



October 29, 2015

VIA ELECTRONIC FILING

Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

**Re: ISO New England Inc. and New England Power Pool,
Docket No. ER16-___-000;
Part 2 of Two-Part Filing of Demand Response Changes;
Order Requested by December 31, 2015**

Dear Secretary Bose:

ISO New England Inc. (the “ISO”) joined by the New England Power Pool (“NEPOOL”) Participants Committee¹ (together, the “Filing Parties”), hereby jointly submit Part 2 of its changes to the ISO Tariff relating to the participation of demand response resources in New England wholesale markets (collectively, the “DR Changes”).²

Specifically, the DR Changes encompass: (i) delaying the full integration of demand response into the wholesale markets by one year (the “DR Delay Changes”); (ii) revising the methodology used to derive Demand Response Baselines (the “DR Baseline Changes”); and (iii) modifying the simultaneous auditing requirements of Real-Time Demand Response and Real-Time Emergency Generation Resources (the “DR Simultaneous Auditing Changes”).

¹ Capitalized terms used but not defined in this filing are intended to have the meaning given to such terms in the ISO New England Inc. Transmission, Markets and Services Tariff (“ISO Tariff”), the Second Restated New England Power Pool Agreement, and the Participants Agreement. Market Rule 1 is Section III of the ISO Tariff.

² Under New England's RTO arrangements, the rights to make this filing of changes to Market Rule 1 under Section 205 of the Federal Power Act are the ISO's. NEPOOL, which pursuant to the Participants Agreement provides the sole market participant stakeholder process for advisory voting on ISO matters, unanimously supported the changes reflected in this filing and accordingly, joins in this Section 205 filing.

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This filing letter and the attached revised ISO Tariff sections are Part 2 of a two-part contemporaneous submission to the Commission. Due to technical limitations associated with the Commission's eTariff system, the ISO is not able to submit multiple changes to the same ISO Tariff section that have different effective dates in one submission. Accordingly, Part 1 of the ISO's overall submission attaches the ISO Tariff changes that are proposed to become effective on December 31, 2015, namely, the DR Delay Changes and the DR Baseline Changes. Part 2 of the ISO's overall submission attaches the ISO Tariff changes that are proposed to become effective on June 1, 2016, namely, the DR Simultaneous Auditing Changes. ***The ISO respectfully requests that an order on both parts of this filing be issued by December 31, 2015.***

The explanation for all of the DR Changes is contained in the Part 1 filing letter. Attached to the Part 1 filing letter is the testimony of Henry Y. Yoshimura, the ISO's Director of Demand Resource Strategy in support of the DR Changes. This testimony is sponsored solely by the ISO.

Respectfully submitted,

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III.13.6. Rights and Obligations.

Resources assuming a Capacity Supply Obligation through a Forward Capacity Auction or resources assuming or shedding a Capacity Supply Obligation through a reconfiguration auction or a Capacity Supply Obligation Bilateral shall comply with this Section III.13.6 for each Capacity Commitment Period. In the event a resource with a Capacity Supply Obligation assumed through a Forward Capacity Auction, reconfiguration auction, or Capacity Supply Obligation Bilateral can not be allowed to shed its Capacity Supply Obligation due to system reliability considerations, the resource shall maintain the Capacity Supply Obligation until the resource can be released from its Capacity Supply Obligation. No additional compensation shall be provided through the Forward Capacity Market if the resource fails to be released from its Capacity Supply Obligation.

III.13.6.1. Resources with Capacity Supply Obligations.

A resource with a Capacity Supply Obligation assumed through a Forward Capacity Auction, reconfiguration auction, or a Capacity Supply Obligation Bilateral shall comply with the requirements of this Section III.13.6.1 during the Capacity Commitment Period, or portion thereof, in which the Capacity Supply Obligation applies.

III.13.6.1.1. Generating Capacity Resources.

III.13.6.1.1.1. Energy Market Offer Requirements.

