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for reference only.



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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. In the qualification process, the ISO shall determine a summer Qualified Capacity for each resource that shall represent the maximum amount of capacity that can be offered from that resource in the Forward Capacity Auction for the associated Capacity

Commitment Period. An offer may be composed of separate resources, pursuant to the provisions of Section III.13.1.5. In the qualification process, the ISO shall also determine a winter Qualified Capacity for each resource that is used to determine the amount of capacity that can be obligated from that resource during the winter portion (October through May) of the Capacity Commitment Period through reconfiguration auctions, as discussed in Section III.13.4, or through bilateral contracts, as discussed in Section III.13.5. 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.13.1.1.1.2. 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.13.1.1.1.2. 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.13.1.1.1.2. A resource accepted for participation in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to this Section III.13.1.1.1.2 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 equal to or 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 III.13.1.1.1.3 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.13.1.1.1.3 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 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 re-established 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

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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 first Forward Capacity Auction. Except as described in Section III.13.1.1.1.6(b) below, no resource that is retired pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions), as applicable, prior to 45 days before the Forward Capacity Auction shall be included in that Forward Capacity Auction. Except as described in Section III.13.1.1.1.6(b) below, no resource that is deactivated pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions), as applicable, at the Existing Capacity Qualification Deadline shall be included in that Forward Capacity Auction. Resources that are deactivated after the Existing Capacity Qualification Deadline or retired within 45 days of the Forward Capacity Auction 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.13.1.1.2 as a New Generating Capacity Resource. Such reactivation plans must be received by the ISO no later than 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. 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 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. 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 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, including whether an Interconnection Request has been submitted for the project; 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.

- (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 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.

- (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.13.1.1.2.2.2. 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) **Interconnection Request.** In the New Capacity Qualification Package, the Project Sponsor must

provide the date on which an Interconnection Request shall be made for the project. This date must be no later than approximately one month after notification is received that an offer from the New Generating Capacity Resource has cleared in the Forward Capacity Auction. Submittal of the Interconnection Request may take place prior to the qualification process described here, but the Interconnection Request must still be active and consistent with the project described in the New Capacity Show of Interest Form and the New Capacity Qualification Package.

- (d) **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(d) and that accounts for more than five percent of the total project cost.

- (e) **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.
- (f) **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.

- (g) **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 Electric 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.
  
- (h) **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.

- (i) **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 Monitoring Unit 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 (as revised in the composite offer form, if applicable, as described below and in Section III.13.1.5) 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 (as revised in the composite offer form, if applicable, as described below and in Section III.13.1.5) will be removed from the Forward Capacity Auction. For the first Forward Capacity Auction only, where the New Generating Capacity Resource is the resource providing capacity for the summer period as part of an offer composed of separate resources, and where a composite offer form is submitted after the New Capacity Qualification Deadline, offers below 0.75 times CONE and supporting

documentation from that resource must be submitted with the composite offer form. Such offers and documentation will supersede information regarding offers below 0.75 times CONE and supporting documentation submitted with the New Capacity Qualification Package, as described in Section III.13.1.5. A New Generating Capacity Resource that is not part of an offer composed of separate resources 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.

**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.

**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 be de-listed to accommodate necessary work on the facility, if necessary. The Project

Sponsor must also include such de-listing 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 whose total output would exceed the amount of its previously executed Interconnection Agreement, unexecuted Interconnection Agreement filed with the Commission, or application pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provision, if any), the ISO shall perform an initial interconnection analysis 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. The initial interconnection analysis shall be performed consistent with the provisions of Section III.12, and will

include, but is not limited to, a power flow analysis and a short circuit analysis. No initial interconnection analysis is required for a New Generating Capacity Resource whose total output would not exceed the amount in a previously executed Interconnection Agreement, unexecuted Interconnection Agreement filed with the Commission, or application pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provision, if any).

- (b) If as a result of such 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 summer Qualified Capacity 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 as appropriate, shall include a preliminary, non-binding list of the

facilities that may be required to complete the interconnection and time required to construct those facilities.

- (e) Where, as a result of the initial interconnection analysis, the ISO concludes, after consultation with the Project Sponsor and Transmission Owner, 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 proposed resources), 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. If two or more New Generating Capacity Resources are not in the Queue, priority shall be given to the New Generating Capacity Resource with the earlier submission date of its New Capacity Show of Interest Form. The ISO will work with its stakeholders to investigate alternative approaches to integrating the generation interconnection queue and the Forward Capacity Market so as to improve the efficiency of the Forward Capacity Market. The ISO will make a compliance filing on September 1, 2007 which will include a progress report on this issue and a description of its priorities on the future work needed to implement the Forward Capacity Market.

- (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, 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, Intermittent Settlement Only Resources and Repowered**

**Resources.** The summer Qualified Capacity and winter Qualified Capacity of a New Generating Capacity Resource that is not an Intermittent Power Resource, Intermittent Settlement Only Resource or a repowered 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).

**III.13.1.1.2.5.2. Repowered Resources that Qualify as New Generating Capacity Resources.**

In all Forward Capacity Auctions subsequent to the first Forward Capacity Auction in which a resource clears as a New Generating Capacity Resource pursuant to Section III.13.1.1.2 (resources previously counted as capacity resources), its summer Qualified Capacity and winter Qualified Capacity shall be equal to its Capacity Supply Obligation in the most recent Forward Capacity Auction in which it cleared until such time as it is treated as an Existing Generating Capacity Resource and

the normal rating process applicable to the resource type is applied.

**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).

**III.13.1.1.2.5.4. New Generating Capacity Resources Accepted 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 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 Qualified Capacity as a New Generating Capacity Resource in the instant Forward Capacity Auction shall be the summer 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 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 Monitoring Unit of Offers from New Generating Capacity Resources Below 0.75 Times CONE.** The Internal Market Monitoring Unit shall review each offer from New Generating Capacity Resources below 0.75 times CONE. The Internal Market Monitoring

Unit 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. In estimating expected net revenue from other markets, the Internal Market Monitoring Unit 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 Monitoring Unit 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 (as revised in the composite offer form, if applicable, as described in Sections III.13.1.1.2.2.3(a) and III.13.1.5) to allow the Internal Market Monitoring Unit 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 120 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 preliminary, non-binding list of the facilities that may be required to complete the interconnection for purposes of providing capacity and time required to construct those facilities, 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;

- (f) if accepted for participation in the Forward Capacity Auction and submitting an offer below 0.75 times CONE, the Internal Market Monitoring Unit's determination regarding whether the offer is consistent with the long run average costs of that New Generating Capacity Resource (absent contractual considerations); and
- (g) if accepted for participation in the Forward Capacity Auction, the New Generating Capacity Resource's financial assurance requirements, as determined pursuant to Section III.13.1.9.

**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, as defined in Section III.13.1.2.2.2.1(c). 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, as defined in Section III.13.1.2.2.2.1(c).

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.

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**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, as defined in Section III.13.1.2.2.2.2(c). 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, as defined in Section III.13.1.2.2.2.2(c). 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

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median numbers determined in  
Section III.13.1.2.2.2(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.13.1.2.2.4.1(b) or Section III.13.1.2.2.4.1(c) and fails to meet the associated requirements, then the treatment described in Section III.13.1.2.2.4.1(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 III.13.1.2.2.1.1 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 III.13.1.2.2.1.1 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 Significant Increases in Capacity Prior to the Existing Capacity Qualification Deadline.** 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 a price of 2.0 times CONE. If the Lead Market Participant makes no election, the ISO shall submit a Static De-List Bid on behalf of the resource for the difference between the resource's summer Qualified Capacity and the winter Qualified Capacity at a price of 2.0 times CONE. The Internal Market Monitoring Unit shall review each bid made pursuant to this Section III.13.1.2.2.5.2, and if the Internal Market Monitoring Unit 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 20 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 10 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. 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

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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 and accepted by the ISO are binding and 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. 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.13.1.2.2.4.1(b) associated with a significant decrease in capacity must be identified in the Existing Capacity Qualification Package. Static De-List Bids, Export Bids, Permanent De-List Bids, and Administrative Export 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, Export Bid, and Administrative Export De-List 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.

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**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 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 Monitoring Unit 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 Monitoring Unit 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 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 Monitoring Unit 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 2 times CONE. 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 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 Monitoring Unit 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 Monitoring Unit 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.13.1.2.3.2. Review by Internal Market Monitoring Unit 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 Monitoring Unit 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 Monitoring Unit 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**

**Monitoring Unit Review of De-List**

**Bids.** The Internal Market Monitoring Unit 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 Monitoring Unit 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 Monitoring Unit 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)(vii) shall include an explanation of the reasons that the de-list bid was rejected based on the Internal Market Monitoring Unit review and the resource's net risk-

adjusted going forward costs and opportunity costs as determined by the Internal Market Monitoring Unit. 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)(vii). 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 Monitoring Unit'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 Monitoring Unit 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 above 0.8 times CONE, 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 Monitoring Unit shall also consider

adjustments submitted,  
provided the costs are based  
on known and measurable  
conditions and supported by  
appropriate documentation to  
reflect those costs.

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

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

$$RF = [(RPC \times EFORD) + (P \times (2 \times CONE - FCAFP) \times 12, \text{months})] \times CQ_{\text{SummerkW}}$$

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.13.6.1.1.4 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 \$/kW-mo. 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

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

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 above 0.8 times CONE, 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. 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 Monitoring Unit 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 Monitoring Unit 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 Monitoring Unit 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 2.0 times CONE, 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.13.1.2.4. Qualification Determination Notification for Existing Capacity.** No later than 120 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 Monitoring Unit'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 Monitoring Unit. 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	Maine
HQ Phase I/II External Node	Rest-of-Pool
Highgate External Node	Rest-of-Pool
NY-NE AC External Node	Rest-of-Pool
Cross Sound Cable External Node	CT

**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 shall participate in the Forward Capacity Auction as an Existing Import Capacity Resource, except that 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. 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,

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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.

**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	2020
VJO: Phase I/II – NE	Up to 110	

**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, 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. For each New Import Capacity Resource, the Market Participant must specify the interface over which the capacity will be imported.

[Reserved for future use.]

[Reserved for future use.]

[Reserved for future use.]

[Reserved for future use.]

**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 to de-list the External Resources prior to the Capacity Commitment Period and demonstrate that the External Resources will be de-listed in the external Control Area throughout the Capacity Commitment Period.

**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 Monitoring Unit of Offers from New Import Capacity Resources and Existing Import Capacity**

**Resources.** The provisions regarding review by the Internal Market Monitoring Unit (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 Monitoring Unit as follows:

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

**Generally.** The Internal Market Monitoring Unit 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 Monitoring Unit 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 Monitoring Unit 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 (as revised in the composite offer form, if applicable, as described in Sections III.13.1.1.2.2.3(a) and III.13.1.5) to allow the Internal Market Monitoring Unit 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 Monitoring Unit pursuant to Section III.13.1.7. If an offer from a New Import Capacity Resource that the Internal Market Monitoring Unit 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.

**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

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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. 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 shall no longer be eligible to participate in the Forward Capacity Market if such resource is retired prior to 45 days before the Forward Capacity Auction or 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, 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. 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 and annual reconfiguration auctions, a New Demand Resource shall have a Qualified Capacity equal to the simple average of its estimated Capacity Value in the months of June, July and August. For seasonal and monthly reconfiguration auctions applicable to the months of April, May, June, July, August, September, October, and November, a New Demand Resource shall have a Qualified Capacity equal to the simple average of its estimated Capacity Value for the months of June, July and August. For seasonal and monthly reconfiguration auctions applicable to the months of December, January, February, and March, a New Demand

Resource shall have a Qualified Capacity equal to the simple average of its estimated Capacity Value for the months of December and January. 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.13.1.4.1.3. Special Provisions for Real-Time**

**Emergency Generation Resources.** All Real-Time Emergency Generation Resources shall be treated in the same manner as Existing Generating Capacity Resources described in Section III.13.1.2 in the Forward Capacity Auction. 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 Capacity Supply Obligation Bilaterals with other Real-Time Emergency Generation 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; 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, Critical 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.

**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); 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 that the Project Sponsor intends to offer into the Forward Capacity Auction; Estimated total 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 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

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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 Demand Reduction Value, 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 this Market Rule.

**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 Demand Resource may not change its Demand Resource type as long as that Capacity Supply Obligation

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and Capacity Clearing Price continue to apply.

**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; (iv) a change in the total Demand Reduction Value of the project 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 (as revised in the composite offer form, if applicable, as described below and in Section III.13.1.5) 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. For the first Forward Capacity Auction only, where the New Demand Resource is the resource providing capacity for the summer period as part of an offer composed of separate resources, and where a composite offer form is submitted after the New Capacity Qualification Deadline, offers below 0.75 times CONE and supporting documentation from that resource must be submitted with the composite offer form. Such offers and documentation will supersede information regarding offers below 0.75 times CONE and supporting documentation submitted with the New Demand Resource Qualification Package, as described in Section III.13.1.5. A New Demand Resource

that is not part of an offer composed of separate resources may not change offers below 0.75 times CONE or supporting documentation after the New Capacity Qualification Deadline.

