a result of the application of Section III.13.2.7.3. For Intermittent Power Resources and Intermittent Settlement Only Resources, the Capacity Supply Obligation for months in the winter period (as described in Section III.13.1.5) shall be adjusted based on its winter Qualified Capacity as determined pursuant to Section III.13.1.1.2.2.6 and Section III.13.1.2.2.2.

#### **III.13.2.7.7. Tie-Breaking Rules.**

Where the provisions in this Section III.13.2 for clearing the Forward Capacity Auction (system-wide or in a single Capacity Zone) result in a tie – that is, where two or more resources offer sufficient capacity at prices that would clear the auction at the same minimum total costs – the auctioneer shall apply the following rules (in sequence, as necessary) to determine clearing:

- (a) The auctioneer shall clear the resources in such a manner as to maximize the total amount of capacity procured.
- (b) If multiple projects may be rationed, they will be rationed proportionately.

(c) Starting with the fourth auction, where clearing either the offer associated with a resource with a higher queue priority at a Conditional Qualified New Generating Capacity Resource's location or the offer associated with the Conditional Qualified New Generating Capacity Resource would result in equal total costs, the offer associated with the resource with the higher queue priority shall clear.

(d) The offer associated with the Project Sponsor having the lower market share in the capacity auction (including Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Resources) shall be cleared.

### **III.13.2.7.8. Alternative Capacity Price Rules.**

In no case will the application of any of the three alternative price mechanisms described in this Section III.13.2.7.8 result in lowering the Capacity Clearing Price that otherwise results from the Forward Capacity Auction.

#### **III.13.2.7.8.1. First Alternative Price Rule ("APR-1").**

##### **III.13.2.7.8.1.1. Trigger.**

APR-1 shall be triggered in an import-constrained Capacity Zone or the Rest-of-Pool Capacity Zone if all of the following conditions are met:

- (a) the sum of the amount of New Capacity Required plus the amount of Permanent De-List Bids clearing in the Forward Capacity Auction in the Capacity Zone is greater than zero;
- (b) there is not Inadequate Supply in the Forward Capacity Auction (in the Capacity Zone, in the case of an import-constrained Capacity Zone, or system-wide, in the case of the Rest-of-Pool Capacity Zone); and
- (c) at the Capacity Clearing Price, the amount of Out-of-Market Capacity in the Capacity Zone exceeds the sum of the amount of New Capacity Required plus the amount of Permanent De-List Bids clearing in the Forward Capacity Auction in the Capacity Zone, where the amount of Out-of-Market Capacity shall be the sum of the following amounts:

(i) **ISO RFPs.** The quantity of any capacity procured in the Capacity Zone through an RFP issued by the ISO for the Capacity Commitment Period associated with the current Forward Capacity Auction.

(ii) **Certain New Capacity Offers.** The quantity of capacity cleared from New Generating Capacity Resources, New Import Capacity Resources, and New Demand Resources for the Capacity Zone below 0.75 times CONE that were found by the Internal Market Monitor to be ineligible to set the Capacity Clearing Price pursuant to Sections III.13.1.1.2.6, III.13.1.3.5.6.2, and III.13.1.4.2.4.

(iii) **Permanent De-List Bids and Non-Price Retirement Requests Rejected for Reliability Reasons.** The MW quantity of Permanent De-List Bids and Non-Price Retirement Requests Rejected for reliability reasons in the Capacity Zone in the Forward Capacity Auction.

(iv) **New Self-Supplied FCA Resources.** The quantity of capacity from New Generating Capacity Resources and New Import Capacity Resources designated as Self-Supplied FCA Resources in the Capacity Zone.

#### **III.13.2.7.8.1.2. Pricing.**

If APR-1 is triggered, then the Capacity Clearing Price for that Capacity Zone shall be the lesser of: (1) \$0.01 below the price at which the last remaining New Generating Capacity Resource, New Import Capacity Resource, or New Demand Resource in the Capacity Zone (not including those addressed in Section III.13.2.7.8.1(c)(ii)) withdrew from the Forward Capacity Auction; or (2) CONE; provided, however, that if in the Capacity Zone there is Insufficient Competition (in the Capacity Zone, in the case of an import-constrained Capacity Zone, or system-wide in the case of the Rest-of-Pool Capacity Zone) and all capacity offered from New Generating Capacity Resources, New Import Capacity Resources, and New Demand Resources at the Forward Capacity Auction Starting Prices is still included in the aggregate supply curve, then the Capacity Clearing Price shall equal CONE.

#### **III.13.2.7.8.2. Second Alternative Price Rule (“APR-2”).**

##### **III.13.2.7.8.2.1. Trigger.**

APR-2 shall be triggered in an import-constrained Capacity Zone or the Rest-of-Pool Capacity Zone if all of the following conditions are met:



- (a) the sum of the amount of New Capacity Required plus the amount of Permanent De-List bids clearing in the Forward Capacity Auction in the Capacity Zone is less than or equal to zero; and
- (b) there is not Inadequate Supply in the Forward Capacity Auction (in the Capacity Zone, in the case of an import-constrained Capacity Zone, or system-wide, in the case of the Rest-of-Pool Capacity Zone); and
- (c) at the Capacity Clearing Price, the sum of the amount of New Capacity Required plus the amount of Permanent De-List Bids clearing in the Forward Capacity Auction plus the amount of Carried Forward Excess Capacity in the Capacity Zone is greater than zero, where the amount of Carried Forward Excess Capacity shall be the sum of the following two amounts:

- (i) **Carried Forward Excess Out-of-Market Capacity.** The Carried Forward Excess Out-of-Market Capacity shall be calculated as follows, but in no case will it be less than zero. The Carried Forward Excess Out-of-Market Capacity for the first three Forward Capacity Auctions shall be zero. In the calculation of Carried Forward Excess Out-of-Market Capacity, past excess Out-of-Market Capacity shall not carry forward for more than six years (hence it will apply in no more than seven Forward Capacity Auctions).

- (a) If in the previous Forward Capacity Auction, the sum of the amount of New Capacity Required plus the amount of Permanent De-List Bids clearing in that Forward Capacity Auction is greater than zero, then the Carried Forward Excess Out-of-Market Capacity shall be the difference between the amount of Out-of-Market Capacity in the previous Forward Capacity Auction and the sum of the amount of New Capacity Required plus the amount of Permanent De-List Bids clearing in that previous Forward Capacity Auction.

- (b) If in the previous Forward Capacity Auction, the sum of the amount of New Capacity Required plus the amount of Permanent De-List Bids clearing in that Forward Capacity Auction is less than or equal to zero, then the Carried Forward Excess Out-of-Market Capacity shall be the sum of the amount of Out-of-Market Capacity in the previous Forward Capacity Auction plus the lesser of: (i) the Carried Forward Excess Out-of-Market Capacity from the previous Forward Capacity Auction; or (ii) the absolute value of the sum of the amount of New Capacity Required plus the amount of Permanent De-List Bids clearing in the previous Forward Capacity Auction.

(ii) **Capacity Carried Forward Due to Rationing.** If the Capacity Zone is import-constrained and was also import-constrained in the previous Forward Capacity Auction, the amount of capacity above the Local Sourcing Requirement procured in that Capacity Zone in the previous Forward Capacity Auction as a result of the Capacity Rationing Rule.

**III.13.2.7.8.2.2. Pricing.**

If APR-2 is triggered, then the Capacity Clearing Price for the Capacity Zone shall be the lesser of: (1) \$0.01 below the price at which the last remaining New Generating Capacity Resource, New Import Capacity Resource, or New Demand Resource in the Capacity Zone (not including those addressed in Section III.13.2.7.8.2(c)(ii)) withdrew from the Forward Capacity Auction; or (2) CONE; provided, however, that if in the Capacity Zone there is Insufficient Competition (in the Capacity Zone, in the case of an import-constrained Capacity Zone, or system-wide, in the case of the Rest-of-Pool Capacity Zone) and no capacity offered from New Generating Capacity Resources, New Import Capacity Resources, and New Demand Resources has been withdrawn from the Forward Capacity Auction, then the Capacity Clearing Price shall equal CONE.

**III.13.2.7.8.3. Third Alternative Price Rule (“APR-3”)**

**III.13.2.7.8.3.1. Trigger.**

For all Forward Capacity Auctions not subject to a floor price (as described in Section III.13.2.7.3), APR-3 shall be triggered in an import-constrained Capacity Zone or the Rest-of-Pool Capacity Zone if all of the following conditions are met:

- (a) the sum of the amount of New Capacity Required plus the amount of Permanent De-List Bids clearing in the Forward Capacity Auction in the Capacity Zone is less than or equal to zero;
- (b) there is not Inadequate Supply in the Forward Capacity Auction (in the Capacity Zone, in the case of an import-constrained Capacity Zone, or system-wide, in the case of the Rest-of-Pool Capacity Zone);
- (c) at the Capacity Clearing Price, the sum of the amount of New Capacity Required plus the amount of Permanent De-List Bids clearing in the Forward Capacity Auction plus the amount of Carried Forward Excess Capacity in the Capacity Zone is less than or equal to zero, where the amount of Carried Forward Excess Capacity shall be calculated as described in Section III.13.2.7.8.2.1(c); and

(d) one or more Non-Price Retirement Request, Permanent De-List Bid, Static De-List Bid, Export Bid, Administrative Export De-List Bid, or Dynamic De-List Bid was rejected in the instant Forward Capacity Auction for reliability reasons pursuant to Section III.13.2.5.2.5.

#### **III.13.2.7.8.3.2. Pricing.**

If APR-3 is triggered, and if the price in the Forward Capacity Auction is at or below 0.6 times CONE, then the Capacity Clearing Price in that Capacity Zone will be determined by the intersection of the aggregate supply curve as described in Section III.13.2.3.3 and a demand curve where each price / quantity pair results in the same total costs as the price described in subsection (a) below multiplied by the quantity demanded at that price.

(a) The price at which the excess capacity remaining in the Forward Capacity Auction in that Capacity Zone is less than or equal to the total quantity of capacity associated with all Non-Price Retirement Requests, Permanent De-List Bids, static De-List Bids, Export Bids, Administrative Export De-List Bids or Dynamic De-List Bids rejected for reliability reasons pursuant to Section III.13.2.5.2.5.

#### **III.13.2.7.9 [Reserved.]**

#### **III.13.2.8. Inadequate Supply and Insufficient Competition.**

In the case of either Inadequate Supply or Insufficient Competition, as defined in this Section III.13.2.8, the Forward Capacity Auction shall still be used to the extent possible; that is, the remedy for Inadequate Supply or Insufficient Competition shall be limited to the Capacity Zones having Inadequate Supply or Insufficient Competition.

#### **III.13.2.8.1. Inadequate Supply.**

##### **III.13.2.8.1.1. Inadequate Supply in an Import-Constrained Capacity Zone.**

An import-constrained Capacity Zone will be considered to have Inadequate Supply if at the Forward Capacity Auction Starting Price the amount of capacity offered in the import-constrained Capacity Zone through New Capacity Offers is less than the amount of New Capacity Required in that Capacity Zone.

(a) Where an import-constrained Capacity Zone has Inadequate Supply, Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Resources (other than

those still subject to a multi-year Capacity Commitment Period election as described in Sections III.13.1.1.2.2.4 and III.13.1.4.2.2.5) in that Capacity Zone, other than such resources, or portions thereof, that have no Capacity Supply Obligation or are designated as Self-Supplied FCA Resources for the Capacity Commitment Period, shall be paid 1.1 times CONE during the associated Capacity Commitment Period, and New Generating Capacity Resources, New Import Capacity Resources, and New Demand Resources in the Forward Capacity Auction in that Capacity Zone shall be paid the Forward Capacity Auction Starting Price during the associated Capacity Commitment Period (and subsequent Capacity Commitment Periods, as elected pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.2.2.5).

(b) In an import-constrained Capacity Zone having Inadequate Supply, the difference between the amount of capacity offered in the Capacity Zone through New Capacity Offers and the amount of New Capacity Required in that Capacity Zone shall be included in subsequent annual reconfiguration auctions.

(c) Inadequate Supply in one or more import-constrained Capacity Zones shall not affect Capacity Zones having adequate supply.

(d) Any availability penalty assessed during the associated Capacity Commitment Period pursuant to Section III.13.7.2.7.1.2 on a resource in an import-constrained Capacity Zone having Inadequate Supply will be assessed at a rate equal to 1.1 times CONE.

#### **III.13.2.8.1.2. System-Wide Inadequate Supply.**

The New England Control Area will be considered to have system-wide Inadequate Supply if at the Forward Capacity Auction Starting Prices, the total amount of capacity offered in the Forward Capacity Auction is less than the Installed Capacity Requirement (net of HQICCs).

(a) In the case of system-wide Inadequate Supply, Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Resources other than such resources, or portions thereof, that have no Capacity Supply Obligation or are designated as Self-Supplied FCA Resources for the Capacity Commitment Period, shall be paid 1.1 times CONE during the associated Capacity Commitment Period, and New Generating Capacity Resources, New Import Capacity Resources, and New Demand Resources in the Forward Capacity Auction shall be paid the Forward Capacity Auction Starting Price during the associated Capacity Commitment Period (and subsequent Capacity Commitment Periods, as elected pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.2.2.5).

(b) In the case of system-wide Inadequate Supply, the difference between the total amount of capacity offered in the Forward Capacity Auction and the Installed Capacity Requirement (net of HQICCs) shall be included in subsequent annual reconfiguration auctions.

(c) System-wide Inadequate Supply will not affect the Forward Capacity Auction in Capacity Zones having adequate supply, except that in those Capacity Zones having adequate supply, New Generating Capacity Resources, New Import Capacity Resources, and New Demand Resources shall be paid the Capacity Clearing Price, and Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Resources other than such resources, or portions thereof, that have no Capacity Supply Obligation or are designated as Self-Supplied FCA Resources for the Capacity Commitment Period, will be paid the lower of: (1) the Capacity Clearing Price; or (2) 1.1 times CONE.

(d) If there is system-wide Inadequate Supply, but the amount of capacity offered in an export-constrained Capacity Zone, including imports as appropriate, is greater than the Maximum Capacity Limit in that export-constrained Capacity Zone, the Forward Capacity Auction in the export-constrained Capacity Zone shall be unaffected, and in that case the price paid to Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Resources in the Rest-of-Pool Capacity Zone shall be the higher of: (1) 1.1 times CONE; or (2) the price in the export-constrained Capacity Zone.

#### **III.13.2.8.2. Insufficient Competition.**

The Forward Capacity Auction shall be considered to have Insufficient Competition system-wide or in any import-constrained Capacity Zone if the following two conditions are both satisfied:

(a) at the Forward Capacity Auction Starting Price, the amount of capacity offered from Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Resources is less than the Installed Capacity Requirement (net of HQICCs) or the Local Sourcing Requirement, as applicable; and

(b) at the Forward Capacity Auction Starting Price:

(i) less than 300 MW of capacity is offered from New Generating Capacity Resources and New Demand Resources (the ISO shall revisit the appropriateness of the 300 MW threshold in

the case of an import-constrained Capacity Zone having a Local Sourcing Requirement of less than 5000 MW);

(ii) the amount of capacity offered from New Generating Capacity Resources and New Demand Resources is more than the amount of New Capacity Required but less than twice the amount of New Capacity Required; or

(iii) any Market Participant's total capacity from New Generating Capacity Resources, New Import Capacity Resources, and New Demand Resources is pivotal, unless such capacity is Out-of-Market Capacity. A Market Participant shall be considered pivotal if, at the Forward Capacity Auction Starting Price, some capacity from that Market Participant's potential New Generating Capacity Resources, New Import Capacity Resources, or New Demand Resources is required to satisfy the Installed Capacity Requirement (net of HQICCs) or the Local Sourcing Requirement, as applicable.

If the Forward Capacity Auction has Insufficient Competition, New Generating Capacity Resources, New Import Capacity Resources, and New Demand Resources shall be paid the Capacity Clearing Price during the associated Capacity Commitment Period, and Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Resources (other than those still subject to a multi-year Capacity Commitment Period election as described in Sections III.13.1.1.2.2.4 and III.13.1.4.2.2.5) shall be paid the lower of: (1) the Capacity Clearing Price; or (2) 1.1 times CONE during the associated Capacity Commitment Period. Any availability penalty assessed during the associated Capacity Commitment Period pursuant to Section III.13.7.2.7.1.2 on a resource in an import-constrained Capacity Zone having Insufficient Competition will be assessed at a rate equal to the lower of: (1) the Capacity Clearing Price; or (2) 1.1 times CONE.

#### **III.13.2.9. 2010/2011 Capacity Commitment Period Special Pricing Rule.**

If the ISO conducts the first Forward Capacity Auction in the first quarter of 2008 for the Capacity Commitment Period beginning June 1, 2010, and the Forward Capacity Auction fails either the Inadequate Supply or Insufficient Competition test, then any New Generating Capacity Resources, New Import Capacity Resources, and New Demand Resources selected in the Forward Capacity Auction shall be paid the Forward Capacity Auction Starting Price or the Capacity Clearing Price, as appropriate, in the 2010/2011 Capacity Commitment Period and Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Resources shall be paid the average of all Successful FCAs

held prior to the 2010/2011 Capacity Commitment Period. If subsequent Forward Capacity Auctions also fail, or if the Forward Capacity Auction for the 2010/2011 Capacity Commitment Period cannot be held, all existing listed ICAP Resources in the 2010/2011 Capacity Commitment Period shall be paid \$4.70 per kW-month in accordance with the provisions of Section III.8 of Market Rule 1.

### **III.13.3. Critical Path Schedule Monitoring.**

#### **III.13.3.1. Resources Subject to Critical Path Schedule Monitoring.**

##### **III.13.3.1.1. New Resources Clearing in the Forward Capacity Auction.**

For each new resource required to submit a critical path schedule in the qualification process, including a New Generating Capacity Resource (pursuant to Section III.13.1.1.2.2), a New Import Capacity Resource backed by a new External Resource (pursuant to Section III.13.1.3.5), or a New Demand Resource (pursuant to Section III.13.1.4), if capacity from that resource clears in the Forward Capacity Auction, then the ISO shall monitor that resource's compliance with its critical path schedule in accordance with the provisions of this Section III.13.3 from the time that the Forward Capacity Auction is conducted until the resource achieves Commercial Operation, loses its Capacity Supply Obligation pursuant to Section III.13.3.4(c), or withdraws from critical path schedule monitoring pursuant to Section III.13.3.6.

##### **III.13.3.1.2. New Resources Not Offering or Not Clearing in the Forward Capacity Auction.**

If no capacity from a new resource that was required to submit a critical path schedule in the qualification process clears in the Forward Capacity Auction, or if such a resource does not submit an offer in the Forward Capacity Auction, then the ISO shall not monitor that resource's compliance with its critical path schedule after the Forward Capacity Auction unless, within 5 Business Days after the Forward Capacity Auction is completed, the Project Sponsor for that resource requests in writing that the ISO continue to monitor that resource's compliance with its critical path schedule. A New Generating Capacity Resource may not, however, request that the ISO continue to monitor that resource's compliance with its critical path schedule pursuant to this Section III.13.3.1.2 if that resource participated but did not clear in the Forward Capacity Auction either as: (i) a Conditional Qualified New Generating Capacity Resource, or (ii) a New Generating Capacity Resource with a higher priority in the queue and overlapping interconnection impacts with a Conditional Qualified New Generating Capacity Resource.

##### **III.13.3.2. Quarterly Critical Path Schedule Reports.**

For each new resource that is being monitored for compliance with its critical path schedule, the Project Sponsor for that resource must provide a written critical path schedule report to the ISO no later than five Business Days after the end of each calendar quarter. If the Project Sponsor does not provide a written critical path schedule report to the ISO by the fifth Business Day after the end of the calendar quarter,



then the ISO shall issue a notice thereof to the Project Sponsor. If the Project Sponsor fails to provide the critical path schedule report within five Business Days of issuance of that notice, then the resource will be subject to termination pursuant to Section III.13.3.4(c). Each critical path schedule report shall include the following:

**III.13.3.2.1. Updated Critical Path Schedule.**

The critical path schedule report must include a complete updated version of the critical path schedule as described in Section III.13.1.1.2.2.2, dated contemporaneously with the submission of the critical path schedule report. The updated critical path schedule should clearly indicate if the Project Sponsor is proposing to change any of the milestones or dates from the previously submitted version of the critical path schedule, and must include an explanation of any such proposed changes. In the critical path schedule report, the Project Sponsor should also explain in detail any proposed changes to the project design and the potential impact of such changes on the amount of capacity the resource will be able to provide.

**III.13.3.2.2. Documentation of Milestones Achieved.**

(a) For all new resources except for Demand Resource projects installed at multiple facilities and Demand Resource projects from a single facility with a Demand Reduction Value of less than 5 MW (discussed in Section III.13.3.2.2(b)), for each critical path schedule milestone achieved since the submission of the previous critical path schedule report, the Project Sponsor must include in the critical path schedule report documentation demonstrating that the milestone has been achieved by the date indicated and as otherwise described in the critical path schedule, as follows:

(i) **Major Permits.** For each major permit described in the critical path schedule, the Project Sponsor shall provide documentation showing that the permit was applied for and obtained as described in the critical path schedule. For permit applications, this documentation could include a dated copy of the permit application or cover letter requesting the permit. For approved permits, this documentation could include a dated copy of the approved permit or letter granting the permit from the permitting authority.

(ii) **Project Financing Closing.** The Project Sponsor shall provide documentation showing that the sources of financing identified in the critical path schedule have committed to provide the amount of financing described in the critical path schedule. This documentation could include copies of commitment letters from the sources of financing.

(iii) **Major Equipment Orders.** For each major component described in the critical path schedule, the Project Sponsor shall provide documentation showing that the equipment was ordered as described in the critical path schedule. This documentation should include a copy of a dated confirmation of the order from the manufacturer or supplier. This documentation should confirm scheduled delivery dates consistent with milestone Section III.13.3.2.2(a)(vi).

(iv) **Substantial Site Construction.** The Project Sponsor shall provide documentation showing that the amount of money expended on construction activities occurring on the project site has exceeded 20 percent of the construction financing costs.

(v) **Major Equipment Delivery.** For each major component described in the critical path schedule, the Project Sponsor shall provide documentation showing that the equipment was delivered to the project site and received as preliminarily acceptable as described in the critical path schedule. This documentation should include a copy of a dated confirmation of delivery to the project site.

(vi) **Major Equipment Testing.** For each major component described in the critical path schedule, the Project Sponsor shall provide documentation showing that the component was tested, including major systems testing as appropriate for the specific technology as described in the critical path schedule, and that the test results demonstrate the equipment's suitability to allow, in conjunction with other major component, subsequent Commercial Operation of the project in accordance with the amount of capacity obligated from the resource in the Capacity Commitment Period in accordance with Good Utility Practice. This documentation could include a dated copy of the satisfactory test results.

(vii) **Commissioning.** The Project Sponsor shall provide documentation showing that the resource has demonstrated a level of performance equal to or greater than the amount of capacity obligated from the resource in the Capacity Commitment Period. This documentation should include a copy of a dated letter of confirmation from the applicable manufacturer, contractor, or installer.