A Generating Capacity Resource having a Capacity Supply Obligation shall be offered into both the Day-Ahead Energy Market and Real-Time Energy Market at a MW amount equal to or greater than its Capacity Supply Obligation whenever the resource is physically available. If the resource is physically available at a level less than its Capacity Supply Obligation, however, the resource shall be offered into both the Day-Ahead Energy Market and Real-Time Energy Market at that level. Day-Ahead Energy Market Supply Offers from such Generating Capacity Resources shall also meet one of the following requirements:

- (a) the sum of the Generating Capacity Resource's Notification Time plus Start-Up Time plus Minimum Run Time plus Minimum Down Time is less than or equal to 72 hours; or
- (b) if the Generating Capacity Resource cannot meet the offer requirements in Section III.13.6.1.1.1(a) due to physical design limits, then the resource shall be offered into the Day-Ahead Energy Market at a MW amount equal to or greater than its Economic Minimum Limit at a price of zero

or shall be self-scheduled in the Day-Ahead Energy Market at a MW amount equal to or greater than the resource's Economic Minimum Limit.

III.13.6.1.1.2. Requirement that Offers Reflect Accurate Generating Capacity Resource Operating Characteristics.

For each day, Day-Ahead Energy Market and Real-Time Energy Market offers for the listed portion of a resource must reflect the then-known unit-specific operating characteristics (taking into account, among other things, the physical design characteristics of the unit) consistent with Good Utility Practice.

Resources must re-declare to the ISO any changes to the offer parameters that occur in real time to reflect the known capability of the resource. A resource failing to comply with this requirement shall be subject to economic penalties described in Appendix B, in addition to any applicable availability penalties pursuant to Section III.13.7.2.7.1.2.

III.13.6.1.1.3. [Reserved.]

III.13.6.1.1.4. [Reserved.]

III.13.6.1.1.5. Additional Requirements for Generating Capacity Resources.

Generating Capacity Resources having a Capacity Supply Obligation are subject to the following additional requirements:

- (a) auditing and rating requirements as detailed in the ISO New England Manuals and ISO New England Operating Procedures;
- (b) Operating Data collection requirements as detailed in the ISO New England Manuals and Market Rule 1 and the requirement to provide to the ISO, upon request and as soon as practicable, confirmation of gas volume schedules sufficient to deliver the energy scheduled for each Generating Capacity Resource using natural gas;
- (c) outage requirements in accordance with the ISO New England Manuals and ISO New England Operating Procedures, provided, however, that the portion of a resource having no Capacity Supply Obligation is not subject to the forced re-scheduling provisions for outages in accordance with the ISO New England Manuals and ISO New England Operating Procedures.

III.13.6.1.2. Import Capacity Resources.

III.13.6.1.2.1. Energy Market Offer Requirements.

A Market Participant must offer energy associated with an Import Capacity Resource with a Capacity Supply Obligation into the Day-Ahead Energy Market and Real-Time Energy Market as one or more External Transactions for every hour of each Operating Day at the same external interface totaling an amount (MW) equal to the Capacity Supply Obligation unless the Import Capacity Resource is associated with an External Resource that is on an outage. In all cases the Import Capacity Resource is subject to the provisions in Section III.13.7 for the entire Capacity Supply Obligation of the Import Capacity Resource. A Market Participant with an Import Capacity Resource that fails to comply with this requirement may be subject to sanctions pursuant to Appendix B, in addition to any applicable availability penalties pursuant to Section III.13.7.2.7.2 for failing to deliver the External Transaction or External Transactions in the energy market as described in the ISO New England System Rules.

The offer requirements of Section III.13.6.1.2.1 will not apply to External Transactions associated with the VJO and NYPA Import Capacity Resources specified in Section III.13.1.3.3(c) for the duration of the contract provided the transactions are self-scheduled in both the Day-Ahead Energy Market and Real-Time Energy Market. If the energy associated with these contracts is not self-scheduled, the offer requirements and provisions of this section will apply to the applicable contract.

(a) All priced External Transactions associated with an Import Capacity Resource with a Capacity Supply Obligation must be offered each hour at or below the greater of either: (1) the offer threshold specified in Section III.13.6.1.2.1(b) for the Operating Day; (2) the offer threshold determined for the prior Operating Day; and (3) for any priced External Transactions from the New York Control Area the corresponding hourly day-ahead energy price (NYISO Location-Based Marginal Price) at the source interface.