- (b) The Internal Market Monitoring Unit shall review each offer from New Demand Resources below 0.75 times CONE. The Internal Market Monitoring Unit 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. In estimating expected net revenues other than capacity revenues, the Internal Market Monitoring Unit 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 Monitoring Unit 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 (as revised in the composite offer form, if applicable, as described in Sections III.13.1.4.2.4(a) and III.13.1.5) to allow the Internal Market Monitoring Unit 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 20 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. 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 10 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

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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 10 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 10 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 120 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 Qualified Capacity and will detail the resource's financial assurance requirements in accordance with Section III.13.1.9. 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 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 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 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 Manual on Measurement and Verification. 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 this Market Rule 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 this Market Rule 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

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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 this Market Rule and the ISO New England Manuals to monitor and verify the Demand Reduction Value of the Demand Resource project.

**III.13.1.4.3.1.3.1. Incomplete  
Performance Data to Determine**

**Demand Reduction Values.** Should a new Demand Resource enter service at a time such that there is an incomplete set of performance data upon which to establish its Demand Reduction Value, then the missing data shall be supplemented with engineering estimates or audit results. The use of engineering estimates and the procedures for scheduling and conducting an audit must be submitted as part of the Demand Resource Measurement and Verification Plan or Updated Measurement and Verification Plan.

**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.13.1.5. Offers Composed of Separate Resources.** Separate resources seeking to participate together in a Forward Capacity Auction shall submit a composite offer form by the New Capacity Qualification Deadline, except that for the first Forward Capacity Auction only, the deadline for submission of the composite offer form shall be July 2, 2007. 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. If the type of resource providing capacity in the summer period is eligible to make a Capacity Commitment Period election, then such election may be made for the offer composed of separate resources, and such election shall apply to all of the resources (or the portions thereof, as appropriate) comprising the offer composed of separate resources.
- (c) The summer Qualified Capacity of an offer composed of separate resources shall be the summer Qualified Capacity

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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) For the first Forward Capacity Auction only, in the case of an offer composed of separate resources having a New Generating Capacity Resource, New Import Capacity Resource, or New Demand Resource as the resource providing capacity in the summer period, a composite offer form submitted after the New Capacity Qualification Deadline must include all offers below 0.75 times CONE for the resource and complete supporting documentation for those offers, as described in Sections III.13.1.1.2.6, III.13.1.3.5.6.2,

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and III.13.1.4.2.4(b), as appropriate. Such offers must be in the same form as offers below 0.75 times CONE submitted in the New Capacity Qualification Package, as described in Sections III.13.1.1.2.2.3(a), or the New Demand Resource Qualification Package, as described in Section III.13.1.4.2.4(a), as appropriate. Such offers below 0.75 times CONE and supporting documentation may be new or different from the offers below 0.75 times CONE and supporting documentation that were provided by the Project Sponsor for that resource in its New Capacity Qualification Package or New Demand Resource Qualification Package. Where a composite offer form is submitted after the New Capacity Qualification Deadline, information regarding offers below 0.75 times CONE and supporting documentation that was submitted with the New Capacity Qualification Package or New Demand Resource Qualification Package will not be considered, and only information regarding offers below 0.75 times CONE and supporting documentation submitted with the composite offer form will be considered. (Even if the offers and documentation are unchanged between the New Capacity Qualification Package or New Demand Resource Qualification Package and the submission of the composite offer form, they must nonetheless be resubmitted with the composite offer form). Offers below 0.75 times CONE that are submitted in the composite offer form are subject to review by the Internal Market Monitoring Unit pursuant to Section III.13.1.1.2.6, Section III.13.1.3.5.6.2, or Section III.13.1.4.2.4(b), as appropriate, and must also include the additional documentation described in those Sections.

**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

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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. 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 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

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percentage share of the Installed Capacity Requirement multiplied by the projected Installed Capacity Requirement for the commitment year.

**III.13.1.6.2. Locational Requirement for Self-Supplied FCA**

**Resources.** In order to participate in the Forward Capacity Auction as a Self-Supplied FCA Resource for purposes of fulfilling a Local Sourcing Requirement applicable to 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.

**III.13.1.7. Internal Market Monitoring Unit Review of Offers and**

**Bids.** In addition to the other provisions of this Section III.13.1, the Internal Market Monitoring Unit shall have the authority to review in the qualification process each resource's summer Seasonal Claimed Capability if it is significantly lower than historical values, and if the Internal Market Monitoring Unit 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 Monitoring Unit 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. In its review of any offer or bid pursuant to this Section III.13.1.7, the Internal Market Monitoring Unit 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 three Business Days after the Existing Capacity Qualification Deadline.
- (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 three Business Days after the Existing Capacity Qualification Deadline. Authorized Persons of Authorized Commissions, as defined in Section 3.3 of the ISO New England Information Policy, 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.
- (c) Name of submitter, quantity, and interface about Export Bids and Administrative Export Bids shall be published no later than three Business Days after the Existing Capacity Qualification Deadline.
- (d) Name of submitter, quantity, and interface about offers from New Import Capacity Resources shall be published no later than three Business Days after the New Capacity Qualification Deadline.

- (e) If a Static De-List Bid or Permanent De-List Bid above 0.8 times CONE is approved by the Internal Market Monitoring Unit, resource name, quantity, price, and Load Zone (or interface, as applicable) in which the resource is located about that offer shall be published at the time of the qualification determination notification for Existing Capacity.

**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 Policies for Market Participants and Financial Assurance Policy for FTR-Only Customers and DRP-Only Customers (“Financial Assurance Policies”). 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 and New Demand Resources shall be required to meet the financial assurance requirements as described in the Financial Assurance Policies. Timely payment of the financial assurance deposit specified in the Financial Assurance Policies 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 summer 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 Financial Assurance Policies, 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 Financial Assurance Policies. 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 Financial Assurance Policies.

**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 Financial Assurance Policies.

**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 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 Financial Assurance Policies and it shall have the same financial assurance requirements as an Existing Generating Capacity Resource, as governed by the Financial Assurance Policies. 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 reconfiguration auctions.

**III.13.1.9.2.2.1. Release of Financial Assurance for New Demand Resources On-line Prior to the Relevant Capacity Commitment Period.**

The release of financial assurance for New Demand Resources that come on-line prior to the relevant Capacity Commitment Period shall be subject to the following provisions: (i) five weeks prior to the first and second annual Forward Capacity Auctions after the Forward Capacity Auctions in which the Demand Resource Project Sponsor's capacity award was made, the Demand Resource Project Sponsor shall submit to the ISO documentation to demonstrate the Percent of Total Demand Reduction Value Complete; (ii) the ISO shall review the Demand Resource Project Sponsor's claim of the Percent of Total Demand Reduction Value Complete; and (iii) financial assurance for the appropriate amount of total Demand Reduction Value complete as approved by the ISO shall be released pursuant to the Financial Assurance Policies.

**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 Financial Assurance Policies.

**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”). For each Forward Capacity Auction after the first Forward Capacity Auction, the Qualification Process Cost Reimbursement Deposit must be received by the ISO no later than ten Business Days after the date the ISO issues an invoice for the Qualification Process Cost Reimbursement Deposit. 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 for that resource do not exceed 90 percent of the amount of the previously-submitted Qualification Process Cost Reimbursement Deposit(s). Annually, the ISO shall provide the Project Sponsor with an itemized 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 for each resource. Coincident with the issuance of the annual statement, for those projects that have incurred costs that are equal to or greater than 90 percent of the Qualification Process Cost Reimbursement Deposit(s) previously submitted for that project, the ISO will issue an invoice in the amount of the initial Qualification Process Cost Reimbursement Deposit paid by the Project Sponsor, or in the amount of the costs associated with the

qualification process and critical path schedule monitoring that have been incurred by the ISO and its consultants to date, whichever is greater. Payment on the invoice must be received by the ISO no later than 10 Business Days after the issuance date of the invoice. If the Project Sponsor fails to pay the amount due by the stated due date, the ISO will consider the project 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 for a project that has an active Interconnection Request and an executed Feasibility Study Agreement or System Impact Study Agreement under Schedule 22 or 23 of the Transmission, Markets and Services Tariff or is performing a modification that does not require a revision to the Interconnection Agreement.

Likewise, a portion of the deposit shall be waived for a New Demand Resource that will expand upon an Existing Demand Resource with no material changes to the resource. 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; (iv) a change in the type of measures being implemented; or (v) a change to its most recently approved Measurement and Verification Plan. The deposit for such resources shall be \$500.

<b>New Generating Resources and New Distributed Generation <math>\geq 20</math> MW</b>	<b>New Generating Resources and New Distributed Generation <math>&lt; 20</math> MW and <math>\geq 2</math> MW</b>	<b>Imports</b>	<b>All Demand Resources <math>\geq 2</math> MW Other Than Distributed Generation</b>	<b>New Generating Resources and New Demand Resources (including Distributed Generation) <math>&lt; 2</math> MW</b>
<i>Including Up-rates, Re-powering, Environmental Compliance &amp; Intermittent Power Resources</i>	<i>Including Up-rates, Re-powering, Environmental Compliance &amp; Intermittent Power Resources</i>	<i>Resources outside the New England Control Area</i>		
\$25,000	\$7,500	\$1,000	\$3000	\$500
<i>With Executed Feasibility Study Agreement or System Impact Study Agreement</i>	<i>With Executed Feasibility Study Agreement or System Impact Study Agreement</i>		<i>New Demand Resources that expand upon an Existing Demand Resource with no material changes to the resource</i>	
\$15,000	\$6500	n/a	\$500	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 an itemized 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 for that resource. 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 for such resource, 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 for such resource 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).

**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 an itemized 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 for such resource. A Project Sponsor that withdraws or is deemed to have withdrawn its request for project 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).

**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. 1, 2008	June 1, 2011
July 15, 2008 through Sep. 16, 2008	Jan. 14, 2009	Mar. 3, 2009	Oct. 5, 2009	June 1, 2012
May 15, 2009 through July 14, 2009	Nov. 16, 2009	Dec. 29, 2009	Aug. 2, 2010	June 1, 2013
Mar. 15, 2010 through May 14, 2010	Sept. 14, 2010	Oct. 29, 2010	June 6, 2011	June 1, 2014
Jan. 18, 2011 through Mar. 14, 2011	July 14, 2011	Aug. 29, 2011	Apr. 2, 2012	June 1, 2015
Nov. 15, 2011 through Jan. 17, 2012	May 14, 2012	June 29, 2012	Feb. 4, 2013	June 1, 2016
Nov. 15, 2012 through Jan. 14, 2013	May 14, 2013	July 1, 2013	Feb. 3, 2014	June 1, 2017

Beginning with the timeline for the Capacity Commitment Period beginning on June 1, 2016 (the seventh 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 the middle of November through the middle of January period that is approximately four years and six months before the beginning of the Capacity Commitment Period;
- (c) the Existing Capacity Qualification Deadline will be in May 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 year “X”, where X is any year after 2015.

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<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>
Nov. (X-5) through Jan. (X-5)	May (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 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 summer 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 summer 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 summer Qualified Capacity and, in subsequent rounds,  $q_0$  is the resource's quantity offered at the lowest price of the previous round.

- (iv) Each Project Sponsor shall allocate its New Generating Capacity Resources, New Import Capacity Resources, and New Demand Resources accepted in the qualification process for participation in the Forward Capacity Auction into one or more bidding groups. Each bidding group shall be comprised of one or more new resources of the same resource type (New Generating Capacity Resources, New Import Capacity Resources, or New Demand Resources) in the same modeled Capacity Zone (or in the case of New Import Capacity Resources, over the same interface) and having the same rationing election made pursuant to Section III.13.1.1.2.2.3(b). Each new resource must be assigned to exactly one bidding group, and where a Project Sponsor has a single new resource in a modeled Capacity Zone, that single resource shall be considered a bidding group. Each resource participating in the Forward Capacity Auction pursuant to Sections III.13.1.1.1.2 and III.13.2.3.2(e) (resources previously counted as capacity resources) shall constitute a single bidding group. Project Sponsors must designate bidding groups upon the submission of the financial assurance deposit described in Section III.13.1.9 and in the Financial Assurance Policies. Once designated, bidding groups may not be changed for the relevant Forward Capacity Auction. At the time that bidding groups are designated, for each bidding group comprised of resources that

the Project Sponsor has elected may be rationed, the Project Sponsor shall also select a minimum rationing limit for each bidding group, which shall be a single MW quantity at or above the sum of the Economic Minimum Limits of the resources comprising the bidding group. For resources in a bidding group, the set of prices in the New Capacity Offers must be identical. The sum of the quantities offered from the resources comprising a bidding group may in no event increase as the price decreases.

The sum of the quantities offered from the resources comprising a bidding group at the highest price in a round may in no event be greater than the sum of the quantities offered from the resources comprising that bidding group at the lowest price in the previous round. For any Project Sponsor, where the sum of the quantities offered for all bidding groups within a Capacity Zone is reduced to zero, the Project Sponsor's participation in the Forward Capacity Auction within this Capacity Zone is terminated, and the Project Sponsor may not offer within this Capacity Zone in subsequent rounds of the auction.

- (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 (as revised in the composite offer form, if applicable, as described in Section III.13.1.5), 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 (as revised in the composite offer form, if applicable, as described in Section III.13.1.5). 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 (as revised in the composite offer form, if applicable, as described in Section III.13.1.5) 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 resource designated as a 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).

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- (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 resource designated as 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).
- (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.

- (f) **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:
  - (i) 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

- (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, 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), 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, 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, subject to the other provisions of this Section III.13.2. If the Total System Capacity exceeds the Installed Capacity Requirement 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), 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, 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 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 HQ Interconnection), 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 HQ Interconnection), 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 HQ Interconnection).