(viii) **Commercial Operation.** The Project Sponsor is not required to provide documentation of Commercial Operation to the ISO as part of the ISO's critical path schedule monitoring. The

ISO shall confirm that the resource has achieved Commercial Operation as described in the critical path schedule through the resource's compliance with the other relevant requirements of the Transmission, Markets and Services Tariff and the ISO New England System Rules.

(ix) **Transmission Upgrades.** If during the qualification process it was determined that, because of overlapping interconnection impacts, transmission upgrades are needed for the new resource to complete its interconnection, then the Project Sponsor shall provide documentation showing that the transmission upgrades have been completed.

(b) For Demand Resource projects installed at multiple facilities and Demand Resource projects from a single facility with a Demand Reduction Value of less than 5 MW, for each critical path schedule milestone achieved since the submission of the previous critical path schedule report, the Project Sponsor must include in the critical path schedule report documentation demonstrating that the milestone has been achieved by the date indicated and as otherwise described in the critical path schedule, as follows:

(i) **Substantial Project Completion.** The Project Sponsor shall provide documentation showing the total offered Demand Reduction Value achieved as of target dates which are: (a) the cumulative percentage of total Demand Reduction Value achieved on target date 1 occurring five weeks prior to the first Forward Capacity Auction after the Forward Capacity Auction in which the Demand Resource supplier's capacity award was made; (b) the cumulative percentage of total Demand Reduction Value achieved on target date 2 occurring five weeks prior to the second Forward Capacity Auction after the Forward Capacity Auction in which the Demand Resource supplier's capacity award was made; and (c) target date 3 which is the date the resource is expected to achieve commercial operation, which must be on or before the first day of the relevant Capacity Commitment Period and by which date 100 percent of the total Demand Reduction Value must be complete.

(ii) **Pipeline Analysis.** If the Project Sponsor proposes in its New Demand Resource Qualification Package a cumulative Percent of Total Demand Reduction Value Complete that is 30 percent or less by the second critical path schedule target date, then the Project Sponsor shall provide a pipeline analysis to the ISO as specified in Section III.13.1.4.2.2.4.3 of Market Rule 1.

(iii) **Additional Requirements.** For each customer and each prospective customer the Project Sponsor shall provide: name, location, MW amount, and description of stage of

negotiation. If the customer's asset has been registered with the ISO, then the Project Sponsor shall also provide the asset identification number.

#### **III.13.3.2.3. Additional Relevant Information.**

The Project Sponsor must include in the critical path schedule report any other information regarding the status or progress of the project or any of the project milestones that might be relevant to the ISO's evaluation of the feasibility of the project being built in accordance with the critical path schedule or the feasibility that the project will meet the requirement that the project achieve Commercial Operation no later than the start of the relevant Capacity Commitment Period.

#### **III.13.3.2.4. Additional Information for Resources Previously Listed As Capacity.**

For each resource participating in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Sections III.13.1.1.1.2, III.13.1.1.1.3, or III.13.1.1.1.4 or New Demand Resource pursuant to Section III.13.1.4.1.2 and clearing in that auction, the Project Sponsor must provide information in the critical path schedule report demonstrating: (a) the shedding of the resource's Capacity Supply Obligation in accordance with the provisions of Section III.13.1.1.2.2.5(c); and (b) that the relevant cost threshold (described in Sections III.13.1.1.1.2, III.13.1.1.1.3, and III.13.1.1.1.4) is being met.

#### **III.13.3.3. Failure to Meet Critical Path Schedule.**

If the ISO determines that any critical path schedule milestone date has been missed, or if the Project Sponsor proposes a change to any milestone date in a quarterly critical path schedule report (as described in Section III.13.3.2.1), then the ISO shall consult with the Project Sponsor to determine the impact of the missed milestone or proposed revision, and shall determine a revised date for the milestone and for any other milestones affected by the change including Commercial Operation of the project. If a milestone date is revised for any reason, the ISO may require the Project Sponsor to submit a written report to the ISO on the fifth Business Day of each month until the revised milestone is achieved detailing the progress toward meeting the revised milestone. If the Project Sponsor does not provide a written critical path schedule report to the ISO on the fifth Business Day of a month, then the ISO shall issue a notice thereof to the Project Sponsor. If the Project Sponsor fails to provide the critical path schedule report within five Business Days of issuance of that notice, then the resource will be subject to termination pursuant to Section III.13.3.4(c). Such a monthly reporting requirement, if imposed, shall be in addition to the quarterly critical path schedule reports described in Section III.13.3.2.

**III.13.3.4. Covering Capacity Supply Obligation where Resource will Not Achieve Commercial Operation by the Start of the Capacity Commitment Period.**

If as a result of milestone date revisions made pursuant to Section III.13.3.3, the Commercial Operation milestone date is after the start of any Capacity Commitment Period in which the resource has a Capacity Supply Obligation (except in the circumstances described in Section III.13.7.1.1.3(h) and Section III.13.7.1.1.3(i)), then the Project Sponsor must take actions to cover the entire Capacity Supply Obligation for the portion of the Capacity Commitment Period for which the project will not have achieved Commercial Operation, as follows:

(a) The Project Sponsor may cover its Capacity Supply Obligation through reconfiguration auctions as described in Section III.13.4 or one or more Capacity Supply Obligation Bilaterals, which must be submitted to the ISO as described in Section III.13.5.

(b) If, by the time demand bids are due for the third annual reconfiguration auction for the Capacity Commitment Period in which the resource has a Capacity Supply Obligation, the Project Sponsor has not covered its full Capacity Supply Obligation for the portion of the Capacity Commitment Period for which the project will not have achieved Commercial Operation, then the ISO shall submit a demand bid in that annual reconfiguration auction on the Project Sponsor's behalf for a quantity equal to the largest monthly Capacity Supply Obligation for the Capacity Commitment Period that has not been covered, at a price of 2.0 times CONE (with all payments, charges, rights, obligations, and other results associated with such demand bid applying to the Project Sponsor as if the Project Sponsor itself had submitted the demand bid).

(c) If the Project Sponsor fails to comply with the requirements of Sections III.13.3.2 or III.13.3.3, or if the Capacity Supply Obligation is not covered as described in Sections III.13.3.4(a) and III.13.3.4(b), or if the Project Sponsor covers the Capacity Supply Obligation for two Capacity Commitment Periods, then the ISO, after consultation with the Project Sponsor, shall have the right, through a filing with the Commission, to terminate the resource's Capacity Supply Obligation for any future Capacity Commitment Periods and the resource's right to any payments associated with that Capacity Supply Obligation in the Capacity Commitment Period, and to adjust the resource's qualified capacity for participation in the Forward Capacity Market. Upon Commission ruling, the Project Sponsor shall forfeit any financial assurance provided with respect to that Capacity Supply Obligation. If in these circumstances, however, the ISO does not take steps to terminate the resource's Capacity Supply Obligation and instead permits the Project Sponsor to continue to cover its Capacity Supply Obligation,

such continuation shall be subject to the ISO's right to revoke that permission and to file with the Commission to terminate the resource's Capacity Supply Obligation, and subject to continued reporting by the Project Sponsor as described in this Section III.13.3.

**III.13.3.5. Termination of Interconnection Agreement.**

If the ISO files with the Commission to terminate a resource's Capacity Supply Obligation as described in Section III.13.3.4(c), the ISO shall have the right to terminate the Interconnection Agreement with that resource through a filing with the Commission and upon Commission ruling. If the Project Sponsor continues to cover all of its Capacity Supply Obligations while challenging such termination before the Commission, it shall retain its Queue Position.

**III.13.3.6. Withdrawal from Critical Path Schedule Monitoring.**

A Project Sponsor may withdraw its resource from critical path schedule monitoring by the ISO at any time by submitting a written request to the ISO. The ISO also may deem a resource withdrawn from critical path schedule monitoring if the Project Sponsor does not adhere to the requirements of this Section III.13.3. Any resource withdrawn from critical path schedule monitoring shall be subject to the provisions of Section III.13.3.4.

#### **III.13.4. Reconfiguration Auctions.**

For each Capacity Commitment Period, the ISO shall conduct annual and monthly reconfiguration auctions as described in this Section III.13.4. Reconfiguration auctions only permit the trading of Capacity Supply Obligations; load obligations are not traded in reconfiguration auctions. Each reconfiguration auction shall use a static double auction (respecting internal and external transmission limits and regional and local sourcing requirements updated using a methodology that is consistent with the Forward Capacity Auction) to clear supply offers (i.e., offers to assume a Capacity Supply Obligation) and demand bids (i.e., bids to shed a Capacity Supply Obligation) for each Capacity Zone included in the reconfiguration auction. Supply offers and demand bids will be modeled in the Capacity Zone where the associated resources are electrically interconnected. Resources that are able to meet the requirements in other Capacity Zones shall be allowed to clear to meet such requirements, subject to the constraints modeled in the auction.

##### **III.13.4.1. Capacity Zones Included in Reconfiguration Auctions.**

Each reconfiguration auction associated with a Capacity Commitment Period shall include each of, and only, the final Capacity Zones and external interfaces as determined through the Forward Capacity Auction for that Capacity Commitment Period, as described in Section III.13.2.3.4.

##### **III.13.4.2. Participation in Reconfiguration Auctions.**

Each supply offer and demand bid in a reconfiguration auction must be associated with a specific resource, and must satisfy the requirements of this Section III.13.4.2. All resource types except Real-Time Emergency Generation Resources may participate in reconfiguration auctions. In accordance with Section III.A.9.2 of **Appendix A** of this Market Rule 1, supply offers and demand bids submitted for reconfiguration auctions shall not be subject to mitigation by the Internal Market Monitor. A supply offer or demand bid submitted for a reconfiguration auction shall not be limited by the associated resource's Economic Minimum Limit. Offers composed of separate resources may not participate in reconfiguration auctions. Participation in any reconfiguration auction is conditioned on full compliance with the applicable financial assurance requirements as provided in the ISO New England Financial Assurance Policy at the time of the offer and bid deadline. For annual reconfiguration auctions, the offer and bid deadline will be announced by the ISO no later than 30 days prior to that deadline. No later than 15 days before the offer and bid deadline for an annual reconfiguration auction, the ISO shall notify each resource of the amount of capacity that it may offer or bid in that auction, as calculated pursuant to this Section III.13.4.2. For monthly reconfiguration auctions, the offer and bid deadline will be announced by the ISO no later than 10 Business Days prior to that deadline. Upon issuance of the monthly bilateral results for

the associated obligation month, the ISO shall notify each resource of the amount of capacity that it may offer or bid in that monthly auction, as calculated pursuant to this Section III.13.4.2.

**III.13.4.2.1. Supply Offers.**

Submission of supply offers in reconfiguration auctions shall be governed by this Section III.13.4.2.1. All supply offers in reconfiguration auctions shall be submitted by the Project Sponsor or Lead Market Participant, and shall specify the resource, the amount of capacity offered in MW, and the price, in dollars per kW/month. In no case may capacity associated with a Non-Price Retirement Request or a Permanent De-List Bid that cleared in the Forward Capacity Auction for a Capacity Commitment Period be offered in a reconfiguration auction for that, or any subsequent, Capacity Commitment Period, or any portion thereof. In no case may capacity associated with an Export Bid or an Administrative Export De-List Bid that cleared in the Forward Capacity Auction for a Capacity Commitment Period be offered in a reconfiguration auction for that Capacity Commitment Period, or any portion thereof.

**III.13.4.2.1.1. Amount of Capacity That May Be Submitted in a Supply Offer in an Annual Reconfiguration Auction.**

For each month of the Capacity Commitment Period associated with the annual reconfiguration auction, the ISO shall calculate the difference between the Summer ARA Qualified Capacity or Winter ARA Qualified Capacity, as applicable, and the amount of capacity from that resource that is already subject to a Capacity Supply Obligation for the month. The minimum of these 12 values shall be the amount of capacity up to which a resource may submit a supply offer in the annual reconfiguration auction.

**III.13.4.2.1.2. Calculation of Summer ARA Qualified Capacity and Winter ARA Qualified Capacity.**

**III.13.4.2.1.2.1. First Annual Reconfiguration Auction and Second Annual Reconfiguration Auction.**

**III.13.4.2.1.2.1.1. Generating Capacity Resources Other than Intermittent Power Resources.**

**III.13.4.2.1.2.1.1.1. Summer ARA Qualified Capacity.**

For the first and second annual reconfiguration auctions associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity of a Generating Capacity Resource that is not an Intermittent Power Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below, limited, as



applicable, by the resource's CNR Capability and any relevant overlapping interconnection impacts as described in Section III.13.1.1.2.3(f):

(a) For capacity that has achieved Commercial Operation, the higher of the resource's summer Qualified Capacity as calculated for the Forward Capacity Auction for that Capacity Commitment Period and any summer Seasonal Claimed Capability values for summer periods completed after the Existing Capacity Qualification Deadline for the Forward Capacity Auction for the Capacity Commitment Period and before the start of the Capacity Commitment Period. The amount of capacity described in this Section III.13.4.2.1.2.1.1(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.2 and where the project has not become commercial.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

#### **III.13.4.2.1.2.1.1.2. Winter ARA Qualified Capacity.**

For the first and second annual reconfiguration auctions associated with a Capacity Commitment Period, the Winter ARA Qualified Capacity of a Generating Capacity Resource that is not an Intermittent Power Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below, limited, as applicable, by the resource's CNR Capability and any relevant overlapping interconnection impacts as described in Section III.13.1.1.2.3(f):

(a) For capacity that has achieved Commercial Operation, the higher of the resource's winter Qualified Capacity as calculated for the Forward Capacity Auction for that Capacity Commitment Period and any winter Seasonal Claimed Capability values for winter periods completed after the Existing Capacity Qualification Deadline for the Forward Capacity Auction for the Capacity Commitment Period and before the start of the Capacity Commitment Period. The amount of capacity described in this Section III.13.4.2.1.2.1.1.2(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.2 and where the project has not become commercial.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

#### **III.13.4.2.1.2.1.2. Intermittent Power Resources.**

##### **III.13.4.2.1.2.1.2.1. Summer ARA Qualified Capacity.**

For the first and second annual reconfiguration auctions associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity of an Intermittent Power Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below, limited, as applicable, by the resource's CNR Capability and any relevant overlapping interconnection impacts as described in Section III.13.1.1.2.3(f):

(a) For capacity that has achieved Commercial Operation, the resource's most recently-determined summer Qualified Capacity. The amount of capacity described in this Section III.13.4.2.1.2.1.2.1(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.1.2 and the project has not become commercial.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

##### **III.13.4.2.1.2.1.2.2. Winter ARA Qualified Capacity.**

For the first and second annual reconfiguration auctions associated with a Capacity Commitment Period, the Winter ARA Qualified Capacity of an Intermittent Power Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below, limited, as applicable, by the resource's CNR Capability and any relevant overlapping interconnection impacts as described in Section III.13.1.1.2.3(f):

(a) For capacity that has achieved Commercial Operation, the resource's most recently-determined winter Qualified Capacity. The amount of capacity described in this Section III.13.4.2.1.2.1.2.2(a) shall

be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.1.2 and the project has not become commercial.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

#### **III.13.4.2.1.2.1.3. Import Capacity Resources.**

For the first and second annual reconfiguration auctions associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity and Winter ARA Qualified Capacity of an Import Capacity Resource shall be equal to its summer Qualified Capacity and winter Qualified Capacity, respectively, as determined for the Forward Capacity Auction for that Capacity Commitment Period.

#### **III.13.4.2.1.2.1.4. Demand Resources.**

##### **III.13.4.2.1.2.1.4.1. Summer ARA Qualified Capacity.**

For the first and second annual reconfiguration auctions associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity of a Demand Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below:

(a) For capacity that has achieved Commercial Operation, the resource's most recently-determined summer Qualified Capacity.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

##### **III.13.4.2.1.2.1.4.2. Winter ARA Qualified Capacity.**

For the first and second annual reconfiguration auctions associated with a Capacity Commitment Period, the Winter ARA Qualified Capacity of a Demand Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below:

(a) For capacity that has achieved Commercial Operation, the resource's most recently-determined winter Qualified Capacity.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

#### **III.13.4.2.1.2.2. Third Annual Reconfiguration Auction.**

##### **III.13.4.2.1.2.2.1. Generating Capacity Resources other than Intermittent Power Resources.**

###### **III.13.4.2.1.2.2.1.1. Summer ARA Qualified Capacity.**

For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity of a Generating Capacity Resource that is not an Intermittent Power Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below, limited, as applicable, by the resource's CNR Capability and any relevant overlapping interconnection impacts as described in Section III.13.1.1.2.3(f):

(a) For capacity that has achieved Commercial Operation, the resource's summer Seasonal Claimed Capability value in effect after the most recently completed summer period. The amount of capacity described in this Section III.13.4.2.1.2.2.1.1(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.1.2 and the project has not become commercial.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which

the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

**III.13.4.2.1.2.2.1.2. Winter ARA Qualified Capacity.**

For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Winter ARA Qualified Capacity of a Generating Capacity Resource that is not an Intermittent Power Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below, limited, as applicable, by the resource's CNR Capability and any relevant overlapping interconnection impacts as described in Section III.13.1.1.2.3(f):

(a) For capacity that has achieved Commercial Operation, the resource's winter Seasonal Claimed Capability value in effect after the most recently completed winter period. The amount of capacity described in this Section III.13.4.2.1.2.2.1.2(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.1.2 and the project has not become commercial.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

**III.13.4.2.1.2.2.2. Intermittent Power Resources.**

**III.13.4.2.1.2.2.2.1. Summer ARA Qualified Capacity.**

For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity of an Intermittent Power Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below, limited, as applicable, by the resource's CNR Capability and any relevant overlapping interconnection impacts as described in Section III.13.1.1.2.3(f):

(a) For capacity that has achieved Commercial Operation, the lesser of its most recently-determined summer Qualified Capacity and its summer Seasonal Claimed Capability value in effect after the most recently completed summer period. The amount of capacity described in this Section III.13.4.2.1.2.2.2.1(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction

for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.1.2 and the project has not become commercial.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

#### **III.13.4.2.1.2.2.2.2. Winter ARA Qualified Capacity.**

For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Winter ARA Qualified Capacity of an Intermittent Power Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below, limited, as applicable, by the resource's CNR Capability and any relevant overlapping interconnection impacts as described in Section III.13.1.1.2.3(f):

(a) For capacity that has achieved Commercial Operation, the lesser of its most recently-determined winter Qualified Capacity and its winter Seasonal Claimed Capability value in effect after the most recently completed winter period. The amount of capacity described in this Section III.13.4.2.1.2.2.2.2(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.1.2 and the project has not become commercial.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

#### **III.13.4.2.1.2.2.2.3. Adjustment for Certain Intermittent Power Resources and Intermittent Settlement Only Resources.**

For an Intermittent Power Resource or an Intermittent Settlement Only Resource that was not part of an offer composed of separate resources and that has a winter Capacity Supply Obligation that was adjusted as described in Section III.13.2.7.6, if the difference between the resource's winter Capacity Supply Obligation and its Winter ARA Qualified Capacity for the third annual reconfiguration auction is greater

than the difference between the resource's summer Capacity Supply Obligation and Summer ARA Qualified Capacity for the third annual reconfiguration auction, then the resource's winter Capacity Supply Obligation shall be reduced such that the difference between the resource's winter Capacity Supply Obligation and its Winter ARA Qualified Capacity for the third annual reconfiguration auction equals the difference between the resource's summer Capacity Supply Obligation and Summer ARA Qualified Capacity for the third annual reconfiguration auction. For settlement purposes, any such reduction in Capacity Supply Obligation shall be at the same payment rate applicable to the reduced MW, such that there is a net zero payment for the reduced MW.

#### **III.13.4.2.1.2.2.3. Import Capacity Resources.**

For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity of an Import Capacity Resource shall be equal to the lesser of its summer Qualified Capacity as determined for the Forward Capacity Auction for that Capacity Commitment Period and the amount of capacity available to back the import. For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Winter ARA Qualified Capacity of an Import Capacity Resource shall be equal to the lesser of its winter Qualified Capacity as determined for the Forward Capacity Auction for that Capacity Commitment Period and the amount of capacity available to back the import.

#### **III.13.4.2.1.2.2.4. Demand Resources.**

##### **III.13.4.2.1.2.2.4.1. Summer ARA Qualified Capacity.**

For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity of a Demand Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below:

- (a) For capacity that has achieved Commercial Operation, the lesser of its most recently-determined summer Qualified Capacity and its summer Seasonal Claimed Capability value (or equivalent value as applicable to Demand Resources) in effect after the most recently completed summer period.
- (b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which

the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

#### **III.13.4.2.1.2.2.4.2. Winter ARA Qualified Capacity.**

For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Winter ARA Qualified Capacity of a Demand Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below:

(a) For capacity that has achieved Commercial Operation, the lesser of its most recently-determined winter Qualified Capacity and its winter Seasonal Claimed Capability value (or equivalent value as applicable to Demand Resources) in effect after the most recently completed winter period.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

#### **III.13.4.2.1.3. Adjustment for Significant Decreases in Capacity.**

For each month of the Capacity Commitment Period associated with the third annual reconfiguration auction, for each resource that has achieved Commercial Operation, the ISO shall subtract the resource's Summer ARA Qualified Capacity or Winter ARA Qualified Capacity, as applicable, from the amount of capacity from the resource that is subject to a Capacity Supply Obligation for the month. For the month associated with the greatest of these 12 values, if the resource's Summer ARA Qualified Capacity or Winter ARA Qualified Capacity (as applicable) is below the amount of capacity from that resource that is subject to a Capacity Supply Obligation for that month by more than the lesser of 20 percent of the amount of capacity from that resource that is subject to a Capacity Supply Obligation for that month or 40 MW, then the following provisions shall apply:

(a) The Lead Market Participant may submit a written plan to the ISO with any necessary supporting documentation describing the measures that will be taken and demonstrating that the resource will be able to provide an amount of capacity consistent with its total Capacity Supply Obligation for the Capacity Commitment Period by the start of all months in that Capacity Commitment Period in which the resource has a Capacity Supply Obligation. If submitted, such a plan must be received by the ISO no later than 10



Business Days after the ISO has notified the Lead Market Participant of its Summer ARA Qualified Capacity and Winter ARA Qualified Capacity for the third annual reconfiguration auction.

(b) If no such plan as described in Section III.13.4.2.1.3(a) is timely submitted to the ISO, or if such a plan is timely submitted but the ISO determines that the plan does not demonstrate that the resource will be able to provide the necessary amount of capacity by the start of all months in the Capacity Commitment Period in which the resource has a Capacity Supply Obligation, then the ISO shall enter a demand bid at 2.0 times CONE on behalf of the resource (with all payments, charges, rights, obligations, and other results associated with such bid applying to the resource as if the resource itself had submitted the bid) in the third annual reconfiguration auction in an amount equal to the greatest of the 12 monthly values determined pursuant to this Section III.13.4.2.1.3.