(b) A daily offer threshold will be determined for each Operating Day and will apply to each hour of the Operating Day. From June 1, 2010 to May 31, 2013 the daily offer threshold is equal to the product of the PER Proxy Unit heat rate as described in Section III.13.7.2.7.1.1(b)(iii) and the lower of ultra low-sulfur No. 2 oil measured at New York Harbor plus a seven percent markup for transportation of day-ahead gas measured at the Algonquin City Gate, as determined on a daily basis. After May 31, 2013 the daily offer threshold is equal to the product of the applicable Forward Reserve Heat Rate as described in Section III.9.6.2 and the lower of ultra low-sulfur No. 2 oil measured at New York Harbor plus a seven

percent markup for transportation or day-ahead gas measured at the Algonquin City Gate, as determined on a daily basis.

(c) Submittal of External Transactions to the Day-Ahead Energy Market in support of a Capacity Supply Obligation for an Import Capacity Resource requires submittal of matching energy transactions to the Real-Time Energy Market; the External Transactions submitted to the Real-Time Energy Market must match the External Transactions submitted to the Day-Ahead Energy Market, subject to the right to submit different prices into the Real-Time Energy Market.

(d) External Transactions submitted to the Real-Time Energy Market in support of a Capacity Supply Obligation for an Import Capacity Resource must be submitted prior to the offer submission deadline for the Day-Ahead Energy Market the day before the Operating Day for which they are intended to be scheduled.

(e) A Market Participant submitting a priced External Transaction supporting an Import Capacity Resource with a Capacity Supply Obligation to the Real-Time Energy Market on an external interface where advance transmission reservations are required must link the transaction to the associated transmission reservation and NERC E-Tag no later than one hour before the operating hour in order to be eligible for scheduling in the Real-Time Energy Market. If a Market Participant does not link the transaction to the associated transmission reservation and NERC E-Tag in the Real-Time Energy Market for any hour during which the External Transaction would otherwise have been economically and reliably scheduled in the Real-Time Energy Market, the associated Import Capacity Resource shall be treated as having not delivered energy for the hour despite ISO requested dispatch under Section III.13.7.1.2 and III.13.7.2.7.2. A Market Participant submitting any other External Transaction to the Real-Time Energy Market must comply with the requirements in Section III.1.10.7(e) with respect to linking the transaction to the associated transmission reservation and NERC E-Tag.

III.13.6.1.2.2. Additional Requirements for Import Capacity Resources.

Import Capacity Resources are subject to the following additional requirements:

(a) information submittal requirements for External Transactions associated with resource or Control Area backed Import Capacity Resources as detailed in the ISO New England Manuals;

(b) resource backed Import Capacity Resources shall be subject to the outage requirements as detailed in the ISO New England Manuals and ISO New England Operating Procedures. Control Area backed Import Capacity Resources are not subject to such outage requirements;

(c) resource backed Import Capacity Resources are subject to the voluntary and mandatory re-scheduling of maintenance procedures outlined in the ISO New England Operating Procedures and ISO New England Manuals.

(d) at the time of submittal, each External Transaction shall reference the associated Import Capacity Resource.

III.13.6.1.3. Intermittent Power Resources.

III.13.6.1.3.1. Energy Market Offer Requirements.

Market Participants may submit offers into the Day-Ahead Energy Market for Intermittent Power Resources with a Capacity Supply Obligation. Market Participants are required to submit offers for Intermittent Power Resources with a Capacity Supply Obligation for use in the Real-Time Energy Market consistent with the characteristics of the resource. Day-Ahead projections of output shall be submitted as detailed in the ISO New England Manuals. For purposes of calculating Real-Time NCPC Charges, Intermittent Power Resources shall have a generation deviation of zero.

III.13.6.1.3.2. [Reserved.]

III.13.6.1.3.3. Additional Requirements for Intermittent Power Resources.

Intermittent Power Resources are subject to the following additional requirements:

(a) auditing and rating requirements as detailed in the ISO New England Manuals;

(b) Operating Data collection requirements as detailed in the ISO New England Manuals;

(c) complying with outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals.

III.13.6.1.4. Intermittent Settlement Only Resources and Non-Intermittent Settlement Only Resources.