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- (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 HQ Interconnection); 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 exported through a constraint modeled in the Forward Capacity Auction will be modeled in the Capacity Zone where the export interface that is identified in the Existing Qualification Package is located. The Export Bid or Administrative Export De-List Bid clears against the Capacity Clearing Price in the import-constrained 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 in addition to the Local Sourcing Requirement of the import-constrained Capacity Zone subject to Section III.13.2.5.2.2, and 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.
    - (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.

**III.13.2.3.4. Determination of Final Capacity Zones.** After the Forward Capacity Auction is concluded for all modeled Capacity Zones, the final set of distinct Capacity Zones that will be associated with the relevant Capacity Commitment Period, for the purposes of reconfiguration auctions associated with that Capacity Commitment Period, 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. The final set of Capacity Zones associated with a Capacity Commitment Period shall not include, however, any zone modeled pursuant to Section III.13.2.3.3(d) for purposes of clearing a quantity of import offers greater than the relevant interface's capacity transfer limit. 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 for the purposes of reconfiguration auctions associated with the relevant Capacity Commitment Period.

**III.13.2.4. Starting Price and Determination of CONE.** 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 shall equal two times the CONE applicable to that Capacity Zone. The CONE applicable to a Capacity Zone shall be determined as follows:

- (a) Until three Successful FCAs have been conducted in the Capacity Zone (a “Successful FCA” is a Forward Capacity Auction in which the Capacity Zone has neither Inadequate Supply nor Insufficient Competition), CONE shall be determined as follows:
  - (i) Until the completion of the first Successful FCA: CONE = \$7.50/kW-month. (Therefore, the Forward Capacity Auction Starting Price for the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2010 shall be \$15.00/kW-month.)
  - (ii) Forward Capacity Auctions following the first Successful FCA but prior to the completion of the second Successful FCA: CONE = \$3.75/kW-month plus 50% of the Capacity Clearing Price in the Capacity Zone in the first Successful FCA.
  - (iii) Forward Capacity Auctions following the second Successful FCA but prior to the completion of the third Successful FCA: CONE = \$1.88/kW-month plus 75% of the average of the Capacity Clearing

Prices in the Capacity Zone in the first two  
Successful FCAs.

- (b) After three Successful FCAs have been conducted for a Capacity Zone, the CONE to be applied for that zone in a 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 Forward Capacity Auction shall be the same as the Capacity Zone's CONE used in the previous Forward Capacity Auction:
- (i) 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, and Existing Demand Resources in the Capacity Zone (that is not permanently de-listed for the Capacity Commitment Period), minus capacity otherwise obligated 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, minus the Local Sourcing Requirement of each modeled

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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);

- (ii) the previous Forward Capacity Auction was not a Successful FCA in the Capacity Zone;
- (iii) 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
- (iv) 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).

- (c) The CONE for each Capacity Zone will be updated after each Forward Capacity Auction to incorporate the results of that auction. 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. At any time, there will only be one CONE for each Capacity Zone, applicable for all purposes. References in this Section III.13 to CONE shall mean the CONE applicable to the relevant Capacity Zone or modeled Capacity Zone.

#### **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 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. 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 or Local Sourcing Requirement, as appropriate, minus the amount of the permanently de-listed

capacity) 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 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.
- (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

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 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 (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).

- (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.
- (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 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 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 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 Permanent De-List Bid, Static De-List Bid, Export Bid, Administrative Export De-List Bid, and Dynamic De-List Bid to determine whether the capacity associated with that 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. 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 de-list bid may result in the procurement of less capacity than the Installed Capacity Requirement or Local Sourcing Requirement for Load Zones or aggregations of Load Zones considered for modeling in a Forward Capacity Auction. Where 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 bid is needed for reliability

reasons, then the bid having capacity needed for reliability will not clear in the Forward Capacity Auction, and the following provisions will apply:

- (a) 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; or (ii) as soon as practicable after the time at which the ISO has determined that the bid must be rejected for reliability reasons.
- (b) If at the completion of the last annual reconfiguration auction for the relevant Capacity Commitment Period (and subsequent Capacity Commitment Periods, in the case of a Permanent De-List Bid), the ISO has not replaced the capacity needed for reliability reasons and the reliability concern has not been otherwise addressed, the resource or portion thereof shall become listed for the Capacity Commitment Period. The resource shall be compensated at a just and reasonable rate, as determined by the Commission. A unit receiving a just and reasonable rate under this Section III.13.2.5.2.5 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 for the Capacity Commitment Period.

- (c) The ISO shall review the results of each reconfiguration auction and determine whether the reliability need which prevented the de-listing of the resource has been met through the 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 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 clears in a Forward Capacity Auction is rejected for reliability reasons, that resource is no longer eligible to participate as an Existing Generating Capacity Resource in any reconfiguration auction, Forward Capacity

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Auction or Capacity Supply Obligation Bilateral for that and subsequent Capacity Commitment Periods. If the resource continues to be needed for reliability reasons, it shall be counted as capacity in the Forward Capacity Auction and shall be compensated at a just and reasonable rate 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 FERC on or before May 15, 2008 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).

**III.13.2.5.2.6. Exception to Replacement Provisions for First Forward Capacity Auction.** For the first Forward Capacity Auction only, the replacement provisions described in this Section III.13.2.5.2 shall not apply to de-list bids from Real-Time Emergency Generation Resources, de-list or export bids from Existing Import Capacity Resources that clear, or to de-list or export bids from any resources in a Capacity Zone that is modeled as an export-constrained Capacity Zone that clear. For the first Forward Capacity Auction, the full amount of such de-listed or exported capacity shall be replaced in the current Forward Capacity Auction.

#### **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.13.2.7.3 (Capacity Clearing Price Collar) 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 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 Collar.** Until three Successful Forward Capacity Auctions have been conducted in the Rest-of-Pool Capacity Zone, but in no case for more than the first five Forward Capacity Auctions, 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) If the Capacity Clearing Price is above 1.4 times CONE, Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Resources shall be paid 1.4 times CONE during the associated Capacity Commitment Period,

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and 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

- (b) The Capacity Clearing Price shall not fall below 0.6 times CONE. Where the Capacity Clearing Price reaches 0.6 times CONE, offers shall be prorated such that no more than the Installed Capacity Requirement is procured in the Forward Capacity Auction, as follows: the total payment to all listed capacity resources during the associated Capacity Commitment Period shall be equal to 0.6 times CONE times the Installed Capacity Requirement applicable in the Forward Capacity Auction. 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). Suppliers may instead prorate their bid MWs of participation in the Forward Capacity Market by partially de-listing one or more resources (e.g., proration may be done by reducing, through bilateral contracts, the capacity of one resource by the amount equal to the entire prorated amount of the Market Participant). 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). Any proration shall be subject to reliability review.

- (c) Where the Capacity Clearing Price reaches 0.6 times CONE, 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 HQ Interconnection):
- (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 HQ Interconnection) is not exceeded.
  - (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).

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**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. For an import-constrained Capacity Zone, any capacity above the Local Sourcing Requirement that is procured as a result of the Capacity Rationing Rule shall be subject to the Capacity Carry-Forward Rule described in Section III.13.2.7.9.

**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 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.

**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) 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 Rule.**

**III.13.2.7.8.1. Import-Constrained Capacity Zone.** If in an import-constrained Capacity Zone all of the following conditions are met:

- (a) the amount of New Capacity Required in the Capacity Zone for the associated Capacity Commitment Period is greater than zero;
- (b) the Capacity Zone does not have Inadequate Supply in the Forward Capacity Auction;  
and
- (c) at the Capacity Clearing Price, the amount of Out-of-Market Capacity in the Capacity Zone exceeds the amount of New Capacity Required for 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 and New Import 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 Monitoring Unit 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) **Carried-Forward Capacity.** If the import-constrained Capacity Zone was also import-constrained in the previous Forward Capacity Auction, the amount of capacity above the Local Sourcing Requirement procured as a result of the Capacity Rationing Rule.
- (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.

then the Capacity Clearing Price for that import-constrained 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 import constrained 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 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. Rest-of-Pool Capacity Zone.** If there is not system-wide Inadequate Supply and in the Rest-of-Pool Capacity Zone, all of the following conditions are met:

- (a) the amount of New Capacity Required in the Rest-of-Pool Capacity Zone for the associated Capacity Commitment Period is greater than zero; and
- (b) at the Capacity Clearing Price, the amount of Out-of-Market Capacity in the Rest-of-Pool Capacity Zone exceeds the amount of New Capacity Required in the Rest-of-Pool 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 Rest-of-Pool 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 Rest-of-Pool Capacity Zone below 0.75 times CONE that were found by the Internal Market Monitoring Unit 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) **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.

then the Capacity Clearing Price for the Rest-of-Pool 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 Rest-of-Pool 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 Rest-of-Pool Capacity Zone there is Insufficient Competition 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.13.2.7.9. Capacity Carry-Forward Rule.** In an import-constrained Capacity Zone, any new capacity above the Local Sourcing Requirement that is procured as a result of the Capacity Rationing Rule shall be treated as Out-of-Market Capacity for purposes of determining whether the Alternative Capacity Price Rule shall apply in the import-constrained Capacity Zone in the following Forward Capacity Auction, as described in Section III.13.2.7.8. If the Alternative Capacity Price Rule does not apply in the import-constrained Capacity Zone having carried-forward capacity because the amount of New Capacity Required in the Capacity Zone for the associated Capacity Commitment Period is zero, then the Capacity Clearing Price in that Capacity Zone shall not be higher than the Capacity Clearing Price in the same Capacity Zone in the previous

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Forward Capacity Auction. The Capacity Carry-Forward Rule shall apply even if the Forward Capacity Auction has Inadequate Supply or Insufficient Competition in the import-constrained Capacity Zone or in the Rest-of-Pool Capacity Zone, so long as the Forward Capacity Auction associated with the original purchase did not have Inadequate Supply or Insufficient Competition in the import-constrained Capacity Zone or in the Rest-of-Pool Capacity Zone, as relevant.

**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 in that Capacity Zone, other than such resources that are de-listed or designated as a Self-Supplied FCA Resource 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.

**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.

- (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 that are de-listed or designated as a Self-Supplied FCA Resource 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 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 that are de-listed or designated as a Self-Supplied FCA Resource 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) 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 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 capacity from a New Generating Capacity Resource, New Import Capacity Resource, or New Demand Resource 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 Resource, New Import Capacity Resource, or New Demand Resource is required to satisfy the Installed Capacity Requirement or the Local Sourcing Requirement, as applicable.

If the Forward Capacity Auction has Insufficient Competition, New Generating 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 shall be paid the lower of: (1) the Capacity

Clearing Price; or (2) 1.1 times CONE during the associated Capacity Commitment Period.

**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 this Market Rule.

### **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 45 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.

**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 ten Business Days after the end of each calendar quarter. 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) **Interconnection Request.** The Project Sponsor shall indicate that a completed Interconnection Request was submitted to the ISO as described in the critical path schedule, and shall indicate the date on which the Interconnection Request was accepted by the ISO.
- (iv) **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).
- (v) **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.

- (vi) **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.
- (vii) **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 Electric Utility Practice. This documentation could include a dated copy of the satisfactory test results.
- (viii) **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.

- (ix) **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.
  
- (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 the Market Rule.

**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 de-listing of the resource 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 each month until the revised milestone is achieved detailing the progress toward meeting the revised milestone. 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, 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 one or more bilateral contracts, which must be submitted to the ISO.

- (b) If, by the time demand bids are due in the next annual reconfiguration auction for the Capacity Commitment Period in which the resource has a Capacity Supply Obligation, the Project Sponsor has not submitted documentation that it has bilaterally contracted to cover its full Capacity Supply Obligation, then the Project Sponsor must submit a demand bid in that annual reconfiguration auction for its remaining Capacity Supply Obligation at a price of 2.0 times CONE. If the demand bid does not fully clear, then the Project Sponsor must submit a demand bid for its remaining Capacity Supply Obligation at a price of 2.0 times CONE in each subsequent annual reconfiguration auction for the Capacity Commitment Period, until the Capacity Supply Obligation is fully covered, unless the Project Sponsor submits documentation that it has bilaterally contracted to cover its remaining Capacity Supply Obligation before demand bids are due in a subsequent annual reconfiguration auction.
  
- (c) If the Project Sponsor: (i) does not take the steps as described in Sections III.13.3.4(a) and III.13.3.4(b) to cover its Capacity Supply Obligation bilaterally or through annual reconfiguration auctions; (ii) attempts those steps but nonetheless does not cover its Capacity Supply Obligation by the start of the Capacity Commitment Period; or (iii) has successfully covered its Capacity Supply Obligation for two Capacity Commitment Periods but has not yet achieved Commercial Operation, 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 (which shall then be

entered by the ISO into subsequent reconfiguration auctions) and the resource's right to any payments associated with that Capacity Supply Obligation in the Capacity Commitment Period, and, 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, also through a filing with the Commission. 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 lose its Capacity Supply Obligation and its right to any payments associated with that Capacity Supply Obligation in the Capacity Commitment Period, and it shall forfeit any financial assurance provided with respect to that Capacity Supply Obligation.

**III.13.4. Reconfiguration Auctions.** For each Capacity Commitment Period, the ISO shall conduct annual, seasonal, 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 as determined through the Forward Capacity Auction for that Capacity Commitment Period, as described in Section III.13.2.3.4. In any reconfiguration auction, however, if there are no supply offers or if there are no demand bids for capacity in a particular Capacity Zone, the reconfiguration auction will not be held for that Capacity Zone.