(c) If the ISO determines that the resource is not able to provide the necessary amount of capacity by the start of all months in the Capacity Commitment Period in which the resource has a Capacity Supply Obligation, and if the resource was part of an offer composed of separate resources when it qualified to participate in the relevant Forward Capacity Auction, then before a demand bid is entered for the resource pursuant to subsection (b) above, the resource may submit monthly Capacity Supply Obligation Bilaterals to cover the deficiency for the months of the Capacity Commitment Period in which the Capacity Supply Obligation is associated with participation in an offer composed of separate resource prior to the third annual reconfiguration auction, but in no case may such a Capacity Supply Obligation Bilateral for a month be for an amount of capacity greater than the difference between the resource's Capacity Supply Obligation for the month and the resource's lowest monthly Capacity Supply Obligation during the Capacity Commitment Period.

#### **III.13.4.2.1.4. Amount of Capacity That May Be Submitted in a Supply Offer in a Monthly Reconfiguration Auction.**

A resource that has not achieved Commercial Operation by the offer and bid deadline for a monthly reconfiguration auction may not submit a supply offer for that reconfiguration auction, unless the resource has a negative Capacity Supply Obligation, in which case it may submit a supply offer for that reconfiguration auction in an amount up to the absolute value of its Capacity Supply Obligation. The amount of capacity up to which a resource may submit a supply offer in a monthly reconfiguration auction shall be the difference (but in no case less than zero) between (i) the resource's Summer ARA Qualified Capacity or Winter ARA Qualified Capacity, as applicable, for the auction month for the third annual reconfiguration auction for the relevant Capacity Commitment Period; and (ii) the amount of

capacity from that resource that is already subject to a Capacity Supply Obligation for that month. However, a resource may not submit a supply offer for a monthly reconfiguration auction if it is on an approved outage during that month.

#### **III.13.4.2.1.5. ISO Review of Supply Offers.**

Supply offers in reconfiguration auctions shall be reviewed by the ISO to ensure the regional and local adequacy achieved through the Forward Capacity Auction and other reliability needs are maintained. The ISO's reviews will consider the location and operating and rating limitations of resources associated with cleared supply offers to ensure reliability standards will remain satisfied if the offer is accepted. The ISO shall determine whether the capacity associated with supply offers that would otherwise clear in a reconfiguration auction will result in a violation of any NERC or NPCC (or their successors) criteria, or ISO New England System Rules during the Capacity Commitment Period associated with the reconfiguration auction. The ISO's reliability reviews will assess such offers, beginning with the marginal resource, based on operable capacity needs while considering any approved or interim approved transmission outage information and any approved generation outage information, and will include transmission security studies. Supply offers that cannot meet the applicable reliability needs will be rejected in their entirety and the resource will not be rejected in part. Rejected resources will not be further included in clearing the reconfiguration auction and the Lead Market Participant or Project Sponsor, as appropriate, shall be notified as soon as practicable after the reconfiguration auction of the rejection and of the reliability need prompting such rejection.

#### **III.13.4.2.2. Demand Bids in Reconfiguration Auctions.**

Submission of demand bids in reconfiguration auctions shall be governed by this Section III.13.4.2.2. All demand bids in reconfiguration auctions shall be submitted by the Project Sponsor or Lead Market Participant, and shall specify the amount of capacity bid in MW, and the price, in dollars per kW/month.

(a) To submit a demand bid in a reconfiguration auction, a resource must have a Capacity Supply Obligation for the Capacity Commitment Period (or portion thereof, as applicable) associated with that reconfiguration auction. Where capacity associated with a Self-Supplied FCA Resource that cleared in the Forward Capacity Auction for the Capacity Commitment Period is offered in a reconfiguration auction for that Capacity Commitment Period, or any portion thereof, a resource acquiring a Capacity Supply Obligation shall not as a result become a Self-Supplied FCA Resource.

(b) Each demand bid submitted to the ISO for reconfiguration auction shall be no greater than the amount of the resource's capacity that is already obligated for the Capacity Commitment Period (or portion thereof, as applicable) as of the offer and bid deadline for the reconfiguration auction.

(c) All demand bids in reconfiguration auctions shall be reviewed by the ISO to ensure the regional and local adequacy achieved through the Forward Capacity Auction and other reliability needs are maintained. The ISO's reviews will consider the location and operating and rating limitations of resources associated with cleared demand bids to ensure reliability standards will remain satisfied if the committed capacity is withdrawn. The ISO shall determine whether the capacity associated with demand bids that would otherwise clear in a reconfiguration auction is needed to avoid a violation of any NERC or NPCC (or their successors) criteria, or ISO New England System Rules during the Capacity Commitment Period associated with the reconfiguration auction. For monthly reconfiguration auctions, the ISO shall obtain and consider information from the Local Control Center regarding whether the capacity associated with demand bids that would otherwise clear from resources with a Capacity Supply Obligation is needed for local system conditions. The ISO's reliability reviews will assess such bids, beginning with the marginal resource, based on operable capacity needs while considering any approved or interim approved transmission outage information and any approved generation outage information, and will include transmission security studies. Where the applicable reliability needs cannot be met if a Demand Bid is cleared, such Demand Bids will be rejected in their entirety and the resource will not be rejected in part. Demand Bids from rejected resources will not be further included in clearing the reconfiguration auction, and the Lead Market Participant or Project Sponsor, as appropriate, shall be notified as soon as practicable after the reconfiguration auction of the rejection and of the reliability need prompting such rejection.

#### **III.13.4.3. ISO Participation in Reconfiguration Auctions.**

The ISO shall not submit supply offers or demand bids in monthly reconfiguration auctions. The ISO shall submit supply offers and demand bids in annual reconfiguration auctions as appropriate to address year-to-year changes in the Installed Capacity Requirement (net of HQICCs) (including Local Sourcing Requirements and Maximum Capacity Limits for Capacity Zones for which price separation occurred in the Forward Capacity Auction for that Capacity Commitment Period) for the associated Capacity Commitment Period, to procure capacity not purchased in the Forward Capacity Auction as a result of Inadequate Supply and as a result of incomplete replacement in the Forward Capacity Auction of capacity associated with cleared Permanent De-List Bids, Static De-List Bids, Export Bids, to procure any shortfall in capacity resulting from a resource's achieving Commercial Operation at a level less than that

resource's Capacity Supply Obligation or other significant decreases in capacity, to release excess capacity procured as a result of the Capacity Clearing Price Floor described in Section III.13.2.7, and to address any changes in interface transfer limits, as follows:

(a) The ISO shall submit supply offers and demand bids in annual reconfiguration auctions as appropriate to ensure that the applicable Installed Capacity Requirement (net of HQICCs), Local Sourcing Requirements, Maximum Capacity Limits, and interface transfer limits are respected. Where less capacity than needed is obligated, the ISO shall submit demand bids as appropriate to procure the additional needed capacity in each subsequent annual reconfiguration auction until the need is met. Where more capacity than needed is obligated, the ISO may in its discretion submit supply offers in subsequent annual reconfiguration auctions to release the excess capacity, but in any case the ISO shall be required to submit supply offers as appropriate in the third annual reconfiguration auction for a Capacity Commitment Period to release the excess capacity. No later than 10 Business Days prior to the start of each annual reconfiguration auction, the ISO shall provide notice regarding whether the ISO will be submitting supply offers or demand bids in that auction.

(b) Any demand bid submitted by the ISO in an annual reconfiguration auction shall be at a price of 2.0 times CONE

(c) Any supply offer submitted by the ISO in an annual reconfiguration auction shall be in the form of a supply curve having the following characteristics:

(i) at prices equal to or greater than 0.75 times the Capacity Clearing Price, as adjusted pursuant to Section III.13.2.7.3(b), from the Forward Capacity Auction for the Capacity Commitment Period covered by the annual reconfiguration auction, the ISO shall offer the full amount of the surplus;

(ii) at prices between 0.75 times such Capacity Clearing Price and 0.25 times such Capacity Clearing Price, the amount of the surplus offered by the ISO shall decrease linearly (for example, at 0.5 times such Capacity Clearing Price, the ISO shall offer half of the amount of the surplus); and

(iii) At prices equal to or below 0.25 times such Capacity Clearing Price, the ISO shall offer no capacity.

(d) For purposes of this Section III.13.4.3, CONE shall be the CONE associated with the Forward Capacity Auction for the same Capacity Commitment Period addressed by the reconfiguration auction, as determined pursuant to Section III.13.2.4.

(e) Supply offers and demand bids submitted by the ISO in annual reconfiguration auctions are not subject to the requirements and limitations described in Section III.13.4.2.

(f) Supply offers and demand bids submitted by the ISO in annual reconfiguration auctions are not associated with a resource and create no obligation on the ISO to supply or purchase capacity.

#### **III.13.4.4. Clearing Offers and Bids in Reconfiguration Auctions.**

All supply offers and demand bids may be cleared in whole or in part in all reconfiguration auctions. If after clearing, a resource has a Capacity Supply Obligation below its Economic Minimum Limit, it must meet the requirements of Section III.13.6.2.1.1.

#### **III.13.4.5. Annual Reconfiguration Auctions.**

Except as provided below, after the Forward Capacity Auction for a Capacity Commitment Period, and before the start of that Capacity Commitment Period, the ISO shall conduct three annual reconfiguration auctions for capacity commitments covering the whole of that Capacity Commitment Period.

##### **III.13.4.5.1. Timing of Annual Reconfiguration Auctions.**

Except for the first five Capacity Commitment Periods, the first annual reconfiguration auction for the Capacity Commitment Period shall be held in the month of June that is approximately 24 months before the start of the Capacity Commitment Period. The second annual reconfiguration auction for the Capacity Commitment Period shall be held in the month of May that is approximately 13 months before the start of the Capacity Commitment Period. The third annual reconfiguration auction for the Capacity Commitment Period shall be held in the month of March that is approximately 3 months before the start of the Capacity Commitment Period. There shall be no first annual reconfiguration auction for the first five Capacity Commitment Periods. The table below illustrates the annual reconfiguration auction timing provisions stated above, providing the schedule of annual reconfiguration auctions for the first eight Capacity Commitment Periods.

<b>First Annual Reconfiguration Auction</b>	<b>Second Annual Reconfiguration Auction</b>	<b>Third Annual Reconfiguration Auction</b>	<b>Capacity Commitment Period Begins</b>
N/A	May 2009	March 2010	June 1, 2010
N/A	May 2010	March 2011	June 1, 2011
N/A	May 2011	March 2012	June 1, 2012
N/A	May 2012	March 2013	June 1, 2013
N/A	May 2013	March 2014	June 1, 2014
June 2013	May 2014	March 2015	June 1, 2015
June 2014	May 2015	March 2016	June 1, 2016
June 2015	May 2016	March 2017	June 1, 2017

#### **III.13.4.5.2. Acceleration of Annual Reconfiguration Auction.**

If the difference between the forecasted Installed Capacity Requirement (net of HQICCs) for a Capacity Commitment Period and the amount of capacity obligated for that Capacity Commitment Period is sufficiently large, then the ISO may, upon reasonable notice to Market Participants, conduct an annual reconfiguration auction as much as six months earlier than its normally-scheduled time.

#### **III.13.4.6. [Reserved.]**

#### **III.13.4.7. Monthly Reconfiguration Auctions.**

Prior to each month in the Capacity Commitment Period, the ISO shall conduct a monthly reconfiguration auction for whole-month capacity commitments during that month.

#### **III.13.4.8. Adjustment to Capacity Supply Obligations.**

For each supply offer that clears in a reconfiguration auction, the resource's Capacity Supply Obligation for the relevant Capacity Commitment Period (or portion thereof, as applicable) shall be increased by the amount of capacity that clears. For each demand bid that clears in a reconfiguration auction, the resource's Capacity Supply Obligation for the relevant Capacity Commitment Period (or portion thereof, as applicable) shall be decreased by the amount of capacity that clears.

### **III.13.5. Bilateral Contracts in the Forward Capacity Market.**

Market Participants shall be permitted to enter into Capacity Supply Obligation Bilaterals and Capacity Load Obligation Bilaterals in accordance with this Section III.13.5. Market Participants may not offset a Capacity Load Obligation with a Capacity Supply Obligation.

#### **III.13.5.1. Capacity Supply Obligation Bilaterals.**

A resource having a Capacity Supply Obligation seeking to shed that obligation (“Capacity Transferring Resource”) may enter into a bilateral transaction to transfer its Capacity Supply Obligation, in whole or in part (“Capacity Supply Obligation Bilateral”), to a resource, or portion thereof, having Qualified Capacity for that Capacity Commitment Period that is not already obligated (“Capacity Acquiring Resource”), subject to the following limitations

- (a) A monthly Capacity Supply Obligation Bilateral must be coterminous with a calendar month, and an annual Capacity Supply Obligation Bilateral must be coterminous with a Capacity Commitment Period.
- (b) A Capacity Supply Obligation Bilateral may not transfer a Capacity Supply Obligation amount that is greater than the lowest monthly Capacity Supply Obligation of the Capacity Transferring Resource during the period covered by the Capacity Supply Obligation Bilateral. A Capacity Supply Obligation Bilateral may not transfer a Capacity Supply Obligation amount that is greater than the lowest monthly amount of unobligated Qualified Capacity (that is, Qualified Capacity as determined in the most recent Forward Capacity Auction or reconfiguration auction qualification process that is not subject to a Capacity Supply Obligation for the relevant time period) of the Capacity Acquiring Resource during the period covered by the Capacity Supply Obligation Bilateral, as determined in the qualification process for the most recent Forward Capacity Auction or annual reconfiguration auction prior to the submission of the Capacity Supply Obligation Bilateral to the ISO.
- (c) A Capacity Supply Obligation Bilateral may not transfer a Capacity Supply Obligation to a Capacity Acquiring Resource where that Capacity Acquiring Resource’s unobligated Qualified Capacity is unobligated as a result of an Export Bid or Administrative Export De-List Bid that cleared in the Forward Capacity Auction.
- (d) A Real-Time Emergency Generation Resource may participate in a Capacity Supply Obligation Bilateral as either a Capacity Transferring Resource or a Capacity Acquiring Resource, provided,

however, that where a Real-Time Emergency Generation Resource participates in a Capacity Supply Obligation Bilateral as a Capacity Acquiring Resource, the Capacity Transferring Resource must also be a Real-Time Emergency Generation Resource.

(e) [Reserved.]

(f) The Capacity Transferring Resource and the Capacity Acquiring Resource that are parties to a Capacity Supply Obligation Bilateral must be located in the same Capacity Zone, or the path from the Capacity Transferring Resource to the Capacity Acquiring Resource must flow across adjacent Capacity Zones in the direction of the modeled interface constraint(s), as such Capacity Zones and interface constraints are defined following the Forward Capacity Auction conducted for the Capacity Commitment Period to which the transferred Capacity Supply Obligation applies.

(g) If the Capacity Acquiring Resource is an Import Capacity Resource, then the Capacity Transferring Resource must also be an Import Capacity Resource on the same external interface.

(h) A resource, or a portion thereof, that has been designated as a Self-Supplied FCA Resource may transfer the self-supplied portion of its Capacity Supply Obligation by means of Capacity Supply Obligation Bilateral. In such a case, however, the Capacity Acquiring Resource shall not become a Self-Supplied FCA Resource as a result of the transaction.

(i) A monthly Capacity Supply Obligation may not be acquired by any resource on an approved outage for the relevant Capacity Commitment Period month.

(j) A resource that has not achieved Commercial Operation by the submission deadline for a monthly Capacity Supply Obligation Bilateral may not submit a transaction as a Capacity Acquiring Resource for that Capacity Commitment Period month, unless the resource has a negative Capacity Supply Obligation, in which case it may submit a Capacity Supply Obligation Bilateral in an amount up to the absolute value of its Capacity Supply Obligation.

#### **III.13.5.1.1. Process for Approval of Capacity Supply Obligation Bilaterals.**

##### **III.13.5.1.1.1. Timing.**



The Lead Market Participant or Project Sponsor for either the Capacity Transferring Resource or the Capacity Acquiring Resource may submit a Capacity Supply Obligation Bilateral to the ISO during submittal windows, as defined in the ISO New England Manuals and ISO New England Operating Procedures. The ISO will issue a submission schedule for annual Capacity Supply Obligation Bilaterals as soon as practicable after the issuance of Forward Capacity Auction results. Monthly Capacity Supply Obligation Bilaterals may only be submitted and confirmed after the results of the third annual reconfiguration auction have been issued (except as described in Section III.13.4.2.1.3(c)) and prior to the closing of the monthly Capacity Supply Obligation Bilateral window, which will occur prior to the monthly reconfiguration auction. ISO New England will review all confirmed monthly Capacity Supply Obligation Bilaterals for each upcoming Obligation Month for reliability needs immediately preceding the monthly reconfiguration auction. A Capacity Supply Obligation Bilateral must be confirmed by the party other than the party submitting the Capacity Supply Obligation Bilateral to the ISO during the same submittal window and no later than the same deadline that applies to submission of the Capacity Supply Obligation Bilateral.

**III.13.5.1.1.2. Application.**

The submission of a Capacity Supply Obligation Bilateral to the ISO shall include the following: (i) the resource identification number of the Capacity Transferring Resource; (ii) the amount of the Capacity Supply Obligation being transferred in MW amounts up to three decimal places; (iii) the term of the transaction; and (iv) the resource identification number of the Capacity Acquiring Resource. If the parties to a Capacity Supply Obligation Bilateral so choose, they may also submit a price, in \$/kW-month, to be used by the ISO in settling the Capacity Supply Obligation Bilateral. If no price is submitted, the ISO shall use a default price of \$0.00/kW-month.

**III.13.5.1.1.3. ISO Review.**

(a) The ISO shall review the information provided in support of the Capacity Supply Obligation Bilateral, and shall reject the Capacity Supply Obligation Bilateral if any of the provisions of this Section III.13.5.1 are not met.

(b) Each Capacity Supply Obligation Bilateral shall be subject to a reliability review by the ISO to determine whether the transaction would result in a violation of any NERC or NPCC (or their successors) criteria, or ISO New England System Rules, during the Capacity Commitment Period associated with the transaction. Capacity Supply Obligation Bilaterals shall be reviewed by the ISO to ensure the regional and local adequacy achieved through the Forward Capacity Auction and other reliability needs are

maintained. The ISO's review will consider the location and operating and rating limitations of resources associated with the Capacity Supply Obligation Bilateral to ensure reliability standards will remain satisfied if the capacity associated with the Capacity Transferring Resource is withdrawn and the capacity associated with the Capacity Acquiring Resource is accepted. The ISO's reliability reviews will assess transactions based on operable capacity needs while considering any approved or interim approved transmission outage information and any approved generation outage information, and will include transmission security studies. For a monthly Capacity Supply Obligation Bilateral, the ISO shall obtain and consider information from the Local Control Center regarding whether the Capacity Supply Obligation of the Capacity Transferring Resource is needed for local system conditions and whether it is adequately replaced by the Acquiring Resource. The ISO will approve or reject Capacity Supply Obligation Bilaterals based on the order in which they are confirmed. If multiple Capacity Supply Obligation Bilaterals are submitted between the same resources, they may be reviewed together as one transaction and the most recent confirmation time among the related transactions will be used to determine the review order of the grouped transaction. Transactions that cannot meet the applicable reliability needs will only be accepted or rejected in their entirety and the resources will not be accepted or rejected in part for purposes of that transaction. Where the ISO has determined that a Capacity Supply Obligation Bilateral must be rejected for reliability reasons the Lead Market Participant or Project Sponsor, as appropriate, for the Capacity Transferring Resource and the Capacity Acquiring Resource shall be notified as soon as practicable of the rejection and of the reliability need prompting such rejection.

(c) Each Capacity Supply Obligation Bilateral shall be subject to a financial assurance review by the ISO. If the Capacity Transferring Resource and the Capacity Acquiring Resource are not both in compliance with all applicable provisions of the ISO New England Financial Assurance Policy, including those regarding Capacity Supply Obligation Bilaterals, the ISO shall reject the Capacity Supply Obligation Bilateral.

#### **III.13.5.1.1.4. Approval.**

Upon approval of a Capacity Supply Obligation Bilateral, the Capacity Supply Obligation of the Capacity Transferring Resource shall be reduced by the amount set forth in the Capacity Supply Obligation Bilateral, and the Capacity Supply Obligation of the Capacity Acquiring Resource shall be increased by the amount set forth in the Capacity Supply Obligation Bilateral.

#### **III.13.5.2. Capacity Load Obligations Bilaterals.**

A Market Participant having a Capacity Load Obligation seeking to shed that obligation (“Capacity Load Obligation Transferring Participant”) may enter into a bilateral transaction to transfer all or a portion of its Capacity Load Obligation in a Capacity Zone (“Capacity Load Obligation Bilateral”) to any Market Participant seeking to acquire a Capacity Load Obligation (“Capacity Load Obligation Acquiring Participant”). A Capacity Load Obligation Bilateral must be in whole calendar month increments, may not exceed one year in duration, and must begin and end within the same Capacity Commitment Period. A Capacity Load Obligation Transferring Participant will be permitted to transfer, and a Capacity Load Obligation Acquiring Participant will be permitted to acquire, a Capacity Load Obligation if after entering into a Capacity Load Obligation Bilateral and submitting related information to the ISO within the specified submittal time period, the ISO approves such Capacity Load Obligation Bilateral.

#### **III.13.5.2.1. Process for Approval of Capacity Load Obligation Bilaterals.**

##### **III.13.5.2.1.1. Timing.**

Either the Capacity Load Obligation Transferring Participant or the Capacity Load Obligation Acquiring Participant may submit a Capacity Load Obligation Bilateral to the ISO. All Capacity Load Obligation Bilaterals must be submitted to the ISO in accordance with resettlement provisions as described in ISO New England Manuals. However, to be included in the initial settlement of payments and charges associated with the Forward Capacity Market for the first month of the term of the Capacity Load Obligation Bilateral, a Capacity Load Obligation Bilateral must be submitted to the ISO no later than 12:00 pm on the second Business Day after the end of that month (though a Capacity Load Obligation Bilateral submitted at that time may be revised by the parties to the transaction throughout the resettlement process). A Capacity Load Obligation Bilateral must be confirmed by the party other than the party submitting the Capacity Load Obligation Bilateral to the ISO no later than the same deadline that applies to submission of the Capacity Load Obligation Bilateral.

##### **III.13.5.2.1.2. Application.**

The submission of a Capacity Load Obligation Bilateral to the ISO shall include the following : (i) the amount of the Capacity Load Obligation being transferred in MW amounts up to three decimal places; (ii) the term of the transaction; (iii) identification of the Capacity Load Obligation Transferring Participant and the Capacity Load Obligation Acquiring Participant; and (iv) the Capacity Zone in which the Capacity Load Obligation is being transferred is located.

##### **III.13.5.2.1.3. ISO Review.**

The ISO shall review the information provided in support of the Capacity Load Obligation Bilateral and shall reject the Capacity Load Obligation Bilateral if any of the provisions of this Section II.13.5.2 are not met.