III.13.6.1.4.1. Energy Market Offer Requirements.

Intermittent Settlement Only Resources and Non-Intermittent Settlement Only Resources may not submit Supply Offers into the Day-Ahead Energy Market or Real-Time Energy Market.

III.13.6.1.4.2. Additional Requirements for Settlement Only Resources.

Intermittent Settlement Only Resources and Non-Intermittent Settlement Only Resources having a Capacity Supply Obligation are subject to the following additional requirements:

- (a) auditing and rating requirements as detailed in the ISO New England Manuals;
- (b) Operating Data collection requirements as detailed in the ISO New England Manuals;
- (c) such resources are not subject to outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals.

III.13.6.1.5. Demand Resources.

III.13.6.1.5.1. Energy Market Offer Requirements.

Seasonal Peak Demand Resources, On-Peak Demand Resources and Real-Time Emergency Generation Resources may not submit Supply Offers into the Day-Ahead Energy Market or Real-Time Energy Markets. A Real-Time Demand Response Asset associated with a Real-Time Demand Response Resource may submit Demand Reduction Offers on a Day-Ahead and Real-Time basis pursuant to Appendix E.

Commencing June 1, 2018, a Market Participant with a Demand Response Capacity Resource having a Capacity Supply Obligation shall submit Demand Reduction Offers for its Demand Response Resources into the Day-Ahead Energy Market and Real-Time Energy Market. The sum of the Demand Reduction Offers must be equal to or greater than the Demand Response Capacity Resource's Capacity Supply Obligation whenever the Demand Response Resources are physically available. If the Demand Response Resources are physically available at a level less than the Demand Response Capacity Resource's Capacity Supply Obligation, the sum of the Demand Reduction Offers will equal that level and shall be

offered into both the Day-Ahead Energy Market and Real-Time Energy Market. Each Demand Reduction Offer from a Demand Response Resource made into the Day-Ahead Energy Market shall also meet one of the following requirements:

(a) the sum of the Demand Response Resource Notification Time plus Demand Response Resource Start-Up Time plus Minimum Reduction Time plus Minimum Time Between Reductions is less than or equal to 72 hours.

(b) the sum of the Demand Response Resource's Minimum Reduction Time plus the Minimum Time Between Reductions is less than or equal to 24 hours.

III.13.6.1.5.2. Requirement that Offers Reflect Accurate Demand Response Capacity Resource Operating Characteristics.

For each day, Demand Reduction Offers submitted into the Day-Ahead Energy Market and Real-Time Energy Market for a resource Demand Response Resources associated with a Demand Response Capacity Resource must reflect the then-known operating characteristics of the resource. Resources must re-declare to the ISO any changes to the offer parameters that occur in real time to reflect the operating characteristics 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.13.6.1.5.3. 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 and the auditing and rating requirements as detailed in Section III.13.6.1.5.4 and the ISO New England Manuals. Demand Response Capacity Resources having a Capacity Supply Obligation are subject to the following additional requirements:

(a) Operating Data collection requirements as detailed in the ISO New England Manuals and Market Rule 1;

(b) outage requirements in accordance with the ISO New England Manuals and ISO New England Operating Procedures, provided, however, that the portion of a resource having no Capacity Supply

Obligation is not subject to the forced re-scheduling provisions for outages in accordance with the ISO New England Manuals and ISO New England Operating Procedures.

III.13.6.1.5.4. Demand Response Auditing.

Demand Resources shall be subject to ISO conducted audits for the purposes of:

- (a) Auditing Demand Reduction Values or determining the Audited Demand Reduction for a Demand Resource;
- (b) Verifying the Commercial Operation of a Demand Resource; and
- (c) Verifying the Demand Reduction Value or the Audited Demand Reduction of the Demand Resource when the ISO, based on objective criteria, has determined that the Demand Reduction Value or the Audited Demand Reduction of a Demand Resource may not be credible.

New Demand Response Asset Audits shall be performed pursuant to Section III.13.6.1.5.4.8.

III.13.6.1.5.4.1. General Auditing Requirements for Demand Resources Excluding Demand Response Capacity Resources.