**III.13.4.2. Qualification for Reconfiguration Auctions.** Each supply offer and demand bid in a reconfiguration auction must be associated with one or more specific resources, and must satisfy the requirements of this Section III.13.4.2. All resource types may participate in reconfiguration auctions. Supply offers and demand

bids submitted for reconfiguration auctions shall not be subject to mitigation by the Internal Market Monitoring Unit. 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 participate in annual reconfiguration auctions, pursuant to the requirements of Section III.13.1.5 (but subject to the deadlines described in this Section III.13.4), but may not participate in seasonal or monthly reconfiguration auctions. Participation in any reconfiguration auction is conditioned on full compliance with the applicable financial assurance requirements as provided in Exhibit 1A to Section I of the Transmission, Markets and Services Tariff (ISO New England Financial Assurance Policy for Market Participants).

**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.

**III.13.4.2.1.1. Capacity Qualified in a Previous Qualification Process.**

**III.13.4.2.1.1.1. Resources that have Achieved Commercial Operation.**

- (a) To submit a supply offer in an annual reconfiguration auction, a resource that has achieved

Commercial Operation by the first Business Day in August prior to the reconfiguration auction and that has capacity that: (i) has been qualified through a Forward Capacity Auction qualification process as described in Section III.13.1 or through the qualification process for a previous annual reconfiguration auction as described in this Section III.13.4.2; and (ii) is not already obligated for the Capacity Commitment Period associated with that reconfiguration auction, may offer such capacity by submitting a supply offer by the reconfiguration auction offer and bid deadline, which will be announced by the ISO no later than the February 1 prior to the auction.

- (b) To submit a supply offer in a seasonal or monthly reconfiguration auction, a resource that has achieved Commercial Operation no later than one week prior to the reconfiguration auction and that has capacity that: (i) has been qualified through a Forward Capacity Auction qualification process as described in Section III.13.1 or through the qualification process for a previous annual

reconfiguration auction as described in this Section III.13.4.2; and (ii) is not already obligated for the portion of the Capacity Commitment Period associated with that reconfiguration auction, may offer such capacity by submitting a supply offer by the reconfiguration auction offer and bid deadline, which will be announced by the ISO no later than two weeks prior to the auction.

**III.13.4.2.1.1.2. Resources that have Not Achieved Commercial Operation.** To submit a supply offer in an annual reconfiguration auction, a resource that has not achieved Commercial Operation by the first Business Day in August prior to the reconfiguration auction and that has capacity that: (i) has been qualified through a Forward Capacity Auction qualification process as described in Section III.13.1 or through the qualification process for a previous annual reconfiguration auction as described in this Section III.13.4.2; and (ii) is not already obligated for the Capacity Commitment Period associated with that reconfiguration auction, may offer such capacity by first indicating, no later than the first Business Day in August prior to the reconfiguration auction, its intent to offer by

submitting all of the information required in the New Capacity Show of Interest Form as described in Section III.13.1.1.2.1, and then submitting a supply offer by the reconfiguration auction offer and bid deadline, which will be announced by the ISO no later than the February 1 prior to the auction. To participate in an annual reconfiguration auction, such a resource must be having the ISO monitor its critical path schedule in accordance with Section III.13.3, and the ISO's monitoring must indicate that the resource is expected to achieve Commercial Operation by the start of the Capacity Commitment Period associated with the reconfiguration auction. A resource that has not achieved Commercial Operation and that is not having its critical path schedule monitored by the ISO in accordance with Section III.13.3 may only participate in annual reconfiguration auctions pursuant to Section III.13.4.2.1.2.2.

**III.13.4.2.1.2. Capacity Not Qualified in a Previous Forward Capacity Auction Qualification Process.**

**III.13.4.2.1.2.1. Resources that have Achieved Commercial Operation.**

- (a) To submit a supply offer in an annual reconfiguration auction, a resource that has achieved Commercial Operation by the first Business Day in August prior to the reconfiguration auction and that has capacity that has not been qualified through a Forward Capacity Auction qualification process as described in Section III.13.1 or through the qualification process for a previous annual reconfiguration auction as described in this Section III.13.4.2, may request to be qualified for the reconfiguration auction by submitting, no later than the first Business Day in August prior to the reconfiguration auction, all of the information required in the New Capacity Show of Interest Form as described in Section III.13.1.1.2.1. If the ISO accepts such a resource for participation in the annual reconfiguration auction, then the

resource may submit a supply offer by the reconfiguration auction offer and bid deadline, which will be announced by the ISO no later than the February 1 prior to the auction. The summer and winter Qualified Capacity of such a resource will be determined in a manner consistent with that for Existing Generating Capacity Resources, as described in Section III.13.1.2.2, except that those amounts may be limited pursuant to Section III.13.1.1.2.3.

- (b) To submit a supply offer in a seasonal or monthly reconfiguration auction, a resource that has achieved Commercial Operation no later than one week prior to the reconfiguration auction and that has capacity that has not been qualified through a Forward Capacity Auction qualification process as described in Section III.13.1, but which has been qualified through the qualification process for a previous annual reconfiguration auction as described in this Section III.13.4.2, may offer such capacity by submitting a supply offer by the reconfiguration auction offer and bid deadline, which will be announced

by the ISO no later than two weeks prior to the auction. A resource that has achieved Commercial Operation by the offer and bid deadline for a monthly or seasonal reconfiguration auction and that has capacity that has not been qualified through a Forward Capacity Auction qualification process as described in Section III.13.1 or through the qualification process for a previous annual reconfiguration auction as described in this Section III.13.4.2 may not submit a supply offer in that reconfiguration auction.

**III.13.4.2.1.2.2. Resources that have Not Achieved Commercial Operation.** To submit a supply offer in an annual reconfiguration auction, a resource that has not achieved Commercial Operation by the first Business Day in August prior to the reconfiguration auction having capacity that: (i) has not been qualified through a Forward Capacity Auction qualification process as described in Section III.13.1 for the Capacity Commitment Period associated with that reconfiguration auction; and (ii) is not already obligated for the Capacity Commitment Period associated with that

reconfiguration auction, may request to be qualified for the reconfiguration auction by submitting, no later than the first Business Day in August prior to the reconfiguration auction, all of the information required in the New Capacity Show of Interest Form as described in Section III.13.1.1.2.1, all of the information required in the New Capacity Qualification Package as described in Section III.13.1.1.2.2, a detailed plan to interconnect the project which demonstrates that the project will be interconnected by the start of the Capacity Commitment Period, and a Qualification Process Cost Reimbursement Deposit as described in Section III.13.1.9.3. If the ISO qualifies such a resource for participation in the annual reconfiguration auction, then the resource may submit a supply offer by the reconfiguration auction offer and bid deadline, which will be announced by the ISO no later than the February 1 prior to the auction. The summer and winter Qualified Capacity of such a resource will be determined in a manner consistent with that for New Generating Capacity Resources, as described in Section III.13.1.1.2.5, except that those amounts may be limited pursuant to Section III.13.1.1.2.3.

#### **III.13.4.2.1.3. Other Supply Offer Limitations.**

- (a) For annual reconfiguration auctions, summer seasonal reconfiguration auctions, and monthly reconfiguration auctions for the months of June through September, each supply offer shall be no greater than the amount of the resource's summer Qualified Capacity that is not already obligated for the Capacity Commitment Period (or portion thereof, as applicable). For winter seasonal reconfiguration auctions and monthly reconfiguration auctions for the months of October through May, each supply offer shall be no greater than the amount of the resource's winter Qualified Capacity that is not already obligated for the applicable portion of the Capacity Commitment Period. For monthly reconfiguration auctions, the sum of all offers and Capacity Supply Obligations of a resource may not exceed its Qualified Capacity for the month.
  
- (b) In no case may capacity associated with a Permanent De-List Bid that cleared in the Forward Capacity Auction for the Capacity Commitment Period be offered in a reconfiguration auction for that Capacity Commitment Period, or any portion thereof.

- (c) A resource that has not achieved Commercial Operation by the offer and bid deadline for a seasonal or monthly reconfiguration auction may not submit a supply offer for that reconfiguration auction.

**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. In no case, however, may capacity associated with a Self-Supplied FCA Resource that cleared in the Forward Capacity Auction for the Capacity Commitment Period be offered in a reconfiguration auction for that Capacity Commitment Period, or any portion thereof.
- (b) Each demand bid in a 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) at the time of the reconfiguration auction.

- (c) To submit a demand bid in an annual reconfiguration auction, a resource meeting the requirement specified in Section III.13.4.2.2(a) may request to be qualified for the reconfiguration auction by submitting, no later than the first Business Day in August prior to the reconfiguration auction, the quantity of capacity for which that resource may elect to submit a demand bid. If the ISO accepts such a resource for participation in the annual reconfiguration auction, then the resource may submit a demand bid up to the amount of capacity approved by the ISO by the reconfiguration auction offer and bid deadline, which will be announced by the ISO no later than the February 1 prior to the auction. Deadlines for demand bids in seasonal and monthly reconfiguration auctions shall be announced by the ISO 30 days prior to those auctions.
- (d) All demand bids in reconfiguration auctions shall be reviewed by the ISO pursuant to the standards set forth in Section III.13.2.5.2.5 to ensure the regional and local adequacy achieved through the Forward Capacity Auction and other reliability needs are maintained. Where the ISO has determined that the capacity associated with the bid is needed for reliability reasons, then the bid will not be included in clearing the reconfiguration auction, and the Lead

Market Participant or Project Sponsor, as appropriate, shall be notified after the reconfiguration auction.

**III.13.4.2.3. Reconfiguration Qualification Determination**

**Notification.** For annual reconfiguration auctions, no later than the December 1, or the first Business Day thereafter, prior to the reconfiguration auction, the ISO shall issue to each resource that has submitted qualification materials for annual reconfiguration auctions a determination regarding whether the resource may participate in the annual reconfiguration auction, and the amount of capacity that may be offered or bid, as appropriate.

**III.13.4.3. ISO Participation in Reconfiguration Auctions.** The ISO shall offer and/or bid in reconfiguration auctions to address year-to-year changes in the Installed Capacity Requirement (including Local Sourcing Requirements 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, and 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, as follows:

- (a) If at the time of a reconfiguration auction, the then-forecasted Installed Capacity Requirement for the Capacity

Commitment Period is higher than the amount of capacity then obligated for that Capacity Commitment Period, then the ISO shall submit a demand bid in that reconfiguration auction for the amount of the deficit at a price of 2.0 times CONE.

- (b) If at the time of a reconfiguration auction, the then-forecasted Local Sourcing Requirement for an import-constrained Capacity Zone for the Capacity Commitment Period is higher than the amount of capacity then obligated for that Capacity Commitment Period, then the ISO shall submit a demand bid in that reconfiguration auction in that Capacity Zone for the amount of the deficit at a price of 2.0 times CONE
- (c) If at the time of a reconfiguration auction, the then-forecasted Installed Capacity Requirement for the Capacity Commitment Period is lower than the amount of capacity then obligated for that Capacity Commitment Period, then the ISO shall submit a supply offer in that reconfiguration auction for the surplus in the form of a supply curve having the following characteristics:
  - (i) at prices equal to or greater than 0.75 times CONE, the ISO shall offer the full amount of the surplus;
  - (ii) at prices between 0.75 times CONE and 0.25 times CONE, the amount of the surplus offered by the ISO shall decrease linearly (for example, at 0.5 times CONE, the ISO shall offer half of the amount of the surplus); and

- (iii) At prices equal to or below 0.25 times CONE, the ISO shall offer no capacity.
- (d) If at the time of a reconfiguration auction, the then-forecasted Local Sourcing Requirement for an import-constrained Capacity Zone for the Capacity Commitment Period is lower than the amount of capacity then obligated for that Capacity Commitment Period, then the ISO shall submit a supply offer in that reconfiguration auction for the surplus in the form of a supply curve having the following characteristics:
  - (i) at prices equal to or greater than 0.75 times CONE, the ISO shall offer the full amount of the surplus;
  - (ii) at prices between 0.75 times CONE and 0.25 times CONE, the amount of the surplus offered by the ISO shall decrease linearly (for example, at 0.5 times CONE, the ISO shall offer half of the amount of the surplus); and
  - (iii) At prices equal to or below 0.25 times CONE, the ISO shall offer no capacity.
- (e) For purposes of this Section III.13.4.3, CONE shall be the CONE in effect at the time of the reconfiguration auction, as determined pursuant to Section III.13.2.4.

- (f) Supply offers and demand bids submitted by the ISO in reconfiguration auctions are not subject to the requirements and limitations described in Section III.13.4.2.
- (g) Supply offers and demand bids submitted by the ISO on behalf of load in reconfiguration auctions are not associated with a resource and create no obligation on the ISO to supply or purchase capacity.