**III.13.5.2.1.4. Approval.**

Upon approval of a Capacity Load Obligation Bilateral, the Capacity Load Obligation of the Capacity Load Obligation Transferring Participant in the Capacity Zone specified in the submission to the ISO shall be reduced by the amount set forth in the Capacity Load Obligation Bilateral and the Capacity Load Obligation of the Capacity Load Obligation Acquiring Participant in the specified Capacity Zone shall be increased by the amount set forth in the Capacity Load Obligation Bilateral.

**III.13.5.3. Supplemental Availability Bilaterals.**

A resource's availability score during a Shortage Event may be supplemented by entering into a Supplemental Availability Bilateral as described in this Section III.13.5.3.

**III.13.5.3.1. Designation of Supplemental Capacity Resources.**

**III.13.5.3.1.1. Eligibility.**

Only Generating Capacity Resources that are not Intermittent Power Resources or Settlement Only Resources may be designated as Supplemental Capacity Resources. A Generating Capacity Resource may be designated as a Supplemental Capacity Resource in a MW amount up to the difference between the resource's CNR Capability (reduced by the hourly integrated delivered MW for any External Transaction sale or sales submitted in accordance with Section III.1.10.7(f) from that resource) and its Capacity Supply Obligation in each day of the term in which it is designated to be a Supplemental Capacity Resource.

**III.13.5.3.1.2. Designation.**

The designation of a Supplemental Capacity Resource must be made by the resource's Lead Market Participant. The designation shall indicate the term for which the resource is designated as a Supplemental Capacity Resource, which shall be in Operating Day increments, no less than one Operating Day, and no greater than one calendar month. Such designation shall indicate the MW amount being designated as a Supplemental Capacity Resource, and the Capacity Zone in which the resource is located. Such designation must be submitted to the ISO no later than the deadline for the submission of Supply Offers in the Day-Ahead Energy Market for the first Operating Day of the indicated term.

#### **III.13.5.3.1.3. ISO Review.**

The ISO shall review the information provided in submission of the designation as a Supplemental Capacity Resource, and shall reject the designation for any of the hours in which any of the provisions of this Section III.13.5.3.1 are not met.

#### **III.13.5.3.1.4. Effect of Designation.**

Regardless of whether it ever becomes subject to a Supplemental Availability Bilateral as described in Section III.13.5.3.2, the portion of a resource designated as a Supplemental Capacity Resource is subject to the same energy market offer requirements applicable to a resource having a Capacity Supply Obligation as described in Sections III.13.6.1.1.1 and III.13.6.1.1.2 for the entire term indicated in the designation described in Section III.13.5.3.1.2.

#### **III.13.5.3.2. Submission of Supplemental Availability Bilaterals.**

The Lead Market Participant for a resource previously designated as a Supplemental Capacity Resource in accordance with the provisions of Section III.13.5.3.1 for a term that included a Shortage Event may submit a Supplemental Availability Bilateral to the ISO assigning all or a portion of its available capability up to its designated supplemental capacity in each hour of that Shortage Event to a Generating Capacity Resource having a Capacity Supply Obligation during that Shortage Event (“Supplemented Capacity Resource”). No other Market Participant may submit a Supplemental Availability Bilateral. The Supplemental Capacity Resource and the Supplemented Capacity Resource must either: (i) be located in the same Reserve Zone (although in no case may a Supplemental Capacity Resource located in an export-constrained Capacity Zone provide supplemental availability outside of that export-constrained Capacity Zone); or (ii) be located in different Reserve Zones such that direction of flow between the Supplemental Capacity Resource and the Supplemented Capacity Resource is counter to any Reserve Zone or Capacity Zone constraint. For purposes of this Section III.13.5.3.2, a Reserve Zone having a locational reserve requirement (established pursuant to Section III.9.2.2) that is less than or equal to zero shall be considered to be unconstrained with respect to the neighboring Reserve Zone. A Supplemental Capacity Resource may submit Supplemental Availability Bilaterals with multiple Supplemented Capacity Resources, but each MW of supplemental capacity may only be assigned to one Supplemented Capacity Resource. No Supplemental Capacity Resource may itself be a Supplemented Capacity Resource for an hour.

#### **III.13.5.3.2.1. Timing.**

A Supplemental Availability Bilateral must be submitted in accordance with resettlement provisions as described in ISO New England Manuals. However, to be included in the initial settlement of payments and charges associated with the Forward Capacity Market for the month associated with the Supplemental Availability Bilateral, a Supplemental Availability Bilateral must be submitted to the ISO no later than 12:00 pm on the second Business Day after the end of that month, or at such later deadline as specified by the ISO upon notice to Market Participants (though a Supplemental Availability Bilateral may be revised by the parties to the transaction throughout the resettlement process). A Supplemental Availability Bilateral must be confirmed by the Lead Market Participant for the Supplemented Capacity Resource no later than the same deadline that applies to submission of the Supplemental Availability Bilateral.

#### **III.13.5.3.2.2. Application.**

The submission of a Supplemental Availability Bilateral to the ISO shall include the following: (i) the resource identification number for the Supplemental Capacity Resource; (ii) the resource identification number for the Supplemented Capacity Resource; (iii) the MW amount of capacity being assigned from the Supplemental Capacity Resource to the Supplemented Capacity Resource; (iv) the term of the transaction, which shall be in hourly increments coinciding with hourly boundaries, no less than one hour, and no greater than one calendar month.

#### **III.13.5.3.2.3. ISO Review.**

The ISO shall review the information provided in submission of the Supplemental Availability Bilateral, and shall reject the Supplemental Availability Bilateral if any of the provisions of this Section III.13.5.3 are not met. The ISO shall reject the applicability of a Supplemental Availability Bilateral in any hour of a Shortage Event unless: (i) the Supplemental Capacity Resource was on-line and following ISO dispatch instructions during that hour of the Shortage Event and the MW amount of capacity being assigned from the Supplemental Capacity Resource is less than or equal to the difference between the resource's Economic Maximum Limit as submitted or redeclared by the Lead Market Participant and the Supplemental Capacity Resource's Capacity Supply Obligation; or (ii) the Supplemental Capacity Resource was offline for the hour of the Shortage Event and the MW amount of capacity being assigned from the Supplemental Capacity Resource is less than or equal to the difference between the sum of the Supplemental Capacity Resource's Real-Time Reserve Designations of TMNSR and TMOR and the Supplemental Capacity Resource's Capacity Supply Obligation.

#### **III.13.5.3.2.4. Effect of Supplemental Availability Bilateral.**

A Supplemental Availability Bilateral does not affect in any way either party's Capacity Supply Obligation or the rights and obligations associated therewith. The sole effect of a Supplemental Availability Bilateral is to modify the Supplemented Capacity Resource's availability score as described in Section III.13.7.1.1.4.

### **III.13.6. Rights and Obligations.**

Resources assuming a Capacity Supply Obligation through a Forward Capacity Auction or resources assuming or shedding a Capacity Supply Obligation through a reconfiguration auction or a Capacity Supply Obligation Bilateral shall comply with this Section III.13.6 for each Capacity Commitment Period. In the event a resource with a Capacity Supply Obligation assumed through a Forward Capacity Auction, reconfiguration auction, or Capacity Supply Obligation Bilateral can not be allowed to shed its Capacity Supply Obligation due to system reliability considerations, the resource shall maintain the Capacity Supply Obligation until the resource can be released from its Capacity Supply Obligation. No additional compensation shall be provided through the Forward Capacity Market if the resource fails to be released from its Capacity Supply Obligation.

#### **III.13.6.1. Resources with Capacity Supply Obligations.**

A resource with a Capacity Supply Obligation assumed through a Forward Capacity Auction, reconfiguration auction, or a Capacity Supply Obligation Bilateral shall comply with the requirements of this Section III.13.6.1 during the Capacity Commitment Period, or portion thereof, in which the Capacity Supply Obligation applies.

##### **III.13.6.1.1. Generating Capacity Resources.**

###### **III.13.6.1.1.1. Energy Market Offer Requirements.**

A Generating Capacity Resource having a Capacity Supply Obligation shall be offered into both the Day-Ahead Energy Market and Real-Time Energy Market at a MW amount equal to or greater than its Capacity Supply Obligation whenever the resource is physically available. If the resource is physically available at a level less than its Capacity Supply Obligation, however, the resource shall be offered into both the Day-Ahead Energy Market and Real-Time Energy Market at that level. Day-Ahead Energy Market Supply Offers from such Generating Capacity Resources shall also meet one of the following requirements:

- (a) the sum of the Generating Capacity Resource's notification time plus start time plus minimum run time plus minimum down time is less than or equal to 72 hours; or
- (b) if the Generating Capacity Resource cannot meet the offer requirements in Section III.13.6.1.1.1(a) due to physical design limits, then the resource shall be offered into the Day-Ahead Energy Market at a MW amount equal to or greater than its Economic Minimum Limit at a price of zero



or shall be self-scheduled in the Day-Ahead Energy Market at a MW amount equal to or greater than the resource's Economic Minimum Limit.

**III.13.6.1.1.2. Requirement that Offers Reflect Accurate Generating Capacity Resource Operating Characteristics.**

For each day, Day-Ahead Energy Market and Real-Time Energy Market offers for the listed portion of a resource must reflect the then-known unit-specific operating characteristics (taking into account, among other things, the physical design characteristics of the unit) consistent with Good Utility Practice.

Resources must re-declare to the ISO any changes to the offer parameters that occur in real time to reflect the known capability of the resource. A resource failing to comply with this requirement shall be subject to economic penalties described in Appendix B, in addition to any applicable availability penalties pursuant to Section III.13.7.2.7.1.2.

**III.13.6.1.1.3. [Reserved.]**

**III.13.6.1.1.4. [Reserved.]**

**III.13.6.1.1.5. Additional Requirements for Generating Capacity Resources.**

Generating Capacity Resources having a Capacity Supply Obligation are subject to the following additional requirements:

- (a) auditing and rating requirements as detailed in the ISO New England Manuals and ISO New England Operating Procedures;
- (b) Operating Data collection requirements as detailed in the ISO New England Manuals and Market Rule 1;
- (c) outage requirements in accordance with the ISO New England Manuals and ISO New England Operating Procedures, provided, however, that the portion of a resource having no Capacity Supply Obligation is not subject to the forced re-scheduling provisions for outages in accordance with the ISO New England Manuals and ISO New England Operating Procedures.

**III.13.6.1.2. Import Capacity Resources.**

#### **III.13.6.1.2.1. Energy Market Offer Requirements.**

A Market Participant must offer energy associated with an Import Capacity Resource with a Capacity Supply Obligation into the Day-Ahead Energy Market and Real-Time Energy Market as one or more External Transactions for every hour of each Operating Day at the same external interface totaling an amount (MW) equal to the Capacity Supply Obligation unless the Import Capacity Resource is associated with an External Resource that is on an outage. In all cases the Import Capacity Resource is subject to the provisions in Section III.13.7 for the entire Capacity Supply Obligation of the Import Capacity Resource. A Market Participant with an Import Capacity Resource that fails to comply with this requirement may be subject to sanctions pursuant to Appendix B, in addition to any applicable availability penalties pursuant to Section III.13.7.2.7.2 for failing to deliver the External Transaction or External Transactions in the energy market as described in the ISO New England System Rules.

The offer requirements of Section III.13.6.1.2.1 will not apply to External Transactions associated with the VJO and NYPA Import Capacity Resources specified in Section III.13.1.3.3(c) for the duration of the contract provided the transactions are self-scheduled in both the Day-Ahead Energy Market and Real-Time Energy Market. If the energy associated with these contracts is not self-scheduled, the offer requirements and provisions of this section will apply to the applicable contract.

(a) All priced External Transactions associated with an Import Capacity Resource with a Capacity Supply Obligation must be offered each hour at or below the greater of either: (1) the offer threshold specified in Section III.13.6.1.2.1(b) for the Operating Day; (2) the offer threshold determined for the prior Operating Day; and (3) for any priced External Transactions from the New York Control Area the corresponding hourly day-ahead energy price (NYISO Location-Based Marginal Price) at the source interface.

(b) A daily offer threshold will be determined for each Operating Day and will apply to each hour of the Operating Day. From June 1, 2010 to May 31, 2013 the daily offer threshold is equal to the product of the PER Proxy Unit heat rate as described in Section III.13.7.2.7.1.1.1(b)(iii) and the lower of ultra low-sulfur No. 2 oil measured at New York Harbor plus a seven percent markup for transportation of day-ahead gas measured at the Algonquin City Gate, as determined on a daily basis. After May 31, 2013 the daily offer threshold is equal to the product of the applicable Forward Reserve Heat Rate as described in Section III.9.6.2 and the lower of ultra low-sulfur No. 2 oil measured at New York Harbor plus a seven percent markup for transportation or day-ahead gas measured at the Algonquin City Gate, as determined on a daily basis.

(c) Submittal of External Transactions to the Day-Ahead Energy Market in support of a Capacity Supply Obligation for an Import Capacity Resource requires submittal of matching energy transactions to the Real-Time Energy Market; the External Transactions submitted to the Real-Time Energy Market must match the External Transactions submitted to the Day-Ahead Energy Market, subject to the right to submit different prices into the Real-Time Energy Market.

(d) External Transactions submitted to the Real-Time Energy Market in support of a Capacity Supply Obligation for an Import Capacity Resource must be submitted prior to noon the day before the Operating Day for which they are intended to be scheduled.

(e) A Market Participant submitting a priced External Transaction supporting an Import Capacity Resource with a Capacity Supply Obligation to the Real-Time Energy Market on an external interface where advance transmission reservations are required must link the transaction to the associated transmission reservation and NERC E-Tag no later than one hour before the operating hour in order to be eligible for scheduling in the Real-Time Energy Market. If a Market Participant does not link the transaction to the associated transmission reservation and NERC E-Tag in the Real-Time Energy Market for any hour during which the External Transaction would otherwise have been economically and reliably scheduled in the Real-Time Energy Market, the associated Import Capacity Resource shall be treated as having not delivered energy for the hour despite ISO requested dispatch under Section III.13.7.1.2 and III.13.7.2.7.2. A Market Participant submitting any other External Transaction to the Real-Time Energy Market must comply with the requirements in Section III.1.10.7(e) with respect to linking the transaction to the associated transmission reservation and NERC E-Tag.

#### **III.13.6.1.2.2. Additional Requirements for Import Capacity Resources.**

Import Capacity Resources are subject to the following additional requirements:

(a) information submittal requirements for External Transactions associated with resource or Control Area backed Import Capacity Resources as detailed in the ISO New England Manuals;

(b) resource backed Import Capacity Resources shall be subject to the outage requirements as detailed in the ISO New England Manuals and ISO New England Operating Procedures. Control Area backed Import Capacity Resources are not subject to such outage requirements;

(c) resource backed Import Capacity Resources are subject to the voluntary and mandatory re-scheduling of maintenance procedures outlined in the ISO New England Operating Procedures and ISO New England Manuals.

(d) at the time of submittal, each External Transaction shall reference the associated Import Capacity Resource.

#### **III.13.6.1.3. Intermittent Power Resources.**

##### **III.13.6.1.3.1. Energy Market Offer Requirements.**

Intermittent Power Resources may submit offers into the Day-Ahead Energy Market. Such resources are required to submit offers for use in the Real-Time Energy Market consistent with the characteristics of the resource. Day Ahead projections of output shall be submitted as detailed in the ISO New England Manuals. For purposes of calculating Real-Time NCPC Charges, Intermittent Power Resources shall have a generation deviation of zero.

##### **III.13.6.1.3.2. [Reserved.]**

##### **III.13.6.1.3.3. Additional Requirements for Intermittent Power Resources.**

Intermittent Power Resources are subject to the following additional requirements:

- (a) auditing and rating requirements as detailed in the ISO New England Manuals;
- (b) Operating Data collection requirements as detailed in the ISO New England Manuals;
- (c) complying with outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals.

#### **III.13.6.1.4. Intermittent Settlement Only Resources and Non-Intermittent Settlement Only Resources.**

##### **III.13.6.1.4.1. Energy Market Offer Requirements.**

Intermittent Settlement Only Resources and Non-Intermittent Settlement Only Resources may not submit Supply Offers into the Day-Ahead Energy Market or Real-Time Energy Market.

#### **III.13.6.1.4.2. Additional Requirements for Settlement Only Resources.**

Intermittent Settlement Only Resources and Non-Intermittent Settlement Only Resources having a Capacity Supply Obligation are subject to the following additional requirements:

- (a) auditing and rating requirements as detailed in the ISO New England Manuals;
- (b) Operating Data collection requirements as detailed in the ISO New England Manuals;
- (c) such resources are not subject to outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals.

#### **III.13.6.1.5. Demand Resources.**

Demand Resources may not submit Supply Offers into the Day-Ahead Energy Market or Real-Time Energy Markets. A Real-Time Demand Response Asset associated with a Real-Time Demand Response Resource may submit Demand Reduction Offers on a Day-Ahead and Real-Time basis pursuant to Appendix E.

##### **III.13.6.1.5.1. Additional Requirements for Demand Resources.**

Demand Resources shall comply with the ISO's measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals.

##### **III.13.6.1.5.2. Reporting of Forecast Hourly Demand Reduction.**

A Market Participant with Critical Peak Demand Resources, Real-Time Demand Response Resources, or Real-Time Emergency Generation Resources shall, in accordance with the ISO New England Manuals and Operating Procedures, submit to the ISO a two-day forecast of each Demand Resource's Forecast Hourly Demand Reduction for each Operating Day. The Market Participant shall update its forecast, in accordance with the ISO New England Manuals and Operating Procedures, to reflect its estimate of each Demand Resource's Forecast Hourly Demand Reduction.

##### **III.13.6.1.5.3. Reporting of Monthly Maximum Forecast Hourly Demand Reduction.**

A Market Participant with Critical Peak Demand Resources, Real-Time Demand Response Resources, or Real-Time Emergency Generation Resources shall, in accordance with the ISO New England Manuals

and Operating Procedures, submit to the ISO each month a forecast of each resource's monthly maximum Forecast Hourly Demand Reduction for each of the next 12 months.

#### **III.13.6.1.5.4. Demand Resource Auditing.**

Demand Resources shall be subject to ISO conducted audits for the purposes of:

- (a) Auditing Demand Reduction Values for a Demand Resource;
- (b) Verifying the Commercial Operation of a Demand Resource; and
- (c) Verifying the Demand Reduction Value of the Demand Resource when the ISO, based on objective criteria, has determined that the Demand Reduction Value of a Demand Resource may not be credible.

#### **III.13.6.1.5.4.1. General Auditing Requirements for Demand Resources.**

- (a) Audits of a Demand Resource will be conducted by simultaneously evaluating the performance of each demand asset that is mapped to that Demand Resource.
- (b) The results of an audit shall be adjusted to reflect any changes in the composition of the Demand Resource resulting from the unmapping of a demand asset from the resource subsequent to the performance of the audit.
- (c) An audit of a Real-Time Emergency Generation Resource must be performed simultaneously with the audit of any Real-Time Demand Response Resources containing Real-Time Demand Response Assets that are located behind the same end-use customer meter as the Real-Time Emergency Generation Assets mapped to the Real-Time Emergency Generation Resource.
- (d) An audit is valid beginning with the month in which the audit is performed, and remains valid until the next audit is performed for a like season, which shall be no later than the end of the next like seasonal DR Auditing Period. Additional audits performed in a month shall not replace the results of the initial audit conducted in a month and are valid on the first of the subsequent month following the audit. Audit results shall not replace a Demand Reduction Value that is based on Demand Resource Seasonal

Peak Hours, Real-Time Demand Response Event Hours, or Real-Time Emergency Generation Event Hours.

(e) If one or more demand assets of a Demand Resource do not have audit results at the time the Demand Resource is audited and the audit was conducted in a summer DR Auditing Period or a winter DR Auditing Period, then the contribution of those demand assets toward the audit value of the Demand Resource shall be effective starting with the later of: (i) the start of the DR Auditing Period, or (ii) the 1<sup>st</sup> of the month prior to the month of the audit provided the demand asset was available for dispatch by the ISO in that prior month, and if the demand asset was not available for dispatch in that prior month, then the 1<sup>st</sup> of the month in which the demand asset was available for dispatch.

**III.13.6.1.5.4.2. [Reserved.]**

**III.13.6.1.5.4.3. Seasonal DR Audits.**

A Seasonal DR Audit must be conducted for each Demand Resource during each seasonal DR Auditing Period.

**III.13.6.1.5.4.3.1. Seasonal DR Audit Requirement.**

A Market Participant shall submit each Demand Resource to an ISO initiated audit each season to verify the Demand Reduction Value for the resource for one or more months of the season. The Seasonal DR Audit must be requested by the Market Participant for the Demand Resource within each Capacity Commitment Period in which the Demand Resource has a Capacity Supply Obligation. The summer DR Auditing Period begins on June 1 and ends on August 31. The winter DR Auditing Period begins on December 1 and ends on January 31. For all Demand Resources audits performed during the summer DR Auditing Period will be used to establish the audit results for the months of June, July, and August, and audits performed during the winter DR Auditing Period will be used to establish the audit results for the months of December and January.

**III.13.6.1.5.4.3.2. Failure to Request or Perform an Audit.**

If by the 1<sup>st</sup> of August for the summer DR Auditing Period or by the 1<sup>st</sup> of January for the winter DR Auditing Period a Market Participant has not requested a Seasonal DR Audit for a Demand Resource, the Market Participant shall be deemed to have requested a Seasonal DR Audit on those respective dates. A Demand Resource that does not successfully perform a Seasonal DR Audit for a DR Auditing Period shall have the audit results of its mapped demand assets set to zero.

**III.13.6.1.5.4.3.3. Use of Event Performance Data to Satisfy Audit Requirements for Certain Resources.**

A Real-Time Demand Response Resource or Real-Time Emergency Generation Resource that has received a Dispatch Instruction in a season for 100% of its highest CSO for the current DR Auditing Period lasting at least two hours, not including the 30 minute notification time, may use the event to satisfy the Seasonal DR Audit requirement for the applicable DR Auditing Period. A Real-Time Demand Response Resource or Real-Time Emergency Generation Resource's audit value under this provision is based on the average load reduction or output demonstrated over the duration of the qualifying event (the two hour period chosen by the Market Participant during which 100% of its maximum CSO for the current DR Auditing Period is dispatched).

**III.13.6.1.5.4.4. Demand Resource Commercial Operation Audit.**

(a) A Market Participant with a Demand Resource that has one or more increments that have not demonstrated commercial operation prior to the commencement of a Capacity Commitment Period shall perform a Demand Resource Commercial Operation Audit. The results of the Demand Resource Commercial Operation Audit shall be used to verify the commercial capacity of the Demand Resource.

(b) Demand Resource Commercial Operation Audits not performed prior to the commencement of the Capacity Commitment Period must be requested in time for performance within the first month in which the Demand Resource has a Capacity Supply Obligation in the Capacity Commitment Period or the Commercial Operation Date, whichever is earlier. A Demand Resource that does not successfully perform a Demand Resource Commercial Operation Audit shall have the audit results of its mapped demand assets set to zero.