- (a) Audits of a Demand Resource will be conducted by simultaneously evaluating the performance of each demand asset that is mapped to that Demand Resource.
- (b) An audit of a Real-Time Emergency Generation Resource must be performed simultaneously with the audit of any Real-Time Demand Response Resources containing Real-Time Demand Response Assets that are located behind the same end-use customer meter as ~~the any~~ Real-Time Emergency Generation Assets mapped to the Real-Time Emergency Generation Resource except as provided in Section III.13.6.1.5.4.3.3.
- (c) An audit is valid beginning with the month in which the audit is performed, and remains valid until the next audit is performed for a like season, which shall be no later than the end of the next like seasonal DR Auditing Period. Additional audits performed in a month shall not replace the results of the initial audit conducted in a month and are valid on the first of the subsequent month following the audit. Audit results shall not replace a Demand Reduction Value that is based on Demand Resource Seasonal

Peak Hours, Real-Time Demand Response Event Hours, or Real-Time Emergency Generation Event Hours.

(d) If one or more demand assets of a Demand Resource do not have audit results at the time the Demand Resource is audited and the audit was conducted in a summer DR Auditing Period or a winter DR Auditing Period, then the contribution of those demand assets toward the audit value of the Demand Resource shall be effective starting with the later of: (i) the start of the DR Auditing Period, or (ii) the 1st of the month prior to the month of the audit provided the demand asset was available for dispatch by the ISO in that prior month, and if the demand asset was not available for dispatch in that prior month, then the 1st of the month in which the demand asset was available for dispatch.

III.13.6.1.5.4.2. General Auditing Requirements for Demand Response Capacity Resources.

- (a) Audits of Demand Response Resources associated with a Demand Response Capacity Resource will be conducted by simultaneously evaluating the performance of each Demand Response Asset that is mapped to a Demand Response Resource. The Demand Response Resources associated with a Demand Response Capacity Resource are not required to be evaluated simultaneously.
- (b) An audit of a Real-Time Emergency Generation Resource must be performed simultaneously with the audit of any Demand Response Resources containing Demand Response Assets that are located behind the same Retail Delivery Point as the Real-Time Emergency Generation Assets mapped to the Real-Time Emergency Generation Resource. When the output of the Real-Time Emergency Generation Asset is greater than the Demand Response Baseline, adjusted pursuant to Section III.8B.5, of the Demand Response Asset located at the same Retail Delivery Point and Net Supply is produced, the Net Supply is reduced by the difference between the Real-Time Emergency Generation Asset's output and the adjusted Demand Response Baseline of the Demand Response Asset.
- (c) An audit is valid beginning with the date on which the audit is performed, and remains valid until the next audit is performed for a like season, which shall be no later than the end of the next like Seasonal DR Audit period. For the Capacity Commitment Period commencing on June 1, 2018, the audit results for Demand Response Resources comprised of Demand Response Assets that were associated with a Real-Time Demand Response Resource in the prior Capacity Commitment

Period shall be the sum of the audit results for those assets in the prior like Seasonal DR Audit period. When using audit results from a period prior to June 1, 2018 for those former Real-Time Demand Response Assets, the Audited Full Reduction Time shall be 30 minutes.

- (d) If one or more Demand Response Assets of a Demand Response Resource do not have an Audited Demand Reduction at the time the Demand Response Resource is audited and the audit was conducted in a summer DR Auditing Period or a winter DR Auditing Period, then the contribution of those Demand Response Assets toward the Audited Demand Reduction of the Demand Response Resource shall be effective starting with the later of: (i) the start of the DR Auditing Period, or (ii) the 1st of the month prior to the month of the audit, provided the Demand Response Asset was available for dispatch by the ISO in that prior month, and if the Demand Response Asset was not available for dispatch in that prior month, then the 1st of the month in which the Demand Response Asset was available for dispatch.

III.13.6.1.5.4.3. Seasonal DR Audits.

A Seasonal DR Audit must be conducted for each Demand Resource during each seasonal DR Auditing Period.

III.13.6.1.5.4.3.1. Seasonal DR Audit Requirement.