**III.13.4.4. Rationing of Offers and Bids in Reconfiguration Auctions.**

All supply offers and demand bids shall be subject to rationing in all reconfiguration auctions. If a resource is rationed 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 April that is approximately 26 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 April that is approximately 14 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 April that is approximately 2 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	April 2009	April 2010	June 1, 2010
N/A	April 2010	April 2011	June 1, 2011
N/A	April 2011	April 2012	June 1, 2012
N/A	April 2012	April 2013	June 1, 2013
N/A	April 2013	April 2014	June 1, 2014
April 2013	April 2014	April 2015	June 1, 2015
April 2014	April 2015	April 2016	June 1, 2016
April 2015	April 2016	April 2017	June 1, 2017

Within a month in which annual reconfiguration auctions are conducted, the ISO shall conduct the third annual reconfiguration auction first, the second annual reconfiguration auction second, and the first annual reconfiguration auction, if any, third. (For example, in April 2014, the ISO shall conduct the third annual reconfiguration auction for the Capacity Commitment Period beginning June 1, 2014, then the ISO shall conduct

the second annual reconfiguration auction for the Capacity Commitment Period beginning June 1, 2015, and then the ISO shall conduct the first annual reconfiguration auction for the Capacity Commitment Period beginning June 1, 2016.)

**III.13.4.5.2. Acceleration of Annual Reconfiguration Auction.**

If the difference between the forecasted Installed Capacity Requirement 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. Seasonal Reconfiguration Auctions.** Prior to the month of June in the Capacity Commitment Period, and prior to the monthly reconfiguration auction for the month of June in the Capacity Commitment Period, and after the third annual reconfiguration auction for the Capacity Commitment Period, the ISO shall conduct a summer seasonal reconfiguration auction for capacity commitments covering the whole period from June through September in the Capacity Commitment Period. Prior to the month of October in the Capacity Commitment Period, and prior to the monthly reconfiguration auction for the month of October in the Capacity Commitment Period, the ISO shall conduct a winter seasonal reconfiguration auction for capacity commitments covering the whole period from October through May in the Capacity Commitment Period.

**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, and that portion of the resource shall be de-listed.

**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.

**III.13.5.1. Capacity Supply Obligation Bilaterals.** A resource having a Capacity Supply Obligation seeking to shed that obligation (“Capacity Transferring Resource”) may, for a given Capacity Commitment Period, prior or during that Capacity Commitment Period, 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 (“Qualified Capacity Resource”). A Capacity Transferring Resource shall be permitted to transfer, and a Qualified Capacity Resource shall be permitted to acquire, such Capacity Supply Obligation if, after entering into a Capacity Supply Obligation Bilateral and submitting required related information to the ISO within specified submittal time periods, the ISO accepts such Capacity Supply Obligation Bilateral. A Capacity Supply Obligation Bilateral may apply to a single Capacity Zone or across adjacent Capacity Zones against the direction of the interface constraint, as such zones are defined following the Forward Capacity Auction conducted for the Capacity Commitment Period to which the transferred Capacity Supply Obligation applies.

### **III.13.5.1.1. Process for Approval of Capacity Supply Obligation Bilaterals.**

**III.13.5.1.1.1. Timing.** The Lead Market Participant for either the Capacity Transferring Resource or the Qualified Capacity Resource may submit a Capacity Supply Obligation Bilateral during specified submittal windows, as defined in the ISO New England Manuals and ISO New England Operating Procedures, prior to the Capacity Commitment Period or prior to the Obligation Month during the Capacity Commitment Period.

**III.13.5.1.1.2. Application.** The Capacity Supply Obligation Bilateral shall include the following: (i) the asset identification number of the Capacity Transferring Resource; (ii) the MW amount of the Capacity Supply Obligation being transferred in MW amounts up to three decimal places with a minimum size of 100kW (the 100kW minimum shall not apply to resources registered with the ISO prior to the earliest date that any portion of this Section III.13.5 becomes effective); (iii) the term of the transaction (in whole month increments up to one year); (iv) the asset identification number of the Qualified Capacity Resource; (v) the Capacity Zone to which the Capacity Supply Obligation Bilateral will apply; and (vi) confirmation of the transaction by both the Lead Market Participant for the Capacity Transferring Resource and the Lead Market Participant or Project Sponsor for the

Qualified Capacity Resource. If the Qualified Capacity Resource is supporting the transaction with an Import Capacity Resource, the application must include documentation that such resource has or will have import rights over the interface for the applicable Capacity Commitment Period.

**III.13.5.1.1.3. ISO Review and Approval.** The ISO shall review the information provided in support of the Capacity Supply Obligation Bilateral, and may reject the Capacity Supply Obligation Bilateral for the following reasons:

- (a) Identified reliability issues pursuant to the standards set forth in Section III.13.2.5.2.5;
- (b) Submission of incomplete or inadequate information as required in Section III.13.5.1.1.2;
- (c) Late submission of the Capacity Supply Obligation Bilateral;
- (d) The resource proposed to assume the Capacity Supply Obligation is not a Qualified Capacity Resource pursuant to Section III.13.1;
- (e) The megawatt amount identified in the Capacity Supply Obligation Bilateral is greater than the actual Capacity Supply

Obligation associated with the resource seeking to transfer its Capacity Supply Obligation; or

- (f) Lack of confirmation by the Capacity Transferring Resource or the Qualified Capacity Resource.

**III.13.5.1.1.4. Approval.** Upon approval of a Capacity Supply Obligation Bilateral, the Capacity Transferring Resource shall be relieved of its Capacity Supply Obligation in the amount set forth in the Capacity Supply Obligation Bilateral, and the portion of the Capacity Transferring Resource associated with the Capacity Supply Obligation being shed will be de-listed and relieved of the obligations of a listed resource as identified in Section III.13.6. The Qualified Capacity Resource identified by the Capacity Transferring Resource in its submittal pursuant to Section III.13.5.1.1.2 will assume the Capacity Supply Obligation in the amount set forth in the Capacity Supply Obligation Bilateral. This Qualified Capacity Resource, or the portion thereof, shall be listed and subject to all the rights and obligations of a listed resource and subject to availability penalties and other adjustments as detailed in Section III.13.7.

#### **III.13.5.1.2. General.**

- (a) All Capacity Supply Obligation Bilaterals shall be reviewed by the ISO pursuant to the standards set forth in Section III.13.2.5.2.5 and financial assurance requirements as described in Section III.13.1.9.
- (b) A resource, or a portion thereof, that has been designated as a Self-Supplied FCA Resource may not transfer the self-supplied portion of its Capacity Supply Obligation by means of Capacity Supply Obligation Bilateral.

**III.13.5.2. Capacity Load Obligations Bilaterals.** An entity having a Capacity Load Obligation for the associated Capacity Commitment Period seeking to shed that obligation (“Transferring LSE”) 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 Acquiring Participant”). A Capacity Transferring Participant will be permitted to transfer, and a Capacity 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.** A Market Participant may submit a Capacity Load Obligation Bilateral to the ISO within specified windows no later than the beginning of the month following the Obligation Month.

**III.13.5.2.1.2. Application.** The following information shall be included in the submittal of the Capacity Load Obligation Bilateral: (i) the amount of the Capacity Load Obligation being transacted in MW amounts up to three decimal places; (ii) the term of the transaction in whole month increments up to one year; (iii) identification of the Capacity Acquiring Participant; and (iv) confirmation by both the Capacity Transferring Participant and Capacity Acquiring Participant of the transaction.

**III.13.5.2.1.3. ISO Review.** The ISO will review the information provided in support of the transaction and may reject the transaction for the following:

- (a) Submission of incomplete or inadequate information as required in Section III.13.5.2.1.2;
- (b) Late submission of the Capacity Load Obligation Bilateral; or

(c) Lack of confirmation by the counterparty.

**III.13.5.2.1.4. Approval.** Upon approval of a Capacity Load Obligation Bilateral, the Capacity Transferring Participant shall be relieved of its Capacity Load Obligation and the Capacity Acquiring Participant shall assume the Capacity Load Obligation in the amount set forth in the Capacity Load Obligation Bilateral. The Capacity Transferring Participant will have its Capacity Load Obligation reduced in the identified Capacity Zone, and the Capacity Acquiring Participant will have its Capacity Load Obligation increased in the identified Capacity Zone in the amount set forth in the Capacity Load Obligation Bilateral.

### **III.13.5.3. General**

**III.13.5.3.1. Ineligible Transactions.** Participants shall not be permitted to offset a Capacity Load Obligation with a Capacity Supply Obligation.

**III.13.5.3.2. Term.** The term of Capacity Supply Obligation Bilaterals and Capacity Load Obligation Bilaterals shall be in monthly increments with a minimum duration of one calendar month and a maximum duration of one year within a Capacity Commitment Period. Capacity Supply Obligation Bilaterals and Capacity Load Obligation Bilaterals with terms in excess of one year shall be submitted on an annual basis.

**III.13.6. Rights and Obligations of Capacity Resources.** 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 de-listed 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. Listed Resources.** A resource, or a portion thereof, with a Capacity Supply Obligation assumed through a Forward Capacity Auction, reconfiguration auction, or a Capacity Supply Obligation Bilateral shall be considered listed for the duration of that Capacity Supply Obligation and shall comply with the requirements of this Section III.13.6.1.

**III.13.6.1.1. Generating Capacity Resources**

**III.13.6.1.1.1. Energy Market Offer Requirements.** The listed portion of a Generating Capacity Resource shall be offered into both the Day-Ahead Energy Market and Real-Time Energy Market whenever and to the extent it is physically available (e.g. not on a forced or scheduled outage). Day-Ahead Energy Market offers from a listed Generating

Capacity Resource shall meet one of the following requirements:

- (a) the sum of the listed 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) A Generating Capacity Resource that cannot meet the offer requirements in Section III.13.6.1.1(a) due to physical design limits shall offer the listed portion of the Generating Capacity Resource into the Day-Ahead Energy Market at a price of zero or self-schedule in the Day-Ahead Energy Market or Real-Time Energy Market.
- (c) The only exception to the energy market offer provisions in Section III.13.6.1.1(a) and (b) is when the resource is on an outage which must be reported to the ISO.

**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. Inability to Recover Full Operational Cost Due to Extraordinary Fuel Prices.**

Economic outages are not permitted for listed resources. If due to extraordinary fuel prices, a Market Participant cannot submit a bid which would recover its full operational cost, it may then submit a Supply Offer in the Day-Ahead Energy Market or in the Real-Time Energy Market at the energy offer cap (or highest level allowed by the software) and contemporaneously advise the ISO that the Supply Offer would have been equal to or greater than the energy offer cap but for the energy offer cap specified in Section III.1.10.1A(d)(viii) and provide the ISO with a statement of what the Supply Offer would have been (the “offer”) but for the energy offer cap. If the capacity resource is subsequently dispatched for the period covered by the offer, the Market Participant shall be paid its offer for each MWh of energy produced from the applicable generating resource through the payment of the Locational Marginal Price and, appropriate NCPC Credits, provided that such payment shall not

exceed the capacity resource's fuel costs, including commodity cost, transportation applicable to transporting cost related to the generation in the bid, and imbalance charges or other penalties applicable to such generation. NCPC Credits and NCPC Charges will be allocated in accordance with Appendix F of this Market Rule.

**III.13.6.1.1.4. Adjustment for Significant Decreases in Capacity.** Where the most recent summer Seasonal Claimed Capability, as recorded in October, of an Existing Generating Capacity Resource is below its listed 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 after clearing in the Forward Capacity Auction but prior to the Capacity Commitment Period, then the Lead Market Participant must elect one of the three treatments described in this Section III.13.6.1.1.4. If the Lead Market Participant elects option (a) or (b) below and fails to shed the amount of its Capacity Supply Obligation associated with its decrease in capacity prior to the last annual reconfiguration auction for the Capacity Commitment Period, the ISO shall enter a demand bid at 2.0 times CONE on behalf of the Market Participant in the reconfiguration auction to replace the missing capacity in the appropriate Capacity Zone in the last annual reconfiguration auction prior to the Capacity Commitment Period and shall reduce that resource's

Capacity Supply Obligation by the amount of the capacity decrease.

- (a) The Lead Market Participant may elect to submit a demand bid in a reconfiguration auction or enter into a Capacity Supply Obligation Bilateral for the difference between its summer Qualified Capacity calculated pursuant to Section III.13.1.2.2.1.1 and its most recent summer Seasonal Claimed Capability for the relevant Capacity Commitment Period;
- (b) The Lead Market Participant may seek to shed its entire Capacity Supply Obligation by submitting a demand bid(s) in a reconfiguration auction(s) or entering into a Capacity Supply Obligation Bilateral for the relevant Capacity Commitment Period;
- (c) The Lead Market Participant may elect to submit a critical path schedule as described in Section III.13.1.1.2.2.2 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 III.13.1.2.2.1.1 by the start of the relevant Capacity Commitment Period. For an Existing Generating Capacity Resource

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

**III.13.6.1.1.5. Additional Requirements for Generating Capacity Resources.** Fully listed Generating Capacity Resources 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 this Market Rule;
- (c) planned outage requirements in accordance with the ISO New England Manuals and ISO New England Operating Procedures.

**III.13.6.1.2. Import Capacity**

**III.13.6.1.2.1. Energy Market Offer Requirements.** An Import Capacity Resource with a Capacity Supply Obligation shall be considered listed and shall be offered into the Day-Ahead Energy Market and Real-Time Energy Market as a fixed External Transaction or dispatchable External Transaction as defined below. Import Capacity may be subject to penalties for failing to schedule and deliver the

transaction in the energy market as described in the ISO New England System Rules.