(c) A Demand Resource that fails to demonstrate through its Demand Resource Commercial Operation Audit a demand reduction in the amount of its Capacity Supply Obligation shall be subject to the provisions of Section III.13.1.9 and Section III.13.3.4.

(d) A Demand Resource Commercial Operation Audit performed during a summer DR Auditing Period or winter DR Auditing Period may be used to satisfy the Seasonal DR Audit requirement for the same seasonal period. If a Demand Resource conducts a Demand Resource Commercial Operation Audit outside of a summer DR Auditing Period or winter DR Auditing Period, the Seasonal DR Audit



requirement shall not be satisfied, however the results shall be used in the calculation of the summer Seasonal DR Audit value or winter Seasonal DR Audit value as follows:

- (1) A Demand Resource Commercial Operation Audit conducted in the months of September, October, November, April, or May shall be considered a summer Seasonal DR Audit;
- (2) A Demand Resource Commercial Operation Audit conducted in February or March shall be considered a winter Seasonal DR Audit.

#### **III.13.6.1.5.4.5. Additional Audits.**

The ISO may initiate an audit to verify the Demand Reduction Value of a Demand Resource when an evaluation based on objective criteria indicates a Market Participant is claiming demand reductions in excess of the Demand Resource's actual capability. Such criteria include, but are not limited to:

- (a) A pattern of submitting to the ISO a level of available interruption that is less than the resource's Demand Reduction Value during the same time period;
- (b) Actual loads for the underlying assets of the resource that, when aggregated, are below the resource's Demand Reduction Value; or
- (c) Failure to achieve the dispatched interruption.

The results of an additional audit shall replace the results of the last like Seasonal DR Audit or Demand Resource Commercial Operation Audit.

The ISO may perform additional audits for a Demand Resource to establish the audit results and the performance of the installed measures of the demand asset. This additional auditing may consist of two levels.

- (a) Level 1 Audit: the ISO will establish the audit results by conducting a review of records of the demand asset to verify that the reported measures have been installed and are operational. The audit shall include, but is not limited to, reviewing project or program databases, invoices, installation reports, work orders, and field inspection reports. In addition, the audit may involve reviewing any independent inspections or evaluations conducted as part of program implementation and program evaluation.

(b) Level 2 Audit: the ISO shall establish the audit results by initiating or conducting an on-site field audit to verify the installation and performance of measures in the demand asset. Such an audit may include a random or select sample of facilities and measures.

A level 1 audit is not required to precede a level 2 audit. If the results of the audit indicate that the demand reduction capability of the Demand Resource is less than or greater than its Demand Reduction Value in the same period, then the Demand Reduction Value shall be adjusted to the value demonstrated through the audit.

#### **III.13.6.1.5.4.6. Audit Methodologies.**

(a) For On-Peak Demand Resources, audit results shall be established based on the Average Hourly Output or Average Hourly Load Reduction in the DR Auditing Period.

(b) For Seasonal Peak Demand Resources, audit results shall be established based on Average Hourly Output or Average Hourly Load Reduction or their equivalent in the DR Auditing Period.

(c) For Real-Time Demand Response Resources and Real-Time Emergency Generation Resources, audits will be conducted via a Dispatch Instruction sent by the ISO. Audit results for a Real-Time Demand Response Resource and Real-Time Emergency Generation Resource will be based on the sum of the average load reductions or average incremental output demonstrated during the audit by each demand asset mapped to the Demand Resource.

#### **III.13.6.1.5.4.7. Requesting and Performing an Audit.**

(a) Seasonal DR Audits and Demand Resource Commercial Operation Audits will be performed following the request of the Market Participant. Audits will be performed within 20 Business Days of the date requested by the Market Participant. The date and time of the audit will be unannounced. An audit request may be denied by the ISO, and an audit may be rescheduled, if its performance will jeopardize the reliable operation of the electrical system.

### **III.13.6.2. Resources without a Capacity Supply Obligation.**

A resource that does not have any Capacity Supply Obligation shall comply with the requirements in this Section III.13.6.2, and shall not be subject to the requirements set forth in Section III.13.6.1 during the Capacity Commitment Period, or portion thereof, for which the resource has no Capacity Supply Obligation.

### **III.13.6.2.1. Generating Capacity Resources.**

#### **III.13.6.2.1.1. Energy Market Offer Requirements.**

A Generating Capacity Resource having no Capacity Supply Obligation is not required to offer into the Day-Ahead Energy Market or Real-Time Energy Market.

#### **III.13.6.2.1.1.1. Day-Ahead Energy Market Participation.**

A Generating Capacity Resource having no Capacity Supply Obligation may submit an offer into the Day-Ahead Energy Market. If any portion of the offered energy clears in the Day-Ahead Energy Market, the entire Supply Offer, up to the Economic Maximum Limit offered into the Day-Ahead Energy Market, will be subject to all of the rules and requirements applicable to that market for the operating day, including the obligation to follow ISO dispatch instructions. Such a resource that clears shall be eligible for dispatch in the Real-Time Energy Market.

#### **III.13.6.2.1.1.2. Real-Time Energy Market Participation.**

A Generating Capacity Resource having no Capacity Supply Obligation that did not submit an offer into the Day-Ahead Energy Market or was offered into the Day-Ahead Energy Market and did not clear, must Self-Schedule in order to participate in the Real-Time Energy Market and shall be subject to all of the requirements associated therewith. Such a resource shall be eligible for dispatch in the Real-Time Energy Market.

#### **III.13.6.2.1.2. Additional Requirements for Generating Capacity Resources Having No Capacity Supply Obligation.**

Generating Capacity Resources having no Capacity Supply Obligation are subject to the following additional requirements:

- (a) complying with the auditing and rating requirements as detailed in the ISO New England Manuals;
- (b) complying with the Operating Data collection requirements detailed in the ISO New England Manuals; and
- (c) complying with outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals. Generating Capacity Resources having no Capacity Supply Obligation are not subject to the forced re-scheduling provisions for outages in accordance with the ISO New England Manuals and ISO New England Operating Procedures.

**III.13.6.2.2. [Reserved.]**

**III.13.6.2.3. Intermittent Power Resources.**

**III.13.6.2.3.1. Energy Market Offer Requirements.**

An Intermittent Power Resource having no Capacity Supply Obligation is not required to offer into the Day-Ahead Energy Market or Real-Time Energy Market.

**III.13.6.2.3.2. Additional Requirements for Intermittent Power Resources.**

Intermittent Power Resources are subject to the following additional requirements:

- (a) auditing and rating requirements as detailed in the ISO New England Manuals; and
- (b) Operating Data collection requirements as detailed in the ISO New England Manuals.

**III.13.6.2.4. Intermittent Settlement Only Resources and Non-Intermittent Settlement Only Resources.**

**III.13.6.2.4.1. Energy Market Offer Requirements.**

A Settlement Only Resource may not submit an offer into the Day-Ahead Energy Market or the Real-Time Energy Market.

**III.13.6.2.4.2. Additional Requirements for Settlement Only Resources.**

Settlement Only Resources are subject to the following additional requirements:

- (a) auditing and rating requirements as detailed in the ISO New England Manuals;
- (b) Operating Data collection requirements as detailed in the ISO New England Manuals;
- (c) such resources are not subject to outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals.

#### **III.13.6.2.5. Demand Resources.**

Demand Resources may not submit Supply Offers into the Day-Ahead Energy Market or Real-Time Energy Market. A Real-Time Demand Response Asset associated with a Real-Time Demand Response Resource may submit Demand Reduction Offers on a Day-Ahead and Real-Time basis pursuant to Appendix E.

#### **III.13.6.3. Exporting Resources.**

A resource that is exporting capacity not subject to a Capacity Supply Obligation to an external Control Area shall comply with this Section III.13.6.3 and the ISO New England Manuals. Intermittent Power Resources, Settlement Only Resources, and Demand Resources are not permitted to back a capacity export to an external Control Area. The portion of a resource without a Capacity Supply Obligation that will be used in Real-Time to support an External Transaction sale must comply with the energy market offer requirements of Section III.1.10.7.

#### **III.13.6.4. ISO Requests for Energy.**

The ISO may request that a Generating Capacity Resource having capacity that is not subject to a Capacity Supply Obligation provide energy for reliability purposes in the Real-Time Energy Market, but such resource shall not be obligated under Section III.13 of this Tariff by such a request to provide energy from that capacity, and shall not be subject to any availability penalties under Section III.13 of this Tariff by such a request for failure to provide energy from that capacity that is not subject to a Capacity Supply Obligation. If such resource does provide energy from that capacity, the resource shall be paid based on its most recent offer and is eligible for NCPC.

#### **III.13.6.4.1. Real-Time High Operating Limit.**

For purposes of facilitating ISO requests for energy under Section III.13.6.4, a Market Participant must report an up-to-date Real-Time High Operating Limit value at all times for a resource.

### **III.13.7. Performance, Payments and Charges in the FCM.**

During each month within each Capacity Commitment Period (“Obligation Month”), each resource that acquired or shed a Capacity Supply Obligation for that Capacity Commitment Period (or any portion thereof) will be subject to payments, charges, penalties and adjustments for such activity. In addition, all resources with a Capacity Supply Obligation as of the beginning of the Obligation Month shall have their performance measured throughout the month, based on the resource’s availability during any Shortage Events in the Obligation Month.

In the event of a change in the Lead Market Participant for a resource that has a Capacity Supply Obligation, the Capacity Supply Obligation shall remain associated with the resource and the new Lead Market Participant for the resource shall be bound by all provisions of this Section III.13 arising from such Capacity Supply Obligation. The Lead Market Participant for the resource at the start of an Obligation Month shall be responsible for all payments and charges associated with that resource in that Obligation Month.

#### **III.13.7.1. Performance Measures.**

##### **III.13.7.1.1. Generating Capacity Resources.**

During each Capacity Commitment Period, each Generating Capacity Resource having a Capacity Supply Obligation for that Capacity Commitment Period (or any portion thereof) will have its performance measured during each Obligation Month based on the resource’s availability during any Shortage Events during the month.

##### **III.13.7.1.1.1. Definition of Shortage Events.**

(a) A Shortage Event is any period of thirty or more contiguous minutes of system-wide Reserve Constraint Penalty Factor activation, defined as being short of operating reserves.

(b) In an import-constrained Capacity Zone, as determined pursuant to Section III.13.2.3.4, a Shortage Event shall also be any OP4 Action 6, OP4 Action 12, OP4 Action 13, or OP7 event, or their successor operating procedures, that is declared based on adequacy and not security, as defined in the ISO New England Manuals, with a duration of thirty or more contiguous minutes, and that is not also declared outside of the Capacity Zone.

(c) An export-constrained Capacity Zone, as determined pursuant to Section III.13.2.3.4, shall be exempt from a Shortage Event if an OP4 Action 6, OP4 Action 11, OP4 Action 12, OP4 Action 13, or OP7 event has been declared for the Rest-of-Pool Capacity Zone but not for that export-constrained Capacity Zone.

(d) In all cases, to be considered discrete Shortage Events, such events must be separated by at least 2.5 hours. Events that would satisfy the definition of Shortage Events except that they are separated by less than 2.5 hours shall be considered a single Shortage Event with a duration equal to the sum of the lengths of the underlying events. There shall be no more than two Shortage Events per Capacity Zone per day. If there are more than two Shortage Events in a day, only the first two Shortage Events that occur will be recognized.

(e) For the purposes of Section III.13.7.1.1.1(d), Shortage Events that cross daily boundaries will be considered to occur on the day in which the Shortage Event was triggered. Availability during Shortage Events that cross monthly boundaries will be applied to the Obligation Month in which the Shortage Event was triggered.

#### **III.13.7.1.1.1.A Shortage Event Availability Score.**

For each Shortage Event, the ISO shall calculate a Shortage Event Availability Score for each resource, as follows: For each hour containing any portion of the Shortage Event, the ISO shall multiply the resource's hourly availability score by the number of minutes of the Shortage Event in that hour, and then divide the product by the total number of minutes in the Shortage Event. The resulting values for each hour shall then be added together to determine the resource's Shortage Event Availability Score.

#### **III.13.7.1.1.2. Hourly Availability Scores.**

The ISO shall calculate an availability score for each resource for each hour that contains any portion of a Shortage Event. A resource's availability score for an hour, expressed as a percentage which may not exceed 100 percent, shall be the sum of the resource's available MW in that hour plus any adjustments pursuant to Section III.13.7.1.1.4 divided by the resource's Capacity Supply Obligation. In the event that there are no Shortage Event hours during a month, no availability penalties will be assessed.

#### **III.13.7.1.1.3. Hourly Available MW.**

A resource's available MW in each hour that contains any portion of a Shortage Event shall be determined pursuant to the provisions of this Section III.13.7.1.1.3, provided, however, that in no case shall a resource's available MW in an hour exceed that resource's CNR Capability (reduced by the hourly integrated delivered MW for any External Transaction sale or sales from that resource).

(a) For a resource that is on-line with a metered output greater than zero and following ISO dispatch instructions, the available MW in an hour shall be the resource's Economic Maximum Limit, as submitted or redeclared by the Lead Market Participant.

(b) For a resource that is off-line with a metered output equal to zero and available for dispatch and following ISO dispatch instructions and has a cold notification time plus cold start time of thirty minutes or less, the available MW in an hour shall be the resource's Economic Maximum Limit, as submitted or redeclared by the Lead Market Participant.

(c) For a resource that is off-line with a metered output equal to zero and available for dispatch and following ISO dispatch instructions and has a cold notification plus cold start-up time of less than or equal to 12 hours (16 hours, during the first five Capacity Commitment Periods for resources with notification plus start-up times greater than 12 hours as of June 16, 2006) and the output, up to the Capacity Supply Obligation, was competitively offered into the Energy Market (i.e., capacity from the listed portion of the resource was offered at or below the appropriate Reference Level plus applicable conduct thresholds) but was not committed by the ISO and was consequently unavailable within 30 minutes, the available MW in an hour shall be the resource's Economic Maximum Limit, as submitted or redeclared by the Lead Market Participant.

(d) For a resource that is off-line but not meeting the requirements of either Section III.13.7.1.1.3(b) or Section III.13.7.1.1.3(c), the available MW in an hour shall be zero.

(e) For a resource that is on-line but not able to follow ISO dispatch instructions, the available MW in an hour shall be the resource's metered output for the hour.

(f) Where a resource is not committed due to an outage or derate of transmission equipment within the New England Control Area, other than an outage or de-rate of transmission equipment that is controlled by the owner of the resource or that constitutes a radial lead to a resource in the New England Control Area (other than radial leads to Wyman 4 and Stony Brook), that resource's available MW in an



hour shall not be reduced as a result. Maine Independence Station shall be considered available when derated or not committed because of a transmission constraint.

(g) Where a resource is denied a self-schedule request by the ISO and therefore was not available in the Real-Time Energy Market, that resource's available MW in an hour shall not be reduced as a result.

(h) Where a New Generating Capacity Resource that has cleared in the Forward Capacity Auction has completed construction but due to a planned transmission facility (e.g., a radial interconnection) not being in service is not able to achieve Commercial Operation and cannot conduct its capability audit by the first day of the Obligation Month, that resource's available MW in an hour shall not be reduced as a result (i.e., the resource shall not be subject to an availability penalty as a result).

(i) Where a New Generating Capacity Resource that has cleared in the Forward Capacity Auction has completed construction but due to a planned transmission facility (e.g., a radial interconnection) not being in service is not able to achieve Commercial Operation, and is able to conduct a capability audit, that resource's available MW in an hour shall not be reduced as a result (i.e., the resource shall not be subject to an availability penalty as a result).

(j) Where a resource is associated with one or more External Transaction sales submitted in accordance with Section III.1.10.7(f), that resource will have its hourly available MW reduced by the hourly integrated delivered MW for the External Transaction sale or sales.

#### **III.13.7.1.1.4. Availability Adjustments.**

(a) A resource's hourly availability score may be increased using a Supplemental Availability Bilateral as described in Section III.13.5.3. Where all of the requirements of Section III.13.5.3 are met, the amount of available MW from the Supplemented Capacity Resource during each hour of the Shortage Event will be increased by the amount of supplemental capacity specified in the Supplemental Availability Bilateral, provided, however, that only available capacity above the Supplemental Capacity Resource's Capacity Supply Obligation, if any, during each hour of the Shortage Event may be counted as supplemental capacity for the Supplemented Capacity Resource. The sum of these amounts will be counted in determining the availability score of the Supplemented Availability Resource for the Shortage Event.

(b) A resource's hourly availability score may be increased when an asset associated with the resource is on a planned outage that was approved in the ISO's annual maintenance scheduling process. Market Participants may indicate when submitting a planned outage request that the outage is to be considered exempt as described in ISO New England Operating Procedure No. 5. In such cases the associated resource's hourly available MWs may be increased by an amount up to the outage MWs requested, provided that the resource has not exceeded the maintenance allotment hour limit regarding exempt approved planned outages at the time of the Shortage Event as described in the ISO New England Manuals. In the case of a Settlement Only Resource, a planned outage scheduled in either December or January or during the period June 1 through September 15 may not be used to increase the resource's hourly availability score as described in this subsection:

#### **III.13.7.1.1.5. Poorly Performing Resources.**

Prior to the Forward Capacity Auction qualification process, the ISO shall determine whether a resource meets the following two criteria: in the most recent four consecutive Capacity Commitment Periods or the most recent 4 years in which the resource assumed a Capacity Supply Obligation: (a) the resource received 3 annual availability scores of less than or equal to 40 percent; and (b) the resource has failed to be available in its entirety during ten or more Shortage Events during that same period. The annual availability score for each Capacity Commitment Period shall be equal to the average of all availability scores as calculated for each hour during each Shortage Event. If both of these criteria are met, the resource shall be considered a Poorly Performing Resource and shall not be eligible to participate in any subsequent Forward Capacity Auctions, and may not assume an obligation through the reconfiguration auctions, or Capacity Supply Obligation Bilaterals until it either achieves an availability score of 60 percent or higher in three consecutive Capacity Commitment Periods or 3 consecutive years, or demonstrates to the ISO that the reasons for the inadequate availability scores have been remedied. For the purposes of determining whether a resource is a Poorly Performing Resource, its availability score while it is de-listed shall not be considered. For the purposes of returning from poorly performing status, the ISO, at the request of the resource owner, may consider performance while de-listed, but in no case shall the ISO use non-consecutive years for evaluating a resource's performance.

#### **III.13.7.1.1.2. Import Capacity.**

The performance of an Import Capacity Resource with a Capacity Supply Obligation will be measured during Shortage Events as defined in Section III.13.7.1.1.1. An Import Capacity Resource's Shortage Event Availability Score and hourly availability score shall be calculated in the manner described in Section III.13.7.1.1.1.A and III.13.7.1.1.2, respectively (with the hourly availability score adjusted

pursuant to Section III.13.7.1.2.1, as appropriate). An Import Capacity Resource's available MW in each hour that contains any portion of a Shortage Event shall be determined as follows:

- (a) Where the corresponding External Transactions are delivering energy in accordance with ISO dispatch instructions, the resource's available MW in the hour shall be equal to the MW associated with the External Transactions, as submitted by the Market Participant.
- (b) Where the corresponding External Transactions have been offered in accordance with the provisions of Section III.13.6.1.2 and is not delivering energy during the hour because the ISO has not requested dispatch of the transaction, the resource's available MW in the hour shall be equal to the MW associated with the External Transactions, as submitted by the Market Participant.
- (c) Where the corresponding External Transactions have not been offered in accordance with the provisions of Section III.13.6.1.2 or have been offered in accordance with the provisions of Section III.13.6.1.2 and are not delivering energy during the hour despite ISO requested dispatch of the transaction, the resource's available MW in the hour shall be zero.
- (d) Where the Import Capacity Resource was offered in accordance with the provisions of Section III.13.6.1.2 but cannot make Real-Time deliveries of energy because the relevant external interface is already flowing at its Total Transfer Capability into New England in Real-Time, the resource's available MW in the hour shall be equal to the MW associated with the External Transactions, as submitted by the Market Participant.

#### **III.13.7.1.2.1. Availability Adjustments.**

The hourly availability score of an Import Capacity Resource that qualified as being backed by a single External Resource may be increased when the associated External Resource is on a planned outage in the same manner as described in Section III.13.7.1.1.4(b).

#### **III.13.7.1.3. Intermittent Power Resources.**

The performance measure for Intermittent Power Resources, including Intermittent Settlement Only Resources will be included in the determination of their summer and winter Qualified Capacity as described in Section III.13.1.1.2.2.6 and Section III.13.1.2.2.2.

#### **III.13.7.1.4. Settlement Only Resources.**

#### **III.13.7.1.4.1. Non-Intermittent Settlement Only Resources.**

A Non-Intermittent Settlement Only Resource's Shortage Event Availability Score and hourly availability score shall be calculated in the manner described in Section III.13.7.1.1.1.A and III.13.7.1.1.2, respectively. Its available MW in an hour of a Shortage Event shall be the resource's metered output for the hour.

#### **III.13.7.1.4.2. Intermittent Settlement Only Resources.**

The performance measure for Intermittent Settlement Only Resources will be included in the determination of their summer and winter Qualified Capacity as described in Section III.13.1.1.2.2.6 and Section III.13.1.2.2.2.

#### **III.13.7.1.5. Demand Resources.**

##### **III.13.7.1.5.1. Capacity Values of Demand Resources.**

The Capacity Value of a Demand Resource for an Obligation Month shall be its Demand Reduction Value for the month as determined pursuant to Section III.13.7.1.5.3 multiplied by the summer Installed Capacity Requirement divided by the 50/50 summer system peak load forecast as determined by the ISO for the Forward Capacity Auction immediately preceding the Forward Capacity Auction in which the Demand Resource clears, multiplied by one plus the percent average avoided peak transmission and distribution losses used by the ISO in its calculations of the Installed Capacity Requirement for the Forward Capacity Auction immediately preceding the Forward Capacity Auction in which the Demand Resource clears. Beginning with the Capacity Commitment Period starting June 1, 2012, the Capacity Value of a Demand Resource for an Obligation Month shall be its Demand Reduction Value for the month as determined pursuant to Section III.13.7.1.5.3 multiplied by one plus the percent average avoided peak transmission and distribution losses used to calculate the Installed Capacity Requirement for the Forward Capacity Auction immediately preceding the Forward Capacity Auction in which the Demand Resource clears. For the first Forward Capacity Auction, the value of the Installed Capacity Requirement divided by the 50/50 summer system peak load forecast shall be 1.143, and one plus the percent average avoided peak transmission and distribution losses shall be 1.08.