A Market Participant shall submit each Demand Resource to an ISO initiated audit each season to verify the Demand Reduction Value or Audited Demand Reduction for the resource for one or more months of the season. The Seasonal DR Audit must be requested by the Market Participant for the Demand Resource within each Capacity Commitment Period in which the Demand Resource has a Capacity Supply Obligation. The summer DR Auditing Period begins on June 1 and ends on August 31. The winter DR Auditing Period begins on December 1 and ends on January 31. For all Demand Resources other than Demand Response Capacity Resources, audits performed during the summer DR Auditing Period will be used to establish the audit results for the months of June, July, and August, and audits performed during the winter DR Auditing Period will be used to establish the audit results for the months of December and January. For Demand Response Capacity Resources, audits performed during the summer DR Auditing Period will be used to establish the Audited Demand Reduction for the Demand Resource summer months of June, July, August, September, October, November, and the following April and May, and audits performed during the winter DR Auditing Period will be used to establish the Audited Demand Reduction for the Demand Resource winter months of December and the following January, February and March.

III.13.6.1.5.4.3.2. Failure to Request or Perform an Audit.

If by the 1st of August for the summer DR Auditing Period or by the 1st of January for the winter DR Auditing Period a Market Participant has not requested a Seasonal DR Audit for a Demand Resource, the Market Participant shall be deemed to have requested a Seasonal DR Audit on those respective dates. A Demand Resource that does not successfully perform a Seasonal DR Audit for a DR Auditing Period shall have the audit results of its mapped demand assets or Demand Response Assets set to zero.

III.13.6.1.5.4.3.3. Use of Event Performance Data to Satisfy Audit Requirements for Certain Resources.

A Real-Time Demand Response Resource or Real-Time Emergency Generation Resource that is not subject to Section III.13.6.1.5.4.1(b) and has received a Dispatch Instruction in a season for 100% of its highest Capacity Supply Obligation for the current DR Auditing Period lasting at least one hour, not including the 30 minute ~~Demand Response Resource Notification Time~~, may elect to a use the first 60 minute period of the event after the 30 minute ~~Demand Response Resource Notification Time~~ to satisfy the Seasonal DR Audit requirements. ~~for the applicable DR Auditing Period, subject to the provisions of Section III.13.6.1.5.4.1(b). A Real-Time Demand Response Resource or Real-Time Emergency-Generation Resource's audit value under this provision is based on the average load reduction or output demonstrated over the duration of the qualifying 60-minute period.~~

A Real-Time Demand Response Resource that is subject to Section III.13.6.1.5.4.1(b) and has received a Dispatch Instruction in a season for 100% of its highest Capacity Supply Obligation for the current DR Auditing Period lasting at least one hour, not including the 30 minute notification time, may elect to use the first a 60 minute period of the event after the 30 minute notification time to satisfy the Seasonal DR Audit requirements, provided that any Real-Time Demand Response Assets mapped to the Real-Time Demand Response Resource that are located behind the same end-use customer meter as Real-Time Emergency Generation Assets mapped to the Real-Time Emergency Generation Resource must be audited concurrently with the Real-Time Emergency Generation Resource audit in the same DR Auditing Period. The performance of Real-Time Demand Response Assets that are audited concurrently with a Real-Time Emergency Generation Resource audit in a DR Auditing Period shall be used in establishing the Real-Time Demand Response Resource's Seasonal DR Audit value for that DR Auditing Period.

A Real-Time Emergency Generation Resource that is subject to Section III.13.6.1.5.4.1(b) and has received a Dispatch Instruction in a season for 100% of its highest Capacity Supply Obligation for the

current DR Auditing Period lasting at least one hour, not including the 30 minute notification time, may elect to use a 60 minute period of the event to satisfy the Seasonal DR Audit requirements, provided that during this same 60 minute period, the Real-Time Demand Response Resource with Real-Time Demand Response Assets located behind the same end-use customer meter as a Real-Time Emergency Generation Asset mapped to the Real-Time Emergency Generation Resource has also received a Dispatch Instruction for 100% of its highest Capacity Supply Obligation for the current DR Auditing Period lasting at least one hour coincident with the dispatch of the Real-Time Emergency Generation Resource, not including the 30 minute notification time, and further provided that the Real-Time Demand Response Resource also elects to use this 60 minute period to satisfy its Seasonal DR Audit requirements.