- (a) An Import Capacity Resource offering as a dispatchable External Transaction must submit an offer to both the Day Ahead Energy Market and Real-Time Energy Market for every day in the month and every hour within the day. Accepted offers shall be converted into energy transactions in accordance with the requirements described in the ISO New England Manuals;
- (b) An Import Capacity Resource offering as a fixed External Transaction must submit a transaction at least all weekdays excluding NERC Holidays, for a minimum of the 16 peak hours each day;
- (c) Once the type of transaction has been selected for an Obligation Month, the same type of transaction must be submitted for every applicable day of that Obligation Month.

**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 resource or Control Area backed

transactions as detailed in the ISO New England Manuals;

- (b) resource backed transactions shall be subject to the planned outage requirements as detailed in the ISO New England Manuals. Control Area backed transactions are not subject to such planned outage requirements;
- (c) resource and Control Area backed transactions are not subject to the voluntary and mandatory re-scheduling of maintenance procedures outlined in the ISO New England Operating Procedures and ISO New England Manuals.

### **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. Adjustments for Significant Decreases in**

**Capacity.** Where the most recent summer Seasonal Claimed Capability, as recorded in October, of an Intermittent Power Resource is below its summer Qualified Capacity, as determined pursuant to Section III.13.1.2.2.2.1 by more than the lesser of 20 percent of that summer Qualified Capacity or 40 MW after clearing in the Forward Capacity Auction but prior to the Capacity Commitment Period, then the Lead Market Participant must elect one of the three treatments described in this Section III.13.6.1.3.2. If the Lead Market Participant elects option (a) or (b) below and fails to shed the amount of its Capacity Supply Obligation associated with its decrease in capacity prior to the last annual reconfiguration auction for the Capacity Commitment Period, the ISO shall enter a bid on behalf of the resource at 2.0 times CONE in the reconfiguration auction to replace the missing capacity in the appropriate Capacity Zone in the last annual reconfiguration auction prior to the Capacity Commitment Period and shall reduce that resource's Capacity Supply Obligation by the amount of the capacity decrease.

- (a) The Lead Market Participant may elect to submit a demand bid in a reconfiguration auction or enter into a Capacity Supply Obligation Bilateral for the difference between its summer Qualified Capacity calculated pursuant to Section

III.13.1.2.2.2.1 and its most recent summer Seasonal Claimed Capability for the relevant Capacity Commitment Period;

- (b) The Lead Market Participant may seek to shed its entire Capacity Supply Obligation or a portion thereof by submitting a demand bid(s) in a reconfiguration auction(s) or entering into a Capacity Supply Obligation Bilateral for the relevant Capacity Commitment Period;
- (c) The Lead Market Participant may elect to submit a critical path schedule as described in Section III.13.1.1.2.2.2 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 III.13.1.2.2.2.1 by the start of the relevant Capacity Commitment Period. For an Existing Generating Capacity Resource subject to this election, the critical path schedule monitoring provisions of Section III.13.3 shall apply.

**III.13.6.1.3.3. Additional Requirements for Intermittent Power Resources.** Fully listed 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 planned 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.** Fully listed Intermittent Settlement Only Resources and Non-Intermittent 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 planned 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.

**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.13.6.2. De-Listed Resources.** A resource, or a portion thereof, that does not assume a Capacity Supply Obligation in a Forward Capacity Auction, a reconfiguration auction, or a Capacity Supply Obligation Bilateral, or sheds a previously acquired Capacity Supply Obligation shall be considered de-listed and shall comply with the requirements in this Section III.13.6.2. De-listed resources are not subject to the requirements associated with listed resources set forth in Section III.13.6.1.

### **III.13.6.2.1. Generating Capacity Resources**

**III.13.6.2.1.1. Energy Market Offer Requirements.** A Generating Capacity Resource that is fully de-listed is not required to offer into the Day-Ahead Energy Market or Real-Time Energy Market. A Generating Capacity Resource that is partially de-listed must offer at least its Economic Minimum Limit into the Day-Ahead Energy Market and is not required to offer the de-listed portion above the Economic Minimum Limit into the Day-Ahead Energy Market or Real-Time Energy Market. If the Capacity Supply Obligation of the listed portion of a partially de-listed resource is less than its Economic Minimum Limit in any hour either through rationing in a reconfiguration auction, or through a Capacity Supply Obligation Bilateral, the resource must offer the Economic Minimum Limit into the Day-Ahead Energy Market and Real-Time Energy Market. The Economic Minimum Limit portion of the Generating Capacity Resource shall be treated as listed for the purposes of energy market mitigation and the reserve adequacy assessment.

#### **III.13.6.2.1.1.1. Day-Ahead Energy Market**

**Participation.** A de-listed Generating Capacity Resource, or portion thereof, may submit an offer into the Day-Ahead Energy Market. If any portion of the offer clears, the entire range of the resource up to the Economic Maximum Limit offered into the Day-Ahead Energy Market, will be subject to the same rules as all other Generating Capacity Resources in that market for the operating day, including the obligation to follow ISO dispatch instructions. Such a de-listed 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 de-listed Generating Capacity Resource, or portion thereof, that did not submit an offer into the Day-Ahead Energy Market or was offered into the Day-Ahead Energy Market and was not accepted, must be self-scheduled in order to participate in the Real-Time Energy Market and shall be subject to all of the requirements associated therewith. The ISO may request that a fully or partially de-listed Generating Capacity Resource provide energy for reliability purposes in the Real-Time Energy Market, but such resource shall not be obligated to provide energy, and

shall not be subject to any performance or availability penalties for failure to provide energy. If such resource does provide energy, the resource shall be paid based on its most recent offer and is eligible for NCPC. The resource will be block loaded to meet reliability needs and not subject to economic dispatch by the ISO. Where a de-listed Generating Capacity Resource has committed to provide other services for which it is receiving compensation, that resource must satisfy the requirements associated with the service it elected to provide.

**III.13.6.2.1.2. Additional Requirements for De-listed Generating Capacity Resources.** Fully and partially de-listed Generating Capacity Resources 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;
- (c) Partially de-listed Generating Capacity Resources are subject to planned outage requirements and forced outage re-

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scheduling provisions as outlined in the ISO New England Operating Procedures, ISO New England Manuals. Fully de-listed Generating Capacity Resources are not subject to the forced re-scheduling provisions for planned outages.

**III.13.6.2.2. Exporting Resources.** A resource that is exporting its capacity to a neighboring Control Area through an Export Bid or Administrative Export De-list Bid in the Forward Capacity Auction shall comply with this Section III.13.6.2.2. Resources that fully or partially de-list through an Export Bid or Administrative Export De-List Bid must comply with the ISO New England Manuals and the requirements associated with the Control Area to which such resources are exporting capacity. A Capacity Supply Obligation cannot be transferred via a reconfiguration auction or a Capacity Supply Obligation Bilateral to a resource that has cleared the Forward Capacity Auction through an Export Bid or an Administrative Export De-List Bid. Intermittent Power Resources, Settlement Only Resources, and Demand Resources are not permitted to back a capacity export to an external Control Area.

**III.13.6.2.2.1. Energy Market Offer Requirements.** A resource that is either fully or partially de-listed to export capacity is required to self-schedule the amount of the export in the Real-Time Energy Market to back the energy transaction which satisfies its Capacity Supply Obligation in the neighboring Control Area. In the event the resource backing the export is not self-scheduled at a level greater than or equal to the export, the energy transaction may be curtailed to the level of the self-schedule.

- (a) In the event that a Real-Time transmission constraint requires restatement of the interface Total Transfer Capability, a resource exporting capacity through an external transaction is subject to reduction as

provided in Section 44 of the OATT. In the event of a system-wide capacity deficiency as described in ISO New England Operating Procedure No. 4, to the extent that a market participant self-schedules energy from the resource associated with a capacity export, the export transaction will be assigned a transmission priority equal to Native Load Customers.

### **III.13.6.2.3. Intermittent Power Resources**

**III.13.6.2.3.1. Energy Market Offer Requirements.** A fully or partially de-listed Intermittent Power Resource is not required to offer the de-listed portion of such resource into the Day-Ahead Energy Market or Real-Time Energy Market.

**III.13.6.2.3.2. Additional Requirements for Intermittent Power Resources.** Fully and partially de-listed 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) Partially de-listed Intermittent Power Resources are subject to planned outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals. Fully de-listed Intermittent Power Resources are not subject to such requirements.

#### **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 fully or partially de-listed 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.** Fully and partially de-listed 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 planned outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals.

**III.13.6.2.5. Demand Resources.** Fully or partially de-listed Demand Resources may not submit offers into the Day-Ahead Energy Market or Real-Time Energy Market.

### **III.13.7. Performance, Payments and Charges in the Forward Capacity**

**Market.** 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 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 ownership of a resource that has assumed a Capacity Supply Obligation, within two weeks following the transfer of ownership, the resource owner must provide written notification to the ISO of its intent to: (i) cover the Capacity Supply Obligation in a reconfiguration auction or through a Capacity Supply Obligation Bilateral; or (ii) transfer the Capacity Supply Obligation to the new resource owner. If the resource owner elects option (ii) above, the resource owner must provide documentation of the assumption of the Capacity Supply Obligation with confirmation by the new resource owner.

#### **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) In all Capacity Zones, 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 that experienced price separation in the associated Forward Capacity Auction, 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 region shall be exempt from a Shortage Event if there is price separation for the applicable Capacity Zone in the Forward Capacity Auction and an OP4 Action 6, OP4 Action I 1, 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. 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.13.7.1.1.2. Availability Scores.** The availability score of a resource in a Shortage Event shall be calculated for each hour or partial hour in the Shortage Event. In the event that there are no Shortage Event hours during a month, no availability penalties will be assessed. The availability score in any hour during a Shortage Event may not exceed 100 percent.

**III.13.7.1.1.3. Available Resources.** A resource will be considered available to the extent it meets any of the following criteria:

- (a) The resource is on-line and following ISO dispatch instructions. If the resource has declared its Economic Maximum Limit to a MW value less than its Capacity Supply Obligation, its availability score for each hour or portion thereof during the Shortage Event will be equal to the ratio of its

potential output at the re-declared Economic Maximum Limit to its Capacity Supply Obligation expressed as a percentage. If the ISO has imposed a limit on the resource's Economic Maximum Limit, the resource's availability score will be calculated using its most recently submitted Economic Maximum Limit, provided it is following ISO dispatch instructions; or

- (b) The resource is off-line and available and has a notification time plus start time of thirty minutes or less. Such resource will be considered available up to its Economic Maximum Limit. If the resource has declared its Economic Maximum Limit to a MW value less than its Capacity Supply Obligation, its availability score for each hour or portion thereof during the Shortage Event will be equal to the ratio of its potential output at the re-declared Economic Maximum Limit to its Capacity Supply Obligation expressed as a percentage. If the ISO has imposed a limit on the resource's Economic Maximum Limit, the resource's availability score will be calculated using the Economic Maximum Limit most recently submitted by the Lead Market Participant for the resource, provided the resource is following ISO dispatch instructions; or

- (c) The resource is off-line and available and has a notification plus 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. A resource shall not be considered available if it fails to come on-line in accordance with its verified unit characteristics when called by the ISO either in its Resource Adequacy Assessment process or otherwise prior to or during the delivery day. If the resource has declared its Economic Maximum Limit to a MW value less than its Capacity Supply Obligation, its availability for each hour or portion thereof during the Shortage Event will be equal to the ratio of its potential output at the re-declared Economic Maximum Limit to its Capacity Supply Obligation expressed as a percentage. If the ISO has imposed a limit on the resource's Economic Maximum

Limit, the resource's availability score will be calculated using the Economic Maximum Limit most recently submitted by the Lead Market Participant for the resource, provided the resource is following ISO dispatch instructions.

- (d) The resource was 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). Maine Independence Station shall be considered available when derated or not committed because of a constraint on the Orrington South, Surowiec South or Maine - New Hampshire interfaces.
  
- (e) The resource, including New Import Capacity Resources and Existing Import Capacity Resources backed by an external resource, is on a maintenance outage during the Obligation Month that was approved in the ISO's annual maintenance scheduling process provided that:

- (i) Unless specifically requested by the ISO, the resource has not scheduled such maintenance in either December or January, or during the period June 1 through September 15; and
- (ii) The resource has not exceeded the maximum allowable days of annual maintenance at the time of the Shortage Event as described in the ISO New England Manuals and ISO New England Administrative Procedures.
- (f) The resource was denied a self-schedule request by the ISO and therefore was not available in the Real-Time Energy Market.
- (g) A resource that is partially de-listed and otherwise meets the criteria of this Section III.13.7.1.1.3 and its Capacity Supply Obligation is less than that resource's declared Economic Maximum Limit in any hour during the Shortage Event, shall be considered fully available.
- (h) If a New Generating Capacity Resource that has cleared in the Forward Capacity Auction has completed construction but is not able to achieve Commercial Operation and cannot

conduct its capability audit due to a planned transmission facility not being in service (e.g., a radial interconnection):

- (i) The New Generating Capacity Resource will not be paid for its Capacity Supply Obligation; and
- (ii) The New Generating Capacity Resource will maintain its Capacity Supply Obligation.

- (i) If a New Generating Capacity Resource that has cleared in the Forward Capacity Auction has completed construction, is not able to achieve Commercial Operation, and is able to conduct a capability audit for a portion of its Qualified Capacity due to a planned transmission facility not being in service (e.g., a radial interconnection):

- (i) The New Generating Capacity Resource will be paid for its Capacity Supply Obligation; and
- (ii) The New Generating Capacity Resource will be exempt from availability penalties until the planned transmission facility is in service.