##### **III.13.7.1.5.1.1. Special Provisions for Demand Resources that Cleared in the First and Second Forward Capacity Auctions in which Project Sponsor Elected to**

**have its Capacity Supply Obligation and Capacity Clearing Price Apply for Multiple Capacity Commitment Periods.**

For a Demand Resource that cleared in the Forward Capacity auction for the Capacity Commitment Period beginning June 1, 2010 in which the Project Sponsor elected to have its Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period beginning June 1, 2010, the Capacity Value of that Demand Resource for an Obligation Month shall be its Demand Reduction Value for the month as determined pursuant to Section III.13.7.1.5.3 multiplied by the product of 1.143 and 1.08. For a Demand Resource that cleared in the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2011 in which the Project Sponsor elected to have its Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period beginning June 1, 2011, the Capacity Value of that Demand Resource for an Obligation Month shall be its Demand Reduction Value for the month as determined pursuant to Section III.13.7.1.5.3 multiplied by the product of 1.161 and 1.08. This special provision shall cease to apply once the period elected by the Project Sponsor to have its Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which its Demand Resource offer cleared has expired.

**III.13.7.1.5.2. Capacity Values of Certain Distributed Generation.**

For those Distributed Generation resource assets that are capable of generating energy in excess of the facility load and capable of delivering the excess generation to the power grid, if across Demand Resource On-Peak Hours, Demand Resource Seasonal Peak Hours, Demand Resource Critical Peak Hours, Real-Time Demand Response Event Hours, or Real-Time Emergency Generation Event Hours, as appropriate, a Distributed Generation resource asset's monthly average hourly output is greater than the monthly average hourly load of the end-use customer to which the resource is directly connected, the Capacity Value of the portion of output exceeding the customer's load for the month will be the Demand Reduction Value for that portion of the output.

**III.13.7.1.5.3. Demand Reduction Values.**

A Demand Reduction Value is a quantity of reduced demand produced by a Demand Resource and is calculated pursuant to Section III.13.7.1.5.4, III.13.7.1.5.5, III.13.7.1.5.6, III.13.7.1.5.7 and III.13.7.1.5.8.

**III.13.7.1.5.4. Calculation of Demand Reduction Values for On-Peak Demand Resources.**

Monthly Demand Reduction Values shall be established for the months of June, July, August, December, and January and seasonal Demand Reduction Values for the remaining calendar months. The monthly

Demand Reduction Value of On-Peak Demand Resources shall be equal to its Average Hourly Load Reduction or Average Hourly Output over Demand Resource On-Peak Hours in the month.

**III.13.7.1.5.4.1. Summer Seasonal Demand Reduction Value.**

The summer seasonal Demand Reduction Value of On-Peak Demand Resources shall be equal to the simple average of its monthly Demand Reduction Values in the most recent months of June, July and August. The summer seasonal Demand Reduction Value shall apply to the months of September, October, November, April and May.

**III.13.7.1.5.4.2. Winter Seasonal Demand Reduction Value.**

The winter seasonal Demand Reduction Value of On-Peak Demand Resources shall be equal to the simple average of its monthly Demand Reduction Values in the most recent months of December and January. The winter seasonal Demand Reduction Value shall apply to the months of February and March.

**III.13.7.1.5.5. Calculation of Demand Reduction Values for Seasonal Peak Demand Resources.**

Monthly Demand Reduction Values shall be established for the months of June, July, August, December, and January and seasonal Demand Reduction Values for the remaining calendar months. The monthly Demand Reduction Value of Seasonal Peak Demand Resources shall be equal to its Average Hourly Load Reduction or Average Hourly Output over Demand Resource Seasonal Peak Hours in the month. If there are no Demand Resource Seasonal Peak Hours in the months of July, August, or January, the Demand Reduction Value for those months shall be equal to: (i) the Demand Reduction Value established for the previous month if the previous month's Demand Reduction Value was calculated using Seasonal Peak Hours or (ii) the Seasonal DR Audit results if the Demand Reduction Value for the previous month was not calculated using Seasonal Peak Hours. If there are no Demand Resource Seasonal Peak Hours in the months of June or December, the Demand Reduction Value of that resource for those months shall be equal to (i) the first applicable seasonal audit, if conducted in that month, or (ii) where there was no audit conducted in the month, the applicable previous seasonal Demand Reduction Value.

**III.13.7.1.5.5.1. Summer Seasonal Demand Reduction Value.**

The summer seasonal Demand Reduction Value of Seasonal Peak Demand Resources shall be equal to the simple average of its monthly Demand Reduction Values in the most recent months of June, July and August. This summer seasonal Demand Reduction Value will apply to the months of September, October, November, April and May.

#### **III.13.7.1.5.5.2. Winter Seasonal Demand Reduction Value.**

The winter seasonal Demand Reduction Value of Seasonal Peak Demand Resources shall be equal to the simple average of its monthly Demand Reduction Values in the most recent months of December and January. This winter seasonal Demand Reduction Value will apply to the months of February and March.

#### **III.13.7.1.5.6. Calculation of Demand Reduction Values for Critical Peak Demand Resources.**

Demand Reduction Values are determined on a monthly basis. For the months of June, July, August, December and January, the Demand Reduction Value of Critical Peak Demand Resource shall be equal to its Average Hourly Load Reduction or Average Hourly Output during Demand Resource Critical Peak Hours in the month. If there are no Demand Resource Critical Peak Hours in the months of July, August, or January, the Demand Reduction Value for those months shall be equal to the Demand Reduction Value established for the previous month. Should a new Critical Peak Demand Resource enter service at a time such that there is an incomplete set of performance data for June, July, August, December, or January upon which to establish summer or winter seasonal Demand Reduction Values, as described above, then the missing data shall be supplemented with engineering estimates or audit results pursuant to its Measurement and Verification Plan. A Market Participant with a Critical Peak Demand Resource may conduct an audit of the resource before the end of a month to establish its Demand Reduction Value for a subsequent month in which there are no Demand Resource Critical Peak Hours, provided that the audit results shall not replace the summer or winter seasonal Demand Reduction Value based on Demand Resource Critical Peak Hours for the applicable season. Audit results can be used to determine the Demand Reduction Values for all subsequent months until the month in which Demand Resource Critical Peak Hours occur, provided, however, that audit results can not be used to determine the Demand Reduction Value for a month greater than 12 months from the date the audit was conducted. Engineering estimates and the procedures for scheduling and conducting an audit must be submitted as part of the Measurement and Verification Plan, as set forth in Section III.13.1.4.2.2.3.

#### **III.13.7.1.5.6.1. Summer Seasonal Demand Reduction Value.**

The summer seasonal Demand Reduction Value of a Critical Peak Demand Resource for September, October, November, April and May shall be equal to:

- (i) the simple average of its Average Hourly Load Reduction or Average Hourly Output in the most recent months of June, July and August if there are no Demand Resource Critical Peak Hours in the month or

(ii) the simple average of:

(a) the simple average of its Average Hourly Load Reduction or Average Hourly Output in the most recent months of June, July and August and

(b) its Average Hourly Load Reduction or Average Hourly Output across the Demand Resource Critical Peak Hours in the month if there are Demand Resource Critical Peak Hours in the month.

#### **III.13.7.1.5.6.2. Winter Seasonal Demand Reduction Value.**

The winter seasonal Demand Reduction Value of a Critical Peak Demand Resource for February and March shall be equal to:

(i) the simple average of its Average Hourly Load Reduction or Average Hourly Output in the most recent months of December and January if there are no Demand Resource Critical Peak Hours in the month or

(ii) the simple average of:

(a) the simple average of its Average Hourly Load Reduction or Average Hourly Output in the most recent months of December and January and

(b) its Average Hourly Load Reduction or Average Hourly Output across the Demand Resource Critical Peak Hours in the month if there are Demand Resource Critical Peak Hours in the month.

#### **III.13.7.1.5.7. Demand Reduction Values for Real-Time Demand Response Resources.**

Demand Reduction Values are determined on a monthly basis. For the months of June, July, August, December, and January, the Demand Reduction Value of a Real-Time Demand Response Resource is the simple average of its Hourly Calculated Demand Resource Performance Values in the month.

If there are no Real-Time Demand Response Event Hours for a Real-Time Demand Response Resource in the months of July, August, or January, the Demand Reduction Value of that resource for those months



shall be equal to (i) the Demand Reduction Value established for the previous month if the previous month's Demand Reduction Value was calculated using Real-Time Demand Response Event Hours or (ii) the seasonal audit if the Demand Reduction Value for the previous month was not calculated using Real-Time Demand Response Event Hours. If there are no Real-Time Demand Response Event Hours for a Real-Time Demand Response Resource in the months of June or December the Demand Reduction Value of that resource for those months shall be equal to (i) the first applicable seasonal audit, if conducted in that month, or (ii) where there was no audit conducted in the month, the applicable previous seasonal Demand Reduction Value.

**III.13.7.1.5.7.1. Summer Seasonal Demand Reduction Value.**

The summer seasonal Demand Reduction Value of a Real-Time Demand Response Resource for September, October, November, April and May shall be equal to (i) the simple average of its Demand Reduction Values in the most recent months of June, July and August if there are no Real-Time Demand Response Event Hours in the month or (ii) the simple average of (a) the simple average of its Demand Reduction Values in the most recent months of June, July and August and (b) its Demand Reduction Value, established using the method specified in Section III.13.7.1.5.7, across the Real-Time Demand Response Event Hours in the month if there are Real-Time Demand Response Event Hours in the month.

**III.13.7.1.5.7.2. Winter Seasonal Demand Reduction Value.**

The winter seasonal Demand Reduction Value of a Real-Time Demand Response Resource for February and March shall be equal to (i) the simple average of its Demand Reduction Values in the most recent months of December and January if there are no Real-Time Demand Response Event Hours in the month or (ii) the simple average of (a) the simple average of its Demand Reduction Value in the most recent months of December and January and (b) its Demand Reduction Value, established using the method specified in Section III.13.7.1.5.7, across the Real-Time Demand Response Event Hours in the month if there are Real-Time Demand Response Event Hours in the month.

**III.13.7.1.5.7.3. Determination of Hourly Calculated Demand Resource Performance Values for Real-Time Demand Response Resources.**

The Hourly Calculated Demand Resource Performance Value shall be computed for each Real-Time Demand Response Resource receiving a Dispatch Instruction for a Real-Time Demand Response Event Hour. The Hourly Calculated Demand Resource Performance Value shall be computed as (i) the Real-Time Demand Response Resource's Capacity Supply Obligation, divided by (ii) the summer Installed Capacity Requirement divided by the 50/50 summer system peak load forecast as determined by the ISO

for the Forward Capacity Auction immediately preceding the Forward Capacity Auction in which the Demand Resource clears, divided by (iii) one plus the percent average avoided peak transmission and distribution losses used in the calculation of the Installed Capacity Requirement for the Forward Capacity Auction immediately preceding the Forward Capacity Auction in which the Demand Resource clears, and multiplied by (iv) one plus the quotient of Hourly Real-Time Demand Response Resource Deviation and the amount of load reduction or output that the Market Participant with the resource was instructed to produce from that resource pursuant to Dispatch Instructions.

**III.13.7.1.5.7.3.1. Determination of the Hourly Real-Time Demand Response Resource Deviation.**

An Hourly Real-Time Demand Response Resource Deviation shall be calculated for each Real-Time Demand Response Resource as the difference between the Average Hourly Load Reduction or Average Hourly Output of the Real-Time Demand Response Resource and the amount of load reduction or output that the Market Participant with the resource was instructed in the Dispatch Instruction to produce in the Real-Time Demand Response Event Hour. The calculation of the Hourly Real-Time Demand Response Resource Deviation shall be determined in a manner that reflects that Real-Time Demand Response Resources are allowed 30 minutes from the beginning of the first Real-Time Demand Response Event Hour in consecutive Real-Time Demand Response Event Hours in a Dispatch Instruction for the same Operating Day to achieve the load reduction amount indicated in the Dispatch Instruction when such resources are dispatched in response to Real-Time Demand Resource Dispatch Hours. The Total Negative Hourly Demand Resource Deviations for each hour shall be calculated as the absolute value of the sum of the negative Hourly Real-Time Demand Response Resource Deviations and negative Hourly Real-Time Emergency Generation Deviations from all Real-Time Demand Response Resources and Real-Time Emergency Generation Resources receiving Dispatch Instructions in the same hour in the same Load Zone or, starting on June 1, 2011, in the same Dispatch Zone. The Total Positive Hourly Demand Resource Deviations for each hour shall be calculated as the sum of the positive Hourly Real-Time Demand Response Resource Deviations and positive Hourly Real-Time Emergency Generation Deviations from all Real-Time Demand Response Resources and Real-Time Emergency Generation Resources receiving Dispatch Instructions in the same hour in the same Load Zone or, starting on June 1, 2011, in the same Dispatch Zone. If the Hourly Real-Time Demand Response Resource Deviation is greater than zero in any Real-Time Demand Response Event Hour, the Hourly Real-Time Demand Response Resource Deviation shall be multiplied by the lesser of: (i) one, or; (ii) the ratio of the Total Negative Hourly Demand Resource Deviations divided by the Total Positive Demand Resource

Deviations in the same Load Zone in the hour or, starting on June 1, 2011, in the same Dispatch Zone in the hour.

**III.13.7.1.5.8. Demand Reduction Values for Real-Time Emergency Generation Resources.**

Demand Reduction Values shall be determined on a monthly basis. For the months of June, July, August, December, and January, the Demand Reduction Value of a Real-Time Emergency Generation Resource shall be the simple average of its Hourly Calculated Demand Resource Performance Values in the month.

If there are no Real-Time Emergency Generation Event Hours for a Real-Time Emergency Generation Resource in the months of July, August, or January, the Demand Reduction Value for those months shall be equal to (i) the Demand Reduction Value established for the previous month if the previous months Demand Reduction Value was calculated using Real-Time Emergency Generation Event Hours or (ii) the seasonal audit if the Demand Reduction Value for the previous month was not calculated using Real-Time Emergency Generation Event Hours. If there are no Real-Time Emergency Generation Event Hours for a Real-Time Emergency Generation Resource in the months of June or December, the Demand Reduction Value of that resource for those months shall be equal to (i) the first applicable seasonal audit, if conducted in that month, or (ii) where there was no audit conducted in the month, the applicable previous seasonal Demand Reduction Value.

**III.13.7.1.5.8.1. Summer Seasonal Demand Reduction Value.**

The summer seasonal Demand Reduction Value for the months of September, October, November, April and May shall be equal to the simple average of the Demand Reduction Values in the most recent months of June, July and August if there are no Real-Time Emergency Generation Event Hours in the month. If there are Real-Time Emergency Generation Event Hours in the months of September, October, November, April or May, the Demand Reduction Value shall be equal to the Demand Reduction Value, established using the method specified in Section III.13.7.1.5.8, during all the Real-Time Emergency Generation Event Hours in the month.

**III.13.7.1.5.8.2. Winter Seasonal Demand Reduction Value.**

The winter seasonal Demand Reduction Value for the months of February and March shall be equal to the simple average of the Demand Reduction Values in the most recent months of December and January if there are no Real-Time Emergency Generation Event Hours in the month. If there are Real-Time Emergency Generation Event Hours in the months of February or March, the Demand Reduction Value

shall be equal to the Demand Reduction Value, established using the method specified in Section III.13.7.1.5.8 during all the Real-Time Emergency Generation Event Hours in the month.

**III.13.7.1.5.8.3. Determination of Hourly Calculated Demand Resource Performance Values for Real-Time Emergency Generation Resources.**

The Hourly Calculated Demand Resource Performance Value shall be computed for each Real-Time Emergency Generation Resource receiving a Dispatch Instruction for a Real-Time Emergency Generation Event Hour. The Hourly Calculated Demand Resource Performance Value shall be computed as (i) the Real-Time Emergency Generation Resource's Capacity Supply Obligation, divided by (ii) the summer Installed Capacity Requirement divided by the 50/50 summer system peak load forecast for the Forward Capacity Auction immediately preceding the Forward Capacity Auction in which the Demand Resource clears, divided by (iii) one plus the percent average avoided peak transmission and distribution losses used in the calculation of the Installed Capacity Requirement for the Forward Capacity Auction immediately preceding the Forward Capacity Auction in which the Demand Resource clears, and multiplied by (iv) one plus the quotient of Hourly Real-Time Emergency Generation Resource Deviation and the amount of load reduction or output that the Market Participant with the resource was instructed to produce from that resource pursuant to Dispatch Instructions.

**III.13.7.1.5.8.3.1. Determination of the Hourly Real-Time Emergency Generation Resource Deviation.**

An Hourly Real-Time Emergency Generation Resource Deviation shall be calculated for each Real-Time Emergency Generation Resource as the difference between the Average Hourly Output or Average Hourly Load Reduction of the Real-Time Emergency Generation Resource and the amount of output that the Market Participant with the resource was instructed in the Dispatch Instruction to produce in the Real-Time Emergency Generation Event Hour. The calculation of the Hourly Real-Time Emergency Generation Resource Deviation shall be determined in a manner that reflects that Real-Time Emergency Generation Resources are allowed 30 minutes from the beginning of the first Real-Time Emergency Generation Event Hour in consecutive Real-Time Emergency Generation Event Hours in a Dispatch Instruction for the same Operating Day to achieve the load reduction amount indicated in a Dispatch Instruction. The Total Negative Hourly Demand Resource Deviations for each hour shall be calculated as the absolute value of the sum of the negative Hourly Real-Time Demand Response Resource Deviations and negative Hourly Real-Time Emergency Generation Deviations from all Real-Time Demand Response Resources and Real-Time Emergency Generation Resources receiving Dispatch Instructions in the same hour in the same Load Zone or, starting on June 1, 2011, in the same Dispatch Zone. The Total Positive

Hourly Demand Resource Deviations for each hour shall be calculated as the sum of the positive Hourly Real-Time Demand Response Resource Deviations and positive Hourly Real-Time Emergency Generation Deviations from all Real-Time Demand Response Resources and Real-Time Emergency Generation Resources receiving Dispatch Instructions in the same hour in the same Load Zone or, starting on June 1, 2011, in the same Dispatch Zone. If the Hourly Real-Time Emergency Generation Resource Deviation is greater than zero in any Real-Time Emergency Generation Event Hour, the Hourly Real-Time Emergency Generation Resource Deviation shall be multiplied by the lesser of: (i) one, or; (ii) the ratio of the Total Negative Hourly Demand Resource Deviations divided by the Total Positive Demand Resource Deviations in the same Load Zone in the hour or, starting on June 1, 2011, in the same Dispatch Zone in the hour.

**III.13.7.1.5.9. Determination of Hourly Calculated Demand Resource Performance Values for Real-Time Demand Response Resources and Real-Time Emergency Generation Resources Starting with the Capacity Commitment Period beginning June 1, 2012.**

Starting with the Capacity Commitment Period beginning June 1, 2012, the divisor described in (ii) of Sections III.13.7.1.5.7.3 and III.13.7.1.5.8.3, which is equal to the summer Installed Capacity Requirement divided by the 50/50 summer system peak load forecast as determined by the ISO for the Forward Capacity Auction immediately preceding the Forward Capacity Auction in which the Demand Resource clears, shall be eliminated from the determination of Hourly Calculated Demand Resource Performance Values, with the exception of Demand Resources that cleared in the Forward Capacity Auctions for the Capacity Commitment Periods beginning June 1, 2010 and June 1, 2011, in which the Project Sponsor elected to have its Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which its Demand Resource offer cleared. For Demand Resources with such multi-year Capacity Supply Obligations the divisor described in (ii) of Sections III.13.7.1.5.7.3 and III.13.7.1.5.8.3 shall continue to apply until the period elected by the Project Sponsor to have its Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which its Demand Resource offer cleared has expired.

**III.13.7.1.6. Self-Supplied FCA Resources.**

Self-Supplied FCA Resources are subject to the availability penalties and credits as defined by their resource type.

### **III.13.7.2. Payments and Charges to Resources.**

Resources acquiring or shedding a Capacity Supply Obligation shall be subject to payments and charges in accordance with this Section III.13.7.2. Such resources will also be subject to adjustments as detailed in Section III.13.7.2.7.

### **III.13.7.2.1. Generating Capacity Resources.**

#### **III.13.7.2.1.1. Monthly Capacity Payments.**

Each resource that has: (i) cleared in a Forward Capacity Auction, except for the portion of resources designated as Self-Supplied FCA Resources or for resources not commercial during an Obligation Month pursuant to Section III.13.7.1.1.3(h); (ii) cleared in a reconfiguration auction; or (iii) entered into a Capacity Supply Obligation Bilateral shall be entitled to a monthly payment (subject to the adjustments in Section III.13.7.2.7) or charge during the Capacity Commitment Period as follows:

(a) **Forward Capacity Auction.** For a resource whose offer has cleared in a Forward Capacity Auction, the monthly capacity payment shall equal the product of its cleared capacity (or in the case described in Section III.13.7.1.1.3(i), the lesser of the resource's Capacity Supply Obligation or its audited amount) and the Capacity Clearing Price in the appropriate Capacity Zone in the New England Control Area as adjusted pursuant to Section III.13.2.7.3(b) and as adjusted by applicable indexing for resources with additional Capacity Commitment Period elections pursuant to Section III.13.1.1.2.2.4 in the manner described below (the "FCA Payment"). For a resource that has elected to have the Capacity Clearing Price and the Capacity Supply Obligation apply for more than one Capacity Commitment Period, payments associated with the Capacity Supply Obligation and Capacity Clearing Price (indexed using the Handy-Whitman Index of Public Utility Construction Costs in effect as of December 31 of the year preceding the Capacity Commitment Period) shall continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, for up to four additional and consecutive Capacity Commitment Periods, in whole Capacity Commitment Period increments only.

(b) **Reconfiguration Auctions.** For a resource whose offer or bid has cleared in an annual or monthly reconfiguration auction, the monthly capacity payment or charge shall be equal to the product of its cleared capacity and the appropriate reconfiguration auction clearing price in the Capacity Zone in which the resource cleared.

(c) **Capacity Supply Obligation Bilaterals.** For resources that have acquired or shed a Capacity Supply Obligation through a Capacity Supply Obligation Bilateral, the monthly capacity payment or charge shall be equal to the product of the Capacity Supply Obligation being assumed or shed and price associated with the Capacity Supply Obligation Bilateral.

#### **III.13.7.2.2. Import Capacity.**

Import Capacity Resources shall receive monthly capacity payments utilizing the same methodology as that used for Generating Capacity Resources set forth in Section III.13.7.2.1.

#### **III.13.7.2.2.A. Export Capacity.**

If there are any Export Bids or Administrative Export De-list Bids from resources located in an export-constrained Capacity Zone or in the Rest-of-Pool Capacity Zone that have cleared in the Forward Capacity Auction and if the resource is exporting capacity at an export interface that is connected to an import-constrained Capacity Zone or the Rest-of-Pool Capacity Zone that is different than the Capacity Zone in which the resource is located, then charges and credits are applied as follows (for the following calculation, the Capacity Clearing Price will be the value prior to PER adjustments).

Charge Amount to Resource Exporting = [Capacity Clearing Price<sub>location of the interface</sub> - Capacity Clearing Price<sub>location of the resource</sub>] x Cleared MWs of Export Bid or Administrative Export De-List Bid]

Credit Amount to Capacity Load Obligations in the Capacity Zone where the export interface is located = [Capacity Clearing Price<sub>location of the interface</sub> - Capacity Clearing Price<sub>location of the resource</sub>] x Cleared MWs of Export Bid or Administrative Export De-list Bid]

Credits and charges to load in the applicable Capacity Zones, as set forth above, shall be allocated in proportion to each LSE's Capacity Load Obligation as calculated in Section III.13.7.3.1.