- (j) The Shortage Event Availability Score of an otherwise unavailable resource may be augmented by the use of supplemental resources pursuant to Section to III.13.7.1.1.4.

**III.13.7.1.1.4. Supplementing of Availability.** A resource's Lead Market Participant may supplement the availability score of its resource in a Shortage Event with another resource, or a portion thereof, that does not have a Capacity Supply Obligation for the Capacity Commitment Period (or portion thereof). The Lead Market Participant can supplement its availability on a daily basis and must make such election during the Day-Ahead Energy Market offer and bid period as detailed in the ISO New England Manuals. The "substitute" resource, or portion thereof, must be on-line and following dispatch instructions, and assume the obligations of a listed resource during the Shortage Event, or portion thereof for which it is providing service, to receive credit for supplemental availability.

**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.13.7.1.2. Import Capacity.** An Import Capacity Resource with a Capacity Supply Obligation will be subject to performance based on Shortage Events defined in Section III.13.7.1.1.1, where the Import Capacity Resource is

considered available to the extent it meets any of the following criteria:

- (a) The resource is an Import Capacity Resource and the corresponding fixed External Transaction or dispatchable External Transaction has been offered in accordance with the ISO New England Manuals and is delivering energy in accordance with ISO dispatch instructions during all hours of the Shortage Event.
- (b) The resource is an Import Capacity Resource and the corresponding fixed or dispatchable External Transaction has been offered in accordance with the ISO New England Manuals and is not delivering energy during all hours of the Shortage Event because the ISO has not requested dispatch of the transaction.
- (c) The resource is an Import Capacity Resource and was offered to the Day-Ahead Energy Market 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. With regard to imports of capacity, in the event the transfer limit on the relevant external interface is reduced or curtailed, the Import Capacity Resource shall still be required to comply with its Real-Time offer in accordance with ISO dispatch instructions, or shall be

considered unavailable to the extent it is unable to do so.

**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.** Non-Intermittent Settlement Only Resources shall be subject to the performance measures defined in Section III.13.7.1.1. However, their availability score will equal the actual integrated hourly output of the resource during the Shortage Event, divided by the Capacity Supply Obligation of the resource during the Shortage Event. Since the metering equipment associated with these resources cannot measure output at smaller than one hour intervals, the duration of the Shortage Event shall be rounded up to the nearest 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

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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. 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.13.7.1.5.2. Capacity Values of Certain Distributed Generation.** 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'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 the quantity of reduced demand, calculated at the end-use customer meter, produced by a Demand Resource. All Demand Reduction Values are based on reductions in end-use demand on the electricity network in the New England Control Area coincident with 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. The Demand Reduction Value of a combined Demand Resource that reduces load and generates output simultaneously for a single facility shall be its Average Hourly Output, if registered as an On-Peak Demand Resource, a Seasonal Peak Demand Resource, or a Real-Time Emergency Generation Resource, or Weighted Average Hourly Output, if registered as a Critical Peak Demand Resource or a Real-Time Demand Response Resource, which reflects the combined impact of the load reduction and Distributed Generation

output on reducing overall end-use demand on the electricity network in the New England Control Area.

**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. Should a new On-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, the missing data shall be supplemented with engineering estimates or audit results pursuant to its Measurement and Verification Plan.

**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 Average Hourly Load Reduction or Average Hourly Output in the 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 Average Hourly Load Reduction or Average Hourly Output in the 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 based on the Demand Reduction Value established for the previous month. Should a new Seasonal 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, the missing data shall be supplemented with engineering estimates or audit results pursuant to its Measurement and Verification Plan. A Seasonal Peak Demand Resource supplier will have the option of conducting an audit before the end of a month to establish its Demand Reduction Value for a subsequent month in which there are no Demand Resource Seasonal Peak Hours, provided that the audit results shall not supplant the summer or winter seasonal Demand Reduction Value based on Demand Resource Seasonal 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 Seasonal Peak Hours occur, provided, however, that audit results can not be used to determine the Demand Reduction Value for a month greater than twelve (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 set forth in Section III.13.1.4.2.2.3.

**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 Average Hourly Load Reduction or Average Hourly Output in the 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 Average Hourly Load Reduction or Average Hourly Output in the 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 shall be 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 based on its Weighted Average Hourly Load Reduction or Weighted 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, December or January, the Demand Reduction Value for those months shall be based on 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 Critical Peak Demand Resource supplier will have the option of conducting an audit 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 supplant 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 twelve (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 based on (i) the simple average of its Weighted Average Hourly Load Reduction or Weighted 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 Weighted Average Hourly Load Reduction or Weighted Average Hourly Output in the most recent months of June, July and August and (b) its Weighted Average Hourly Load Reduction or Weighted 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 based on: (i) the simple average of its Weighted Average Hourly Load Reduction or Weighted 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 Weighted Average Hourly Load Reduction or Weighted Average Hourly Output in the most recent months of December and January and (b) its Weighted Average Hourly Load Reduction or Weighted 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.** Monthly Demand Reduction Values shall be determined. For the months of June, July, August, December, and January, the Demand Reduction Value of Real-Time Demand Response Resources shall be based on its Weighted Average Hourly Load Reduction or Weighted Average Hourly Output during Real-Time Demand Response Event Hours in the month. If there are no Real-Time Demand Response Event Hours in the months of July, August, or January, the Demand Reduction Value for those months shall be based on the Demand Reduction Value established for the previous month. Should a new Real-Time Demand Response 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, then the missing data

shall be supplemented with audit results pursuant to its Measurement and Verification Plan. A Real-Time Demand Response Resource provider will have the option of conducting an audit before the end of a month to establish its Demand Reduction Value for a subsequent month in which there are no Real-Time Demand Response Event Hours, provided that the audit results shall not supplant the summer or winter seasonal Demand Reduction Value based on Real-Time Demand Response Event 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 Real-Time Demand Response Event Hours occur, provided, however, that audit results cannot be used to determine the Demand Reduction Value for a month greater than twelve (12) months from the date the audit was conducted. Procedures for scheduling and conducting an audit must be submitted as part of the Measurement and Verification Plan pursuant to Section III.13.1.4.2.2.3.

**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 based on (i) the simple average of its Weighted Average Hourly Load Reduction or Weighted Average Hourly Output 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 Weighted Average Hourly Load Reduction or Weighted Average Hourly Output in the most recent months of June, July and August and (b) its Weighted Average Hourly Load Reduction or Weighted Average Hourly Output 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 based on (i) the simple average of its Weighted Average Hourly Load Reduction or Weighted Average Hourly Output 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 Weighted Average Hourly Load Reduction or Weighted Average Hourly Output in the most recent months of December and January and (b) its Weighted Average Hourly Load Reduction or Weighted Average Hourly Output across

the Real-Time Demand Response Event Hours in the month if there are Real-Time Demand Response Event Hours in the month.

**III.13.7.1.5.8. 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 based on its Average Hourly Output during all the Real-Time Emergency Generation Event Hours in the month. If there are no Real-Time Emergency Generation Event Hours in the months of July, August, or January, the Demand Reduction Value for those months shall be based on the Demand Reduction Value established for the previous month. Should a new Real-Time Emergency Generation 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, then the Demand Reduction Value shall be established using audit results pursuant to its Measurement and Verification Plan. A Real-Time Emergency Generation Resource provider will have the option of conducting an audit before the end of a month to establish its Demand Reduction Value for a subsequent month in which there are no Real-Time

Emergency Generation Event Hours, provided that the audit results shall not supplant the summer or winter seasonal Demand Reduction Value based on Real-Time Emergency Generation Event 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 Real-Time Emergency Generation Event Hours occur, provided, however, that audit results can not be used to determine the Demand Reduction Value for a month greater than twelve (12) months from the date the audit was conducted. Procedures for scheduling and conducting an audit must be submitted as part of the Measurement and Verification Plan, pursuant to Section III.13.1.4.2.2.3.

**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 based on the simple average of the Average Hourly Output 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 based on the Average Hourly Output 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 based on the simple average of the Average Hourly Output 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 based on the Average Hourly Output during all the Real-Time Emergency Generation Event Hours in the month.

**III.13.7.1.6. Self-Supplied FCA Resources.** Import Capacity Resources, Generating Capacity Resources, and Intermittent Power Resources may be designated as Self-Supplied FCA Resources. Such Self-Supplied FCA Resources are subject to the availability penalties and credits as defined by their resource type. If a Self-Supplied FCA Resource that is subject to availability penalties is unavailable during a Shortage Event, the associated load serving entity shall be responsible for paying the associated availability penalty. Self-Supplied FCA Resources that are subject to availability penalties shall be eligible to receive

their pro-rata share of availability credits paid by other capacity resources.

**III.13.7.1.7. Offers Composed of Separate Resources that are Not Available.** With the exception of those resources noted in Section III.13.7.1.2(c), in the case of an offer composed of separate resources clearing in a Capacity Zone that was modeled as an export-constrained Capacity Zone and experienced price separation in the associated Forward Capacity Auction and the Shortage Event is declared in the export-constrained Capacity Zone, the resource will be considered unavailable up to its Capacity Supply Obligation to the extent it cannot make Real-Time delivery because the relevant internal interface is already flowing its rated maximum electrical transfer capability in Real-Time.

**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 Self-Supplied FCA Resources; (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 and listed capacity and the Capacity Clearing Price in the appropriate Capacity Zone in the New England Control Area (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) 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, seasonal, 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.
- (d) **HQICC Used in the Calculation of the Installed Capacity Requirement.** In order to treat HQICCs as a load reduction, the Installed Capacity Requirement quantity for each month shall be increased by the amount of HQICC used in the calculation of the Installed Capacity Requirement used in the Forward Capacity Market. Each holder of HQICCs shall be credited with its share of the total monthly HQICC amount as an Existing Capacity Resource located in the Capacity Zone in which the HQ Phase I/II External Node is located as specified in Section III.13.1.3.

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**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 that have cleared the Forward Capacity Auction and are exporting capacity through an import-constrained Capacity Zone, then charges and credits are applied as follows (for the following calculation, the Net Regional Clearing Price will be the value prior to PER adjustments).

Charge Amount to Resource Exporting = [Net Regional Clearing Price<sub>location of the interface</sub> - Net Regional Clearing Price<sub>location of the resource</sub>] x Cleared MWs of Export Bid or Administrative Export Bid]

Credit Amount to load in the Capacity Zone where the export interface is located= [Net Regional Clearing Price<sub>location of the interface</sub> - Net Regional Clearing Price<sub>location of the resource</sub>] x Cleared MWs of Export Bid or Administrative Export De-list Bid]

Charge Amount to Capacity Zone where Resource is located = Net Regional Clearing Price<sub>location of the resource</sub> X Cleared MWs of Export Bid or Administrative Export De-list Bid]

Credit Amount to load in the Capacity Zone where the export interface is located = Net Regional Clearing Price<sub>location of the resource</sub> X Cleared MWs of Export Bid or Administrative Export De-list Bid]

**III.13.7.2.3. Intermittent Power Resources.** An Intermittent Power Resource shall be entitled to monthly payments during the Capacity Commitment Period based on the product of its Qualified Capacity as determined in Section III.13.1.1.2.2.6 and Section III.13.1.2.2.2 and the Capacity Clearing Price or reconfiguration auction clearing price to the extent the resource clears in a Forward Capacity Auction or reconfiguration auction, provided that the awarded Qualified Capacity of a New Generating Capacity Resource that is an Intermittent Power Resource will be adjusted after the first year of its Capacity Supply Obligation to the extent that capacity is not provided during its elected Capacity Commitment Period. For example, if the length of the Capacity Supply Obligation equals three years:

- (a) After the first year of the Capacity Supply Obligation, its summer and winter Qualified

Capacity shall be weighted by 2/3 of the Qualification data and 1/3 of the actual performance data of the New Generating Capacity Resource that is an Intermittent Power Resource;

- (b) After the second year of its Capacity Supply Obligation, its summer and winter Qualified Capacity shall be weighted by 1/3 of the Qualification data and 2/3 of the actual performance data of the New Generating Capacity Resource that is an Intermittent Power Resource;
- (c) After the third year of its Capacity Supply Obligation, its summer and winter Qualified Capacity shall be based entirely on the actual performance data of the New Generating Capacity Resource that is an Intermittent Power Resource. The phase-in of actual performance will be a function of the number of previous years used to determine the seasonal values of a New Generating Capacity Resource that is an Intermittent Power Resource.

#### **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 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 Intermittent Power Resources as described in Section 13.7.2.3.

**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 as the product of the Demand Resource's Capacity Supply Obligation multiplied by the Capacity Clearing Price in the Forward Capacity Auction for the relevant Capacity Commitment Period or the reconfiguration auction clearing price as appropriate. For a New Demand 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) 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. 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 as the product of the resource's Capacity Supply Obligation multiplied by the Capacity Clearing Price (as adjusted pursuant to Section III.13.2.7.3(b), if applicable) for the relevant Capacity Commitment Period or the reconfiguration auction clearing price, as appropriate. If the sum of the Capacity Supply Obligations of Real-Time Emergency Generation Resources exceeds 600 MW, the effective Capacity Clearing Price 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. 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.13.7.2.6. Self-Supplied FCA Resources.** Self-Supplied FCA Resources shall not receive monthly capacity payments. 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 designating such resources as described in Section III.13.1.6. The amount of Self-Supplied FCA Resources designated by a load serving entity shall be determined pursuant to Section III.13.1.6. In the event that the load serving entity's share of the Installed Capacity Requirement in the Capacity Zone in the Obligation Month is less than the amount of designated Self-Supplied FCA Resources, the excess will not receive compensation in the Forward Capacity Market.