#### **III.13.7.2.3. Intermittent Power Resources.**

An Intermittent Power Resource shall be entitled to monthly payments during the Capacity Commitment Period calculated in the same manner as that used for Generating Capacity Resources as described in Section 13.7.2.1, except that any reduction in the Capacity Supply Obligation of an Intermittent Power Resource made pursuant to Section III.13.4.2.1.2.2.2.3 shall be at the same payment rate applicable to the reduced MW, such that there is a net zero payment for the reduced MW.

#### **III.13.7.2.4. Settlement Only Resources.**

##### **III.13.7.2.4.1. Non-Intermittent Settlement Only Resources.**

Non-Intermittent Settlement Only Resources shall be entitled to monthly payments during the Capacity Commitment Period calculated in the same manner as that used for Generating Capacity Resources as described in Section III.13.7.2.1.

##### **III.13.7.2.4.2. Intermittent Settlement Only Resources.**

Intermittent Settlement Only Resources shall be entitled to monthly payments during the Capacity Commitment Period calculated in the same manner as that used for Generating Capacity Resources as described in Section III.13.7.2.1, except that any reduction in the Capacity Supply Obligation of an Intermittent Settlement Only Resource made pursuant to Section III.13.4.2.1.2.2.2.3 shall be at the same payment rate applicable to the reduced MW, such that there is a net zero payment for the reduced MW.

#### **III.13.7.2.5. Demand Resources.**

##### **III.13.7.2.5.1. Monthly Capacity Payments for All Resources Except Real-Time Emergency Generation Resources.**

For all Demand Resources except for Real-Time Emergency Generation Resources, the monthly payment shall be calculated in the same manner as for Generating Capacity Resources as described in Section III.13.7.2.1.1. Demand Resources shall be subject to Demand Resource Performance Penalties and Demand Resource Performance Incentives as described in Section III.13.7.2.7.5.

##### **III.13.7.2.5.2. Monthly Capacity Payments for Real-Time Emergency Generation Resources.**

For Real-Time Emergency Generation Resources, monthly payments shall be calculated in the same manner as for Generating Capacity Resources as described in Section III.13.7.2.1.1, except that such payments may also be adjusted as described in Section III.13.2.3.3(f). Real-Time Emergency Generation Resources shall be subject to Demand Resource Performance Penalties and Demand Resource Performance Incentives as described in Section III.13.7.2.7.5.

##### **III.13.7.2.5.3. Energy Settlement for Real-Time Demand Response Resources**



A Market Participant with Real-Time Demand Response Assets associated with a Real-Time Demand Response Resource that is dispatched or audited pursuant to Section III.13 shall be paid or charged for demand reductions, adjusted for net supply as described in Section III.E.8.3 and for the percent average avoided peak distribution losses, at the Real-Time LMP for the Load Zone in which the Real-Time Demand Response Resource is located. The demand reduction paid or charged shall be net of the Real-Time Demand Reduction Obligation of Real-Time Demand Response Assets that are part of the Real-Time Demand Response Resource that received payment pursuant to Sections III.E.9.2.1 or III.E.9.2.2 for the same dispatch or audit period. Demand reductions eligible for payments or charges pursuant to this section shall be those produced during Real-Time Demand Response Event Hours or, in the case of an audit, for the period during which the ISO has requested the resource to audit.

**III.13.7.2.5.4. Energy Settlement for Real-Time Generation Resources**

A Market Participant with Real-Time Emergency Generation Assets associated with a Real-Time Emergency Generation Resource that is dispatched or audited pursuant to Section III.13 shall be paid or charged for demand reductions, adjusted for net supply as described in Section III.E.8.3 and for the percent average avoided peak distribution losses, at the Real-Time LMP for the Load Zone in which the Real-Time Emergency Generation Resource is located. Demand reductions eligible for payments or charges pursuant to this section shall be those produced during Real-Time Emergency Generation Event Hours or, in the case of an audit, for the period during which the ISO has requested the resource to audit.

**III.13.7.2.6. Self-Supplied FCA Resources.**

Self-Supplied FCA Resources shall not receive monthly capacity payments for the portion of the resource designated as a Self-Supplied FCA Resource. Charges to load associated with Self-Supplied FCA Resources are calculated pursuant to Section III.13.7.3.

**III.13.7.2.7. Adjustments to Monthly Capacity Payments.**

Monthly capacity payments to resources with a Capacity Supply Obligation as of the beginning of the Obligation Month will be adjusted as described in Section III.13.7.2.7.1.

**III.13.7.2.7.1. Adjustments to Monthly Capacity Payments of Generating Capacity Resources.**

**III.13.7.2.7.1.1. Peak Energy Rents.**

Payments to New Generating Capacity Resources and Existing Generating Capacity Resources with Capacity Supply Obligations, except for resources not commercial as described in Section III.13.7.1.1.3(h) or Section III.13.7.1.1.3(i), shall be decreased by Peak Energy Rents (“PER”) calculated in each Capacity Zone, as determined pursuant to Section III.13.2.3.4 in the Forward Capacity Auction, as provided below. The PER calculation shall utilize hourly integrated Real-Time LMPs. For each Capacity Zone in the Forward Capacity Auction, as determined pursuant to Section III.13.2.3.4, PER shall be computed based on the load-weighted Real-Time LMPs for each Capacity Zone, using the Real-Time Hub Price for the Rest-of-Pool Capacity Zone.

**III.13.7.2.7.1.1.1. Hourly PER Calculations.**

(a) For hours with a positive difference between the hourly Real-Time energy price and a strike price, the ISO shall compute PER for each hour ("Hourly PER") equal to this positive difference in accordance with the following formula, which includes scaling adjustments for system load and availability:

$$\text{Hourly PER}(\$/\text{kW}) = [(\text{LMP} - \text{Strike Price}) * [\text{Scaling Factor}] * [\text{Availability Factor}]$$

Where:

Strike Price = the heat rate x fuel cost of the PER Proxy Unit described below.

Scaling Factor = the ratio of actual hourly integrated system load (calculated as the sum of Real-Time Load Obligations for the system as calculated in the settlement of the Real-Time Energy Market and adjusted for losses and including imports delivered in the Real-Time Energy Market) and the 50/50 predicted peak system load reduced appropriately for Demand Resources, used in the most recent calculation of the Installed Capacity Requirement for that Capacity Commitment Period, capped at an hourly ratio of 1.0.

Availability Factor = 0.95

(b) PER Proxy Unit characteristics shall be as follows:

(i) The PER Proxy Unit shall be indexed to the marginal fuel, which shall be the higher of ultra low-sulfur No. 2 oil measured at New York Harbor plus a seven percent markup for

transportation or day-ahead gas measured at the Algonquin City Gate, as determined on a daily basis;

(ii) The PER Proxy Unit shall be assumed to have no start-up, ramp rate or minimum run time constraints;

(iii) The PER Proxy Unit shall have a 22,000 Btu/kWh heat rate. This assumption shall be periodically reviewed after the first Capacity Commitment Period by the ISO to ensure that the heat rate continues to reflect a level slightly higher than the marginal generating unit in the region that would be dispatched as the system enters a scarcity condition. Any changes to the heat rate of the PER Proxy Unit shall be considered in the stakeholder process in consultation with the state utility regulatory agencies, shall be filed pursuant to Section 205 of the Federal Power Act, and shall be applied prospectively to the settlement of future Forward Capacity Auctions.

#### **III.13.7.2.7.1.1.2. Monthly PER Application.**

(a) The Hourly PER shall be summed for each calendar month to determine the total PER for that month ("Monthly PER"). The ISO shall then calculate the Average Monthly PER earned by the proxy unit. The Average Monthly PER shall be equal to the average of the Monthly PER values for the 12 months prior to the Obligation Month. The PER deduction for each resource shall be calculated as follows:

PER Adjustment = the minimum of: (i) the PER cap or (ii) the Average Monthly PER x PER Capacity Supply Obligation.

Where the PER cap for each resource equals the FCA Payment, plus the product of the net value of any other Capacity Supply Obligations assumed or shed after the Forward Capacity Auction for the same Capacity Commitment Period multiplied by the Capacity Clearing Price applicable to that resource's location from that Forward Capacity Auction. Where the calculation results in a PER cap value less than zero, the PER cap will be revised to zero.

Where the PER Capacity Supply Obligation is equal to the minimum of the Capacity Supply Obligation or the Capacity Supply Obligation less any Capacity Supply Obligation MW from any portion of a Self-Supplied FCA Resource. However, if the Capacity Supply Obligation less any Capacity Supply Obligation from any portion of a Self-Supplied FCA Resource is less than zero, it will be zero for

purposes of comparing it to the Capacity Supply Obligation in the PER Capacity Supply Obligation calculation.

- (b) PER shall be deducted from capacity payments independently of availability penalties.
- (c) FCA Payment minus PER may not be negative for any month.

#### **III.13.7.2.7.1.2. Availability Penalties.**

Availability penalties shall be assessed for each resource with a Capacity Supply Obligation as of the beginning of the Obligation Month. The penalty will be based on the Capacity Clearing Price (as adjusted pursuant to Section III.13.2.7.3(b) or as described in Section III.13.2.8) in the Capacity Zone in which the resource is located for the relevant Capacity Commitment Period, regardless of whether the resource assumed the Capacity Supply Obligation through a Forward Capacity Auction, a reconfiguration auction, or a Capacity Supply Obligation Bilateral.

For capacity resources that are partially or fully unavailable during a Shortage Event:

- (a) Penalties shall be determined and assessed on a resource-specific basis. Penalties shall be calculated for each Shortage Event during an Obligation Month and assessed on a monthly basis, subject to the availability penalty caps outlined in Section III.13.7.2.7.1.3.

- (b) The penalty per resource for each Shortage Event shall be equal to:

$$\text{Penalty} = [\text{Resource's Annualized FCA Payment}] * \text{PF} * [1 - \text{Shortage Event Availability Score}]$$

Where:

Annualized FCA Payment = the relevant Capacity Clearing Price, or in the case of Inadequate Supply or Insufficient Competition, the payment as described in Section III.13.2.8, (as adjusted pursuant to Section III.13.2.7.3(b)) multiplied by the resource's Capacity Supply Obligation as of the beginning of the Obligation Month multiplied by 12.

PF = .05 for Shortage Events of 5 hours or less. PF is increased by .01 for each additional hour above 5 hours.

#### **III.13.7.2.7.1.3. Availability Penalty Caps.**

The following caps will apply to the total availability penalties assessed to a resource. If a resource with a Capacity Supply Obligation sheds or acquires an obligation outside the relevant Obligation Month, the Annualized FCA Payment shall not be prorated. Caps are resource-specific and partial year assumption or transfer of a Capacity Supply Obligation through Capacity Supply Obligation Bilaterals or reconfiguration auctions does not affect the application of the cap to each resource independently.

- (a) **Per Day.** In no case shall the total penalties for all Shortage Events in an Operating Day exceed 10 percent of a resource's Annualized FCA Payment for that Capacity Commitment Period.
- (b) **Per Month.** The sum of a resource's penalties arising from unavailability during an Obligation Month may not exceed two and one-half times the Annualized FCA Payment, divided by twelve, for that Obligation Month. The sum of a resource's penalties arising from unavailability due to a single outage of four days or less but spanning two calendar months may not exceed two and one-half times the average of the Annualized FCA Payments, divided by twelve, for both months.
- (c) **Per Capacity Commitment Period.** In determining the availability penalties for the Obligation Month, a resource's cumulative availability penalties for a Capacity Commitment Period may not exceed its Annualized FCA Payment (less PER adjustments) for that Capacity Commitment Period.

#### **III.13.7.2.7.1.4. Availability Credits for Capacity Generating Capacity Resources, Import Capacity Resources and Self-Supplied FCA Resources.**

On a monthly basis, penalties received from unavailable resources shall be redistributed to Generating Capacity Resources and Import Capacity Resources with Capacity Supply Obligations and to designated Supplemental Capacity Resources without a Capacity Supply Obligation that have a valid Supplemental Availability Bilateral (pursuant to Section III.13.5.3.2) that were available (pursuant to Section III.13.7.1.1.3) in the respective hours on a Capacity Zone basis as follows: For each Obligation Month, the penalties assessed for the Shortage Events during the month will be credited to those resources identified above that were available, in whole or in part, during the Shortage Events, pro-rata by hourly available MW in the relevant Capacity Zones. Self-Supplied FCA Resources shall be eligible to receive their pro rata share of availability penalties paid by other capacity resources.

#### **III.13.7.2.7.2. Import Capacity.**

In addition to the adjustment in this section, Import Capacity Resources shall also be subject to the same adjustments as Generating Capacity Resources as described in Section III.13.7.2.7.1.

**III.13.7.2.7.2.1. External Transaction Offer and Delivery Performance Adjustments.**

In the event that the conditions in Section III.13.6.1.2.1 are not met in any hour of an Operating Day, the Import Capacity Resource will be subject to the following:

(a) If in any hour of an Operating Day a priced External Transaction associated with an Import Capacity Resource with a Capacity Supply Obligation is offered above both the offer threshold for the Operating Day and the offer threshold of the prior Operating Day, and for any priced External Transactions from the New York Control Area also is offered above the corresponding hourly day-ahead energy price (NYISO Location-Based Marginal Price) at the source interface, the Market Participant with the Import Capacity Resource will pay a penalty equal to the product of the Import Capacity Resource's Capacity Supply Obligation and the corresponding interface Capacity Clearing Price as adjusted in Section III.13.2.7.3(b), divided by the number of days in the month.

(b) For every hour of an Operating Day that the total amount offered from all External Transactions associated with an Import Capacity Resource is less than the Import Capacity Resource's Capacity Supply Obligation, the Market Participant with the Import Capacity Resource will pay a penalty equal to the product of the difference between the Capacity Supply Obligation and the total amount of energy offered for that hour and the corresponding interface Capacity Clearing Price as adjusted in Section III.13.2.7.3(b), divided by the number of hours in the month. For each Operating Day only the greater of the total penalties in either the Day-Ahead Energy Market or Real-Time Energy Market will be assessed. For the purposes of this section the total energy offered will be adjusted in accordance with Section III.13.7.1.1.4(b) for any amount that was unavailable due to an outage approved in the ISO's annual maintenance scheduling process. (c) Except as specified in Section III.13.7.2.7.2.2, for every hour the total energy from an External Transaction associated with an Import Capacity Resource delivered in real-time to the New England Control Area is less than the energy requested, the Market Participant with the Import Capacity Resource will pay a penalty equal to the product of the difference between the quantity requested and the quantity delivered and the corresponding interface Capacity Clearing Price as adjusted in Section III.13.2.7.3(b), divided by the number of hours in the month. Any External Transaction associated with an Import Capacity Resource that is determined to be in economic merit during the next-hour scheduling process will be considered a requested transaction and the ISO may request all or a portion of each transaction.

A Market Participant's total penalty amount for a single Operating Day for each Import Capacity Resource shall be no more than the product of the Import Capacity Resource's Capacity Supply Obligation and the corresponding interface Capacity Clearing Price as adjusted in Section III.13.2.7.3(b), divided by the number of days in the month.

Each Obligation Month the penalty amounts from all Market Participants with Import Capacity Resources will be allocated to all Market Participants based on their pro-rata share of Capacity Load Obligation within each Capacity Zone in the Obligation Month, with each Capacity Zone allocated an amount based on the pro-rata share of total capacity credits within each Capacity Zone.

#### **III.13.7.2.7.2.2. Exceptions.**

- a) No penalty will be assessed if the applicable external interface is fully loaded and the energy from an External Transaction that would otherwise be requested cannot flow. If the transfer capability of the applicable external interface is zero in the import direction it will be considered fully loaded for the purpose of this section.
- b) No penalty will be assessed if the delivered energy from a priced External Transaction associated with the New York Control Area is less than requested when the Real-Time Energy Market price at the source location (NYISO Location-Based Marginal Price) is higher than the Real-Time LMP at the associated External Node, provided that Operating Procedure No. 4 has not been declared due to a system-wide capacity deficiency.
- c) No penalty will be assessed during periods when the ISO has taken action to reduce import transactions due to a Minimum Generation Emergency condition or due to ramping constraints.
- d) No penalty will be assessed on the affected external interface during periods when minimum-flow or directional-flow constraints have occurred, when the ISO was unable to utilize the automated check-out processes for the external interface, or when in-hour curtailments have occurred.

#### **III.13.7.2.7.3. Intermittent Power Resources.**

Monthly capacity payments to Intermittent Power Resources are subject to PER adjustments but are not subject to any additional availability penalties.

#### **III.13.7.2.7.4. Settlement Only Resources.**

##### **III.13.7.2.7.4.1. Non-Intermittent Settlement Only Resources.**

Non-Intermittent Settlement Only Resources are subject to the same PER adjustments and availability penalties as Generating Capacity Resources as described in Section III.13.7.2.7.1.

##### **III.13.7.2.7.4.2. Intermittent Settlement Only Resources.**

Monthly capacity payments to Intermittent Power Resources are subject to PER adjustments but are not subject to any additional availability penalties.

#### **III.13.7.2.7.5. Demand Resources.**

##### **III.13.7.2.7.5.1. Calculation of Monthly Capacity Variances.**

For each month, the Monthly Capacity Variance of a Demand Resource shall be calculated by subtracting the Demand Resource's Capacity Supply Obligation for the month from the Demand Resource's monthly Capacity Value. If a Demand Resource's Monthly Capacity Variance is zero, the Demand Resource will not be subject to Demand Resource Performance Penalties or Demand Resource Performance Incentives.

##### **III.13.7.2.7.5.2. Negative Monthly Capacity Variances.**

With the exception of a Demand Resource that has elected to have the Capacity Supply Obligation and the Capacity Clearing Price applicable to an offer that cleared in the Forward Capacity Auction continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which that offer cleared, if a Demand Resource's Monthly Capacity Variance is a negative value, the Demand Resource shall be subject to a Demand Resource Performance Penalty equal to the absolute value of the Monthly Capacity Variance multiplied by the Capacity Clearing Price (as adjusted pursuant to Section III.13.2.7.3(b)) in the Forward Capacity Auction for the relevant Capacity Commitment Period or in the case of a Real-Time Emergency Generation Resource, multiplied by the Capacity Clearing Price in the Forward Capacity Auction for the relevant Capacity Commitment Period as described in Section III.13.2.3.3(f). If a Demand Resource that has elected to have the Capacity Supply Obligation and the Capacity Clearing Price applicable to an offer that cleared in the Forward Capacity Auction continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which that offer cleared has a Monthly Capacity Variance with a negative value, the Demand Resource Performance Penalty for such a Demand Resource shall be set according to the Capacity Clearing Price applicable to the Demand Resource (as adjusted pursuant to Section III.13.2.7.3(b)), indexed using the Handy-



Whitman Index of Public Utility Construction Costs in effect as of December 31, of the year preceding the Capacity Commitment Period applicable to the Demand Resource for the particular Capacity Commitment Period or in the case of a Real-Time Emergency Generation Resource, multiplied by the Capacity Clearing Price in the Forward Capacity Auction for the relevant Capacity Commitment Period as described in Section III.13.2.3.3(f), indexed using the Handy-Whitman Index of Public Utility Construction Costs, applicable to the Demand Resource for the particular Capacity Commitment Period.

#### **III.13.7.2.7.5.3. Positive Monthly Capacity Variances.**

With the exception of a Demand Resource that has elected to have the Capacity Supply Obligation and the Capacity Clearing Price applicable to an offer that cleared in the Forward Capacity Auction continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which that offer cleared, if a Demand Resource's Monthly Capacity Variance is a positive value, then the Demand Resource shall be eligible to receive a Demand Resource Performance Incentive based on the Monthly Capacity Variance multiplied by the Capacity Clearing Price (as adjusted pursuant to Section III.13.2.7.3(b)) in the Forward Capacity Auction for the relevant Capacity Commitment Period, or in the case of a Real-Time Emergency Generation Resource, multiplied by the Capacity Clearing Price in the Forward Capacity Auction for the relevant Capacity Commitment Period as described in Section III.13.2.3.3(f), provided that the sum of the Demand Resource Performance Penalties in the month in the Capacity Zone where the Demand Resource or Real-Time Emergency Generation Resource is located is equal to or greater than the sum of the Demand Resource Performance Incentives in the same month in that Capacity Zone. If a Demand Resource that has elected to have the Capacity Supply Obligation and the Capacity Clearing Price applicable to an offer that cleared in the Forward Capacity Auction continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which that offer cleared has a Monthly Capacity Variance with a positive value, then the Demand Resource Performance Incentive for such a Demand Resource shall be set according to the Capacity Clearing Price applicable to the Demand Resource for the particular Capacity Commitment Period (as adjusted pursuant to Section III.13.2.7.3(b)), indexed using the Handy-Whitman Index of Public Utility Construction Costs or in the case of a Real-Time Emergency Generation Resource, multiplied by the Capacity Clearing Price in the Forward Capacity Auction for the relevant Capacity Commitment Period as described in Section III.13.2.3.3(f), indexed using the Handy-Whitman Index of Public Utility Construction Costs, applicable to the Demand Resource for the particulate Capacity Commitment Period in effect as of December 31 of the year preceding the Capacity Commitment Period, provided that the sum of the Demand Resource Performance Penalties in the month in the Capacity Zone where the Demand Resource or Real-Time

Emergency Generation Resource is located is equal to or greater than the sum of the Demand Resource Performance Incentives in the same month in that Capacity Zone.

**III.13.7.2.7.5.4. Determination of Net Demand Resource Performance Penalties and Demand Resource Performance Incentives.**

Demand Resource Performance Penalties and Demand Resource Performance Incentives shall be determined for each Capacity Zone as follows: if the sum of the Demand Resource Performance Penalties in a month in a Capacity Zone is less than the sum of the Demand Resource Performance Incentives in the same month in that Capacity Zone, then the total amount of Demand Resource Performance Penalties shall be paid on a pro-rata basis, based on the non-prorated Demand Resource Performance Incentives of each Demand Resource with a positive Monthly Capacity Variance. The total amount of the Demand Resource Performance Incentives in a month in a Capacity Zone cannot exceed the total amount of the Demand Resource Performance Penalties in the same month in that Capacity Zone.

The total of the Demand Resource Performance Incentives in a month in a Capacity Zone cannot exceed the total of the Demand Resource Performance Penalties in the same month in that Capacity Zone. If the total Demand Resource Performance Penalties in a month in a Capacity Zone exceeds the total Demand Resource Performance Incentives in the same month in that Capacity Zone, the difference shall not be collected from load serving entities in that Capacity Zone (the ultimate purchaser of capacity).

**III.13.7.2.7.6. Self-Supplied FCA Resources.**

Self-Supplied FCA Resources shall not be subject to a PER adjustment on the portion of the resource that is self-supplied, but shall be subject to the availability penalties and caps applicable to their resource types.

**III.13.7.3. Charges to Market Participants with Capacity Load Obligations.**

A load serving entity with a Capacity Load Obligation as of the end of the Obligation Month shall be subject to a charge equal to the product of: (a) its Capacity Load Obligation in the Capacity Zone; and (b) the applicable Net Regional Clearing Price. The Net Regional Clearing Price is defined as the sum of the total payments as defined in Section III.13.7.2 paid to resources with Capacity Supply Obligations in the Capacity Zone (excluding any capacity payments and charges made for Capacity Supply Obligation Bilaterals), less PER adjustments for resources in the zone as defined in Section 13.7.2.7.1.1, adjusted for any Demand Resource Performance Penalties in excess of Demand Resource Performance Incentives as

described in Section III.13.7.2.7.5.4, and including any applicable export charges or credits as determined pursuant to Section III.13.7.2.2.A divided by the sum of all Capacity Supply Obligations (excluding (i) the quantity of capacity subject to Capacity Supply Obligation Bilaterals and (ii) the quantity of capacity clearing as Self-Supplied FCA Resources) assumed by resources in the zone. A load serving entity satisfying its Capacity Load Obligation by a Self-Supplied FCA Resource shall not receive a credit for any PER payment for its Capacity Load Obligation so satisfied.

#### **III.13.7.3.1. Calculation of Capacity Requirement and Capacity Load Obligation.**

The ISO shall assign each load serving entity a Capacity Requirement prior to the commencement of each Obligation Month for each Capacity Zone established in the Forward Capacity Auction pursuant to Section III.13.2.3.4. The Capacity Requirement for each month and Capacity Zone shall equal the product of: (i) the total of the system-wide Capacity Supply Obligations (excluding the quantity of capacity subject to Capacity Supply Obligation Bilaterals) plus HQICCs; and (ii) the ratio of the sum of all load serving entities' annual coincident contributions to the system-wide annual peak load in that Capacity Zone from the calendar year two years prior to the start of the Capability Year to the system-wide sum of all load serving entities' annual coincident contributions to the system-wide annual peak load from the calendar year two years prior to the start of the Capability Year. The following loads are assigned a peak contribution of zero for the purposes of assigning obligations and tracking load shifts: load associated with pumping of pumped hydro generators, if the resource was pumping; Station service load that is modeled as a discrete Load Asset and the Resource is complying with the maintenance scheduling procedures of the ISO; and transmission losses associated with delivery of energy over the Control Area tie lines.

A load serving entity's Capacity Requirement for each month and Capacity Zone shall equal the product of: (i) the Capacity Zone's Capacity Requirement as calculated above and (ii) the ratio of the sum of the load serving entity's annual coincident contributions to the system-wide annual peak load in that Capacity Zone from the calendar year prior to the start of the Capability Year to the sum of all load serving entities' annual coincident contributions to the system-wide annual peak load in that Capacity Zone from the calendar year prior to the start of the Capability Year.

A load serving entity's Capacity Load Obligation shall be its Capacity Requirement, adjusted as appropriate to account for any relevant Capacity Load Obligation Bilaterals, HQICCs, and Self-Supply FCA Resource designations. A Capacity Load Obligation can be a positive or negative value. A Market Participant that is not a load serving entity shall have a Capacity Load Obligation equal to the net

obligation resulting from Capacity Load Obligation Bilaterals, HQICC, and Self-Supply FCA Resource designations.

A Demand Resource's Demand Reduction Value will not be reconstituted into the load of the Demand Resource for the Obligation Months in the first five FCA delivery periods for the purpose of determining the Capacity Requirement for the load associated with the Demand Resource.

#### **III.13.7.3.1.1. HQICC Used in the Calculation of Capacity Requirements.**

In order to treat HQICCs as a load reduction, each holder of HQICCs shall have its Capacity Requirement in the Capacity Zone in which the HQ Phase I/II external node is located as specified in Section III.13.1.3 adjusted by its share of the total monthly HQICC amount.

#### **III.13.7.3.1.2. Charges Associated with Self-Supplied FCA Resources.**

The capacity associated with a Self-Supplied FCA Resource shall be treated as a credit toward the Capacity Load Obligation of the load serving entity so designated by such resources as described in Section III.13.1.6. The amount of Self-Supplied FCA Resources shall be determined pursuant to Section III.13.1.6.

#### **III.13.7.3.1.3. Charges Associated with Dispatchable Asset Related Demands.**

Dispatchable Asset Related Demand resources will not receive Forward Capacity Market payments, but instead each Dispatchable Asset Related Demand resource will receive an adjustment to its share of the associated Coincident Peak Contribution based on the ability of the Dispatchable Asset Related Demand resource to reduce consumption. The adjustment to a load serving entity's Coincident Peak Contribution resulting from Dispatchable Asset Related Demand resource reduction in consumption shall be based on the Nominated Consumption Limit submitted for the Dispatchable Asset Related Demand resource.

The Nominated Consumption Limit value of each Dispatchable Asset Related Demand resource is subject to adjustment as further described in the ISO New England Manuals, including adjustments based on the results of Nominated Consumption Limit audits performed in accordance with the ISO New England Manuals.

#### **III.13.7.3.2. Excess Revenues.**

Revenues collected from load serving entities in excess of revenues paid to resources shall be paid to the holders of Capacity Transfer Rights, as detailed in Section III.13.7.3.3.

### **III.13.7.3.3. Capacity Transfer Rights.**

#### **III.13.7.3.3.1. Definition and Payments to Holders of Capacity Transfer Rights.**

The ISO shall create Capacity Transfer Rights (“CTRs”) for each internal interface associated with a Capacity Zone established in the Forward Capacity Auction (as determined pursuant to Section III.13.2.3.4). Based upon results of the Forward Capacity Auction and reconfiguration auctions, the total CTR fund will be calculated as the difference between the charges to load serving entities with Capacity Load Obligations and the payments to Capacity Resources as follows: The system-wide sum of the product of each Capacity Zone’s Net Regional Clearing Price and absolute value of each Capacity Zone’s Capacity Load Obligations, as calculated in Section III.13.7.3.1, minus the sum of the monthly capacity payments to Capacity Resources within each zone, as adjusted for PER and for Demand Resource Performance Penalties net of Demand Resource Performance Incentives.

Each Capacity Zone established in the Forward Capacity Auction (as determined pursuant to Section III.13.2.3.4) will be assigned its portion of the CTR fund.

For CTRs resulting from an export constrained zone, the assignment will be calculated as the product of:

(i) the Net Regional Clearing Price for the Capacity Zone to which the applicable interface limits the transfer of capacity minus the Net Regional Clearing Price for the Capacity Zone from which the applicable interface limits the transfer of capacity; and (ii) the difference between the absolute value of the total Capacity Supply Obligations obtained in the exporting Capacity Zone, adjusted for Capacity Supply Obligations associated with Self-Supply FCA Resources, and the absolute value of the total Capacity Load Obligations in the exporting Capacity Zone.

For CTRs resulting from an import constrained zone, the assignment will be calculated as the product of:

(i) the Net Regional Clearing Price for the Capacity Zone to which the applicable interface limits the transfer of capacity minus the Net Regional Clearing Price for the absolute value of the Capacity Zone from which the applicable interface limits the transfer of capacity; and (ii) the difference between absolute value of the total Capacity Load Obligations in the importing Capacity Zone and the total Capacity Supply Obligations obtained in the importing Capacity Zone, adjusted for Capacity Supply Obligations associated with Self-Supply FCA Resources.

The value of CTRs specifically allocated pursuant to Sections III.13.7.3.3.2(c), III.13.7.3.3.4, and III.13.7.3.3.6 shall be calculated as the product of: (i) the Capacity Clearing Price (as adjusted pursuant to

Section III.13.2.7.3(b)) for the Capacity Zone to which the applicable interface limits the transfer of capacity minus the Capacity Clearing Price (as adjusted pursuant to Section III.13.2.7.3(b)) for the Capacity Zone from which the applicable interface limits the transfer of capacity; and (ii) the MW quantity of the specifically allocated CTRs across the applicable interface. The value of the specifically allocated CTRs will be deducted from the associated Capacity Zone's portion of the CTR fund. The balance of the CTR fund will then be allocated to the load serving entities as set forth in Section III.13.7.3.3.2.

#### **III.13.7.3.3.2. Allocation of Capacity Transfer Rights.**

For Capacity Zones established in the Forward Capacity Auction as determined pursuant to Section III.13.2.3.4, the CTR fund shall be allocated among load serving entities using their Capacity Load Obligation (net of HQICCs) described in Section III.13.7.3.1. Market Participants with CTRs specifically allocated under Section III.13.7.3.3.6 will have their specifically allocated CTR MWs netted from their Capacity Load Obligation used to establish their share of the CTR fund.

(a) **Connecticut Import Interface.** The allocation of the CTR fund associated with the Connecticut Import Interface shall be made to load serving entities based on their Capacity Load Obligation in the Connecticut Capacity Zone.

(b) **NEMA/Boston Import Interface.** Except as provided in Section III.13.7.3.3.6 of Market Rule 1, the allocation of the CTR fund associated with the NEMA/Boston Import Interface shall be made to load serving entities based on their Capacity Load Obligation in the NEMA/Boston Capacity Zone.

(c) **Maine Export Interface.** Casco Bay shall receive specifically allocated CTRs of 325 MW across the Maine Export Interface for as long as Casco Bay continues to pay to support the transmission upgrades. Each municipal utility entitlement holder of a resource constructed as a Pool-Planned Unit in Maine shall receive specifically allocated CTRs across the Maine Export Interface equal to the applicable seasonal claimed capability of its ownership entitlements in such unit as described in Section III.13.7.3.3.6. The balance of the CTR fund associated with the Maine Export Interface shall be allocated to load serving entities with a Capacity Load Obligation on the import-constrained side of the Maine Export Interface.

#### **III.13.7.3.3.3. Allocations of CTRs Resulting From Revised Capacity Zones.**

The portion of the CTR fund associated with revised definitions of Capacity Zones shall be fully allocated to load serving entities after deducting the value of applicable CTRs that have been specifically allocated. Allocations of the CTR fund among load serving entities will be made using their Capacity Load Obligations (net of HQICCs) as described in Section III.13.7.3.3.1. Market Participants with CTRs specifically allocated under Section III.13.7.3.3.6 will have their specifically allocated CTR MWs netted from the Capacity Load Obligation used to establish their share of the CTR fund.

(a) **Import Constraints.** The allocation of the CTR fund associated with newly defined import-constrained Capacity Zones restricting the transfer of capacity into a single adjacent import-constrained Capacity Zone shall be allocated to load serving entities with Capacity Load Obligations in that import-constrained Capacity Zone.

(b) **Export Constraints.** The allocation of the CTR fund associated with newly defined export-constrained Capacity Zones shall be allocated to load serving entities with Capacity Load Obligations on the import-constrained side of the interface.

#### **III.13.7.3.3.4. Specifically Allocated CTRs Associated with Transmission Upgrades.**

(a) A Market Participant that pays for transmission upgrades not funded through the Pool PTF Rate and which increase transfer capability across existing or potential Capacity Zone interfaces may request a specifically allocated CTR in an amount equal to the number of CTRs supported by that increase in transfer capability.

(b) The allocation of additional CTRs created through generator interconnections completed after February 1, 2009 shall be made in accordance with the provisions of the ISO generator interconnection or planning standards. In the event the ISO interconnection or planning standards do not address this issue, the CTRs created shall be allocated in the same manner as described in Section III.13.7.3.3.2.

(c) Specifically allocated CTRs shall expire when the Market Participant ceases to pay to support the transmission upgrades.

(d) CTRs resulting from transmission upgrades funded through the Pool PTF Rate shall not be specifically allocated but shall be allocated in the same manner as described in Section III.13.7.3.3.2.

#### **III.13.7.3.3.5. [Reserved.]**

**III.13.7.3.3.6. Specifically Allocated CTRs for Pool Planned Units.**

In import-constrained Capacity Zones, in recognition of longstanding life of unit contracts, the municipal utility entitlement holder of a resource constructed as Pool-Planned Units shall receive an initial allocation of CTRs equal to the applicable seasonal claimed capability of the ownership entitlements in such unit. Municipal utility entitlements are set as shown in the table below and are not transferrable.



Millstone 3		Seabrook	Stonybrook GT 1A	Stonybrook GT 1B	Stonybrook GT 1C	Stonybrook 2A	Stonybrook 2B	Wyman 4	Summer (MW)	Winter (MW)
Nominal Summer (MW)	1155.001	1244.275	104.000	100.000	104.000	67.400	65.300	586.725		
Nominal Winter (MW)	1155.481	1244.275	119.000	116.000	119.000	87.400	85.300	608.575		
Danvers	0.2627%	1.1124%	8.4569%	8.4569%	8.4569%	11.5551%	11.5551%	0.0000%	58.26	63.73
Georgetown	0.0208%	0.0956%	0.7356%	0.7356%	0.7356%	1.0144%	1.0144%	0.0000%	5.04	5.55
Ipswich	0.0608%	0.1066%	0.2934%	0.2934%	0.2934%	0.0000%	0.0000%	0.0000%	2.93	2.37
Marblehead	0.1544%	0.1351%	2.6840%	2.6840%	2.6840%	1.5980%	1.5980%	0.2793%	15.49	15.64
Middleton	0.0440%	0.3282%	0.8776%	0.8776%	0.8776%	1.8916%	1.8916%	0.1012%	10.40	11.07
Peabody	0.2969%	1.1300%	13.0520%	13.0520%	13.0520%	0.0000%	0.0000%	0.0000%	57.69	60.26
Reading	0.4041%	0.6351%	14.4530%	14.4530%	14.4530%	19.5163%	19.5163%	0.0000%	82.98	92.77
Wakefield	0.2055%	0.3870%	3.9929%	3.9929%	3.9929%	6.3791%	6.3791%	0.4398%	30.53	32.64

This allocation of CTRs shall expire on December 31, 2040. If a resource listed in the table above retires prior to December 31, 2040, however, its allocation of CTRs shall expire upon retirement. In the event that the NEMA zone either becomes or is forecast to become a separate zone for Forward Capacity Auction purposes, National Grid agrees to discuss with Massachusetts Municipal Wholesale Electric Company ("MMWEC") and Wellesley Municipal Light Plant, Reading Municipal Light Plant and Concord Municipal Light Plant ("WRC") any proposal by National Grid to develop cost effective transmission improvements that would mitigate or alleviate the import constraints and to work cooperatively and in good faith with MMWEC and WRC regarding any such proposal. MMWEC and WRC agree to support any proposals advanced by National Grid in the regional system planning process to construct any such transmission improvements, provided that MMWEC and WRC determine that the proposed improvements are cost effective (without regard to CTRs) and will mitigate or alleviate the import constraints.

#### **III.13.7.3.4. Forward Capacity Market Net Charge Amount.**

The Forward Capacity Market net charge amount for each Market Participant as of the end of the Obligation Month shall be equal to the sum of: (a) its Capacity Load Obligation charge; (b) its revenues from any applicable specifically allocated CTRs; (c) its share of the CTR fund; and (d) any applicable export charges.

### **III.13.8. Reporting and Price Finality**

#### **III.13.8.1. Filing of Certain Determinations Made By the ISO Prior to the Forward Capacity Auction and Challenges Thereto**

(a) For each Forward Capacity Auction, no later than 90 days prior to the first day of the auction, the ISO shall make an informational filing with the Commission detailing the following determinations made by the ISO with respect to that Forward Capacity Auction, and providing supporting documentation for each such determination, provided, however, that the determinations in subsections (vi), (vii), and (viii) below shall be filed confidentially with the Commission in the informational filing, except determinations on which new resources have been rejected due to overlapping interconnection impacts (the determinations in subsections (vi), (vii), and (viii) shall be published by the ISO no later than 15 days after the Forward Capacity Auction):

- (i) which Capacity Zones shall be modeled in the Forward Capacity Auction;
- (ii) the transmission interface limits as determined pursuant to Section III.12.5;
- (iii) which existing and proposed transmission lines the ISO determines will be in service by the start of the Capacity Commitment Period associated with the Forward Capacity Auction;
- (iv) the expected amount of installed capacity in each modeled Capacity Zone during the Capacity Commitment Period associated with the Forward Capacity Auction, and the Local Sourcing Requirement for each modeled import-constrained Capacity Zone and the Maximum Capacity Limit for each modeled export-constrained Capacity Zone;
- (v) the multipliers applied in determining the Capacity Value of a Demand Resource, as described in Section III.13.7.1.5.1;
- (vi) which new resources are accepted and rejected in the qualification process to participate in the Forward Capacity Auction;
- (vii) the Internal Market Monitor's determinations regarding each offer below 0.75 times CONE, including information regarding each of the elements considered in the Internal Market Monitor's determination of expected net revenues (other than revenues from ISO-administered

markets) and whether that element was included or excluded in the determination of whether the offer is consistent with the resource's long run average costs net of expected net revenues other than capacity revenues;

(viii) the Internal Market Monitor's determinations regarding offers or bids submitted during the qualification process made according to the provisions of this Section III.13, including an explanation of the reasons for rejecting any de-list bids based on the Internal Market Monitor review and the resource's net risk-adjusted going forward costs and opportunity costs as determined by the Internal Market Monitor. The filing shall identify to the extent possible the components of the bid which were accepted as justified, and shall also identify to the extent possible the components of the bid which were not justified and which resulted in rejection of the bid;

(ix) which existing resources are qualified to participate in the Forward Capacity Auction (this information will include resource type, capacity zone, and qualified MW); and

(x) aggregate MW from new resources qualified to participate in the Forward Capacity Auction and aggregate de-list bid amounts.

(b) Any comments or challenges to the determinations contained in the informational filing described in Section III.13.8.1(a) or in the qualification determination notifications described in Sections III.13.1.1.2.8, III.13.1.2.4, and III.13.1.3.5.7, and any election made pursuant to Section III.13.1.2.3.2.1.1, must be filed with the Commission no later than 15 days after the ISO's submission of the informational filing. No later than 15 days after the ISO's submission of the informational filing described in Section III.13.8.1(a), the Lead Market Participant must also notify the ISO of any election made pursuant to Section III.13.1.2.3.2.1.1. If the Commission does not issue an order within 75 days after the ISO's submission of the informational filing that directs otherwise, the determinations contained in the informational filing and elections made pursuant to Section III.13.1.2.3.2.1.1 shall be used in conducting the Forward Capacity Auction, and challenges to Capacity Clearing Prices resulting from the Forward Capacity Auction shall be reviewed in accordance with the provisions of Section III.13.8.2(c). If within 75 days after the ISO's submission of the informational filing, the Commission does issue an order modifying one or more of the ISO's determinations, then the Forward Capacity Auction shall be conducted no earlier than 15 days following that order using the determinations as modified by the Commission (unless the Commission directs otherwise), and challenges to Capacity Clearing Prices

resulting from the Forward Capacity Auction shall be reviewed in accordance with the provisions of Section III.13.8.2(c).

**III.13.8.2. Filing of Forward Capacity Auction Results and Challenges Thereto.**

(a) As soon as practicable after the Forward Capacity Auction is complete, the ISO shall file the results of that Forward Capacity Auction with the Commission pursuant to Section 205 of the Federal Power Act, including the final set of Capacity Zones resulting from the auction, the Capacity Clearing Price in each of those Capacity Zones (and the Capacity Clearing Price associated with certain imports pursuant to Section III.13.2.3.3(d), if applicable), and a list of which resources received Capacity Supply Obligations in each Capacity Zone and the amount of those Capacity Supply Obligations. Upon completion of the fourth and future auctions, such list of resources that receive Capacity Supply Obligation shall also specify which resources cleared as Conditional Qualified New Generating Capacity Resources. Upon completion of the fourth and future auctions, the filing shall also list each Long Lead Time Generating Facility, as defined in Schedule 22 of Section II of the Transmission, Markets and Services Tariff, that secured a Queue Position to participate as a New Generating Capacity Resource in the Forward Capacity Auction and each resource with lower queue priority that was selected in the Forward Capacity Auction subject to a Long Lead Time Generating Facility with the higher queue priority. The filing shall also enumerate bids rejected for reliability reasons pursuant to Section III.13.2.5.2.5, and the reasons for those rejections.

(b) The filing of Forward Capacity Auction results made pursuant to this Section III.13.8.2 shall also include documentation regarding the competitiveness of the Forward Capacity Auction, which may include a certification from the auctioneer and the ISO that: (i) all entities offering and bidding in the Forward Capacity Auction were properly qualified in accordance with the provisions of Section III.13.1; and (ii) the Forward Capacity Auction was conducted in accordance with the provisions of Section III.13.

(c) Any objection to the Forward Capacity Auction results must be filed with the Commission within 45 days after the ISO's filing of the Forward Capacity Auction results. The filing of a timely objection with the Commission will be the exclusive means of challenging the Forward Capacity Auction results.

(d) Any change to the Transmission, Markets and Services Tariff affecting the Forward Capacity Market or the Forward Capacity Auction that is filed after the results of a Forward Capacity Auction have been accepted or approved by the Commission shall not affect those Forward Capacity Auction results.

<b>III.13.8.3.</b>	<b>[Reserved.]</b>
<b>III.13.8.4.</b>	<b>[Reserved.]</b>

### **III.14 Intra-hour Transaction Scheduling Pilot Program**

#### **III.14.1 Intra-hour Transaction Scheduling.**

In order to optimize the use of transmission ties between New York and New England, the ISO and New York ISO (“NYISO”) are investigating alternatives to facilitate the exchange of energy between the New York Control Area and the New England Control Area. The alternatives being considered are revisions to processes and procedures that would facilitate transactions between participants and/or facilitate transactions between the ISOs based upon price differentials. The goal of this effort is to improve efficiency between both markets.

#### **III.14.2 Pilot Program.**

The ISO and NYISO have developed an initial pilot program (the “Pilot”) to study the operational impacts of the implementation of intra-hour exchanges of energy based upon price differentials.

#### **III.14.3 Pilot Objectives.**

The objectives of the Pilot are as follows:

- To identify operations issues associated with intra-hour short term exchanges of energy between Control Areas;
- To evaluate tools and data needed to support intra-hour short-term exchanges of energy;
- To observe the effects of intra-hour exchanges of energy on proxy bus prices;
- To limit undesirable effects on normal system and market operations; and
- To gather other information that may be useful in the development of a permanent mechanism or an alternative program.

#### **III.14.4 Notice.**

The ISO shall notify Participants fourteen (14) days in advance of the commencement of the Pilot via a “Special Notice” posted on the ISO’s website.

#### **III.14.5 Implementation.**

The Pilot shall be implemented by the ISO in accordance with the Intra-hour Transaction Scheduling Pilot Program Description posted on the ISO’s website.

#### **III.14.6 Settlement of Pilot Transactions.**

The aggregate net hourly charges or credits attributable to the purchase or sale of energy pursuant to this Section III.12 shall be segregated as an ISO market development expense and amortized broadly by the ISO over a three year period

**III.14.7                      Effectiveness.**

This Section III.14 will be effective from the Operations Date through April 30, 2005.