**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 shall be decreased by Peak Energy Rents ("PER")

calculated in each Capacity Zone that experienced price separation in the Forward Capacity Auction, as provided below. The PER calculation shall utilize hourly integrated Real-Time LMPs. If there is zonal price separation in the Forward Capacity Auction, 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). If there is no price separation in the Forward Capacity Auction, PER shall be computed based on the Real-Time Hub Price.

**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 deemed incremental cost of a marginal proxy unit as described below

Scaling Factor = the ratio of actual hourly integrated system load 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 lower of ultra low-sulfur No. 2 oil measured at New York Harbor plus a seven percent mark-up 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) For the first Capacity Commitment Period, 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 the Obligation Month to determine the total PER for the Obligation Month ("Monthly PER"). The ISO shall then calculate the Average Monthly PER earned by the proxy unit equal to the 12 month rolling average Monthly PER prior to the Obligation Month. The PER deduction shall be calculated as follows:

$$\text{PER Adjustment} = \text{Average Monthly PER} \times \text{Capacity Supply Obligation}$$

- (b) PER shall be deducted from capacity payments independently of availability adjustments.
- (c) FCA Payment minus PER may not be negative for any month.

**III.13.7.2.7.1.2. Availability Adjustments.**

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 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 a resource that cleared in the Forward Capacity Auction as a New Generating Capacity Resource and that elected, pursuant to Sections III.13.1.1 and III.13.1.1.2.2.4, to have the Capacity Clearing Price and Capacity Supply Obligation associated with the cleared capacity continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction, availability penalties and penalty caps in the subsequent Capacity Commitment Periods shall be based on the Capacity Clearing Price associated with the Forward Capacity Auction in which the capacity cleared, indexed using the Handy-Whitman Index of Public Utility Construction Costs, for as many Capacity Commitment Periods as the resource elected to have that Capacity

Clearing Price apply. 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:

Penalty = [Resource's Annualized FCA Payment]\*PF\*[1 – Shortage Event Availability Score]

Where:

Annualized FCA Payment = the relevant Capacity Clearing Price 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.

Shortage Event Availability Score = the sum of all the availability scores during each hour and time weighted partial hour of the Shortage Event divided by the number of hours in the Shortage Event. Partial hours shall be weighted by the ratio of minutes in the partial hour to sixty minutes.

**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 is de-listed, in part or in full, for only a portion of a year, the annual cap on availability penalties 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 total FCA Payment 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 total FCA Payments for both months.
- (c) **Per Capacity Commitment Period.** The sum of a resource's annual penalties may not exceed its total 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 listed Generating Capacity Resources and Import Capacity Resources that were available in

the respective hours on a Capacity Zone basis as follows: For each Shortage Event in an Obligation Month, the penalties assessed for that event will be credited to those listed resources that were available, in whole or in part, during that Shortage Event, pro-rata by hourly available MW in the relevant Capacity Zones. Generating Capacity Resources and Import Capacity Resources, including supplemental available resources, that over-performed in the event will be recognized for this over-performance in the distribution of the penalty dollars in the relevant Capacity Zone. 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.** Import Capacity Resources shall be subject to the same adjustments as Generating Capacity Resources as described in Section III.13.7.2.7.1.

**III.13.7.2.7.3. Intermittent Power Resources.** Monthly capacity payments to Intermittent Power Resources are subject to PER adjustments but are not subject to any additional availability adjustments.

#### **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 adjustments 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 adjustments.

#### **III.13.7.2.7.5. Demand Resources**

##### **III.13.7.2.7.5.1. Calculation of Monthly Capacity**

**Variations.** 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 Incentives.

#### **III.13.7.2.7.5.2. Negative Monthly Capacity**

**Variations.** 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 in the Forward Capacity Auction for the relevant Capacity Commitment Period. 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, 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**

**Variations.** 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, 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 in the Forward Capacity Auction for the relevant Capacity Commitment Period, provided that the sum of the Demand Resource Performance Penalties in the month is equal to or greater than the sum of the Demand Resource Performance Incentives in the same month. 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, 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, indexed using the Handy-Whitman Index of Public Utility Construction Costs, provided that the sum of the Demand Resource Performance Penalties in the month is equal to or greater than the sum of the Demand Resource Performance Incentives in the same month.

**III.13.7.2.7.5.4. Determination of Net Payment.**

If the sum of the Demand Resource Performance Penalties in a month is less than the sum of the Demand Resource Performance Incentives in the same month, the total amount of Demand Resource Performance Penalties shall be paid on a pro-rata basis, based on the Monthly Capacity Variance to each Demand Resource with a positive Monthly Capacity Variance. The total amount of the Demand Resource Performance Incentives in a month may not exceed the total amount of the Demand Resource Performance Penalties in the same month.

The total of the Demand Resource Performance Incentives in a month can not exceed the total of the Demand Resource Performance Penalties in the same month. If the total Demand Resource Performance Penalties in a month exceeds the total Demand Resource Performance Incentives in the same month, the difference shall not be collected from load serving entities (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 but shall be subject to the availability adjustments 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 13.7.2 paid to resources with Capacity Supply Obligations in the Capacity Zone, plus the sum of reconfiguration auction payments to those resources in the zone that were purchased by the ISO either to support an increase in the Installed Capacity Requirement, to meet requirements deferred from the Forward Capacity Auction to the reconfiguration auction, or to replace resources previously selected where the cost of such replacement is assigned to load

serving entities in this Section III.13.2.5.2.5, less PER adjustments for resources in the zone as defined in Section 13.7.2.7.1.1 and less any forfeited financial assurance from resources in the zone as defined in Section III.13.1.9.2.3, divided by the sum of all Capacity Supply Obligations assumed by resources in the zone. The amount of capacity for which a load serving entity is obligated to pay will not be affected by the capacity traded through reconfiguration auctions by or the capacity traded through Capacity Supply Obligation Bilaterals. 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 that experienced price separation in the Forward Capacity Auction. If there is no price separation in the Forward Capacity Auction, the Capacity Requirement shall be a system-wide Installed Capacity Requirement. A load serving entity's Capacity Requirement for each month and Capacity Zone shall equal the product of: (i) the total Installed Capacity Requirement (adjusted for HQICCs); 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 ending December 31 of the year prior to the start of the upcoming 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 ending December 31 of the year prior to the start of the upcoming Capability Year.

Each month, as customers are gained and lost by load serving entities through load-shifting, the ISO will adjust the Capacity Requirement for each load serving entity and Capacity Zone such that (i) the total Installed Capacity Requirement for each month and Capacity Zone remains constant and (ii) an individual load serving entity's Capacity Requirement reflects its gains and losses in each Capacity Zone. In addition, adjustments will be made to load serving entities' Capacity Requirements to account for customers entering and leaving each Capacity Zone. The net impact of customer entry and exit shall be proportionately allocated to load serving entities each Capacity Zone in accordance with the procedures in the ISO New England Manuals, such that the total Capacity Requirement for each month and Capacity Zone is unaffected.

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. 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.

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 three FCA delivery

periods for the purpose of determining the Capacity Requirement for the load associated with the Demand Resource. Beginning in February 2009, the ISO will evaluate, in consultation with NEPOOL stakeholders and state utility regulatory agencies, the need for a load reconstitution methodology for Demand Resources. The ISO will file its recommendation to institute or not to institute a load reconstitution methodology with the FERC pursuant to Section 205 of the Federal Power Act on or before September 1, 2009.

**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 interface associated with a Capacity Zone that has experienced price separation in the Forward Capacity Auction equal to that Capacity Zone’s Installed Capacity Requirement minus the Local Sourcing Requirement. Based upon results of the Forward Capacity Auction, each Market Participant allocated CTRs will receive a financial payment 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 capacity value of the Market Participant's CTR.

**III.13.7.3.3.2. Allocation of Capacity Transfer Rights.**

For Capacity Zones that experienced price separation in the Forward Capacity Auction, CTRs shall be allocated among load serving entities using the same methodology used to allocate Installed Capacity Requirements to load serving entities described in Section III.13.7.3.1 to the extent not allocated pursuant to Section III.13.7.3.2(c). The total CTRs to be allocated shall be net of the CTRs allocated pursuant to Section III.13.7.3.4.

- (a) **Connecticut Import Interface.** The allocation of CTRs associated with the Connecticut Import Interface shall be made to load serving entities based on their Capacity Requirement in the Connecticut Capacity Zone.
- (b) **NEMA/Boston Import Interface.** Except as provided in Section III.13.7.3.3.5 of this Market Rule, the allocation of CTRs associated with the NEMA/Boston Import Interface shall be made to load serving entities based on their Capacity Requirement in the NEMA/Boston Capacity Zone.

- (c) **Maine Export Interface.** Casco Bay shall receive an allocation of 325 MW of CTRs across the Maine Export Interface for as long as Casco Bay continues to pay to support the transmission upgrades. The balance of the CTRs shall be allocated to load serving entities on the import-constrained side of the Maine Export Interface.

**III.13.7.3.3.3. Allocations of CTRs Resulting From Revised Capacity Zones.** CTRs associated with revised definitions of Capacity Zones shall be fully allocated to load serving entities. Allocations of CTRs among load serving entities will be made using the same methodology used to allocate Capacity Requirements among load serving entities. The total CTRs to be allocated shall be net of the CTRs allocated pursuant to Section III.13.7.3.3.4.

- (a) **Import Constraints.** CTRs 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 Requirements in that import-constrained Capacity Zone.
- (b) **Export Constraints.** CTRs associated with newly defined export-constrained Capacity Zones shall be allocated to load serving

entities with Capacity Requirements on the constrained side of the interface.

**III.13.7.3.3.4. Allocations of CTRs Associated with**

**Transmission Upgrades.** 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 making it possible for the ISO to allocate additional CTRs, may request a CTR allocation in an amount equal to the increase in the number of CTRs available. The allocation of additional CTRs created through generator interconnections 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 and in the case of allocations of CTRs pursuant to Section III.13.7.3.3.2(c), the CTRs created shall be allocated in the same manner as described in Section III.13.7.3.3.2. CTRs resulting from transmission upgrades funded through the Pool PTF Rate shall be allocated in the same manner as described in Section III.13.7.3.3.2.

**III.13.7.3.3.5. Additional Provisions for CTR**

**Allocations Made to Resource Owners.** Holders of ownership shares of resources receiving CTR allocations, except to those CTRs allocated to Casco Bay pursuant to Section III.13.7.3.3.2, shall continue to receive CTR allocations until the

holders of ownership shares in such resources cease to make support payments for the interconnection facilities. Upon the retirement of a resource receiving CTR allocations, the CTRs previously allocated to that resource shall be reallocated on a proportionate basis to load serving entities with Capacity Requirements in accordance with the provisions of Section III.13.7.3.3.1 and Section III.13.7.3.3.2 as applicable.

**III.13.7.3.3.6. CTR Allocations 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. This initial allocation of CTRs shall be deducted from the total number of CTRs available on the NEMA/Boston Interface, with the remaining CTRs secondarily allocated in accordance with Sections III.13.7.3.3.2 of this Market Rule. The total megawatt value of CTRs allocated under this Section shall not exceed the entitlement holder's share of the Local Sourcing Requirement in the Capacity Zone, and the secondary allocation of CTRs received by these entitlement holders in accordance with the ISO New England Manuals shall be adjusted to ensure that these entitlement

holders do not receive a secondary allocation of CTRs for the portion of load which received CTRs in the initial allocation.

	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. 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.13.8. 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:
  - (i) which Capacity Zones shall be modeled in the Forward Capacity Auction;
  - (ii) the transmission interface limits used in the process of selecting which Capacity Zones shall be modeled in the Forward Capacity Auction;
  - (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 resources are accepted and rejected in the qualification process to participate in the Forward Capacity Auction; and
  - (vii) the Internal Market Monitoring Unit'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 Monitoring Unit review and the resource's net risk-adjusted going forward costs and opportunity costs as determined by the Internal Market Monitoring Unit. 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.
- (b) Any comments or challenges to the determinations contained in the informational filing described in Section III.13.8.1(a), 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. 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.

**III.13.8.3. Filing of Certain Determinations Made By the ISO Prior to Annual Reconfiguration Auctions.** For each annual reconfiguration auction, no later than 90 days prior to the auction, the ISO shall make an informational filing with the Commission detailing which resources are accepted in the qualification process to participate in the annual reconfiguration auction and providing supporting documentation for each such determination.

**III.13.8.4. Reporting on General Performance of the Forward Capacity Market.** The performance of the Forward Capacity Market, including reconfiguration auctions, shall be subject to the review of the Internal Market Monitoring Unit, consistent with the Internal Market Monitoring Unit's general authority as described in Section III.A.1 of this Market Rule. No later than 180 days after the completion of the second Forward Capacity Auction, the Internal Market Monitoring Unit shall file with the Commission and post to the ISO's website a full report analyzing the operations and effectiveness of the Forward Capacity Market. Thereafter, the Internal Market Monitoring Unit shall report on the functioning of the Forward Capacity Market in its annual markets report submitted to the Commission pursuant to Section 11.3 of Appendix A to this Market Rule.

### **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.

Sheet Nos. 7324 through 7399 are reserved for future use.