A Real-Time Demand Response Resource or Real-Time Emergency Generation Resource's audit value under these provisions is based on the average load reduction or output demonstrated over the duration of the qualifying 60 minute period. If a Real-Time Demand Response Resource and a Real-Time Emergency Generation Resource subject to Section III.13.6.1.5.4.1(b) are dispatched concurrently, the qualifying 60 minute period is the first 60 minutes of the coincident dispatch after the 30 minute notification times of each resource. If there is no concurrent dispatch of the Real-Time Demand Response Resource and the Real-Time Emergency Generation Resource, the qualifying 60 minute period is the first 60 minute period of the event after the 30 minute notification time.

A Market Participant must request that an event be used to satisfy the Demand Resource's Seasonal DR Audit requirement or replace a currently effective audit result within seven days of the Operating Day on which the Dispatch Instruction for the Real-Time Demand Response Resource or Real-Time Emergency Generation Resource is received.

III.13.6.1.5.4.3.3.1. Demand Response Capacity Resources.

A Demand Response Capacity Resource may elect to use performance associated with a Capacity Scarcity Condition, or a time period when the ISO has declared a capacity deficiency pursuant to ISO New England Operating Procedure No. 4, that occurs during a DR Auditing Period in place of requesting a Seasonal DR Audit; provided that any Demand Response Asset of a Demand Response Resource associated with the Demand Response Capacity Resource on a forced curtailment or scheduled curtailment as defined in Section III.8B.6 is assessed a zero audit value.

If a Demand Response Resource associated with a Demand Response Capacity Resource does not reduce demand for some portion of the event, the audit results of its Demand Response Assets shall be set to

zero. Otherwise, the Demand Response Resources associated with a Demand Response Capacity Resource will be measured based upon their offered parameters per Section III.13.6.1.5.4.6(d), and the Audited Demand Reduction for each Demand Response Resource will be capped at the average Desired Dispatch Point for the Demand Response Resource over the audit duration by proportionally reducing each associated Demand Response Asset's audit results.

Within 7 calendar days of the event, the participant must inform the ISO that it wishes to use dispatch performance during the event to establish the Demand Response Resource's Audited Demand Reduction.

If an event occurs before a Demand Response Resource has established an Audited Demand Reduction value and the resource was not dispatched during the event at a level equal to its Maximum Reduction, a Market Participant may elect within seven calendar days after the event to set the Audited Demand Reduction of the Demand Response Resource equal to its CLAIM10 or CLAIM30 value at the time of the event as determined pursuant to Section III.9.5.3.

A Market Participant may elect to use performance associated with a CLAIM10 or CLAIM30 audit of a Demand Response Resource that occurs during a DR Auditing Period in place of requesting a Seasonal DR Audit of that resource provided that the audit was conducted in a manner that meets the requirements of a Seasonal DR Audit. Within seven calendar days of the CLAIM10 or CLAIM30 audit, the Market Participant must inform the ISO that it wishes to use dispatch performance during the audit to establish the Demand Response Resource's Seasonal DR Audit value.

III.13.6.1.5.4.4. Demand Resource Commercial Operation Audit.

(a) A Market Participant with a Demand Resource that has one or more increments that have not demonstrated commercial operation prior to the commencement of a Capacity Commitment Period shall perform a Demand Resource Commercial Operation Audit. The results of the Demand Resource Commercial Operation Audit shall be used to verify the commercial capacity of the Demand Resource and establish the Audited Demand Reduction of a Demand Response Resource.

(b) If a Demand Resource Commercial Operation Audit is not performed prior to the commencement of the Capacity Commitment Period, an audit must be requested in time for performance within the first month in which the Demand Resource has a Capacity Supply Obligation in the Capacity Commitment

Period or the Commercial Operation Date, whichever is earlier. A Demand Resource that does not successfully perform a Demand Resource Commercial Operation Audit prior to the end of the first month in which the Demand Resource has a Capacity Supply Obligation shall have the audit results of its mapped demand assets or Demand Response Assets set to zero.

(c) A Demand Resource that fails to demonstrate through its Demand Resource Commercial Operation Audit a demand reduction in the amount of its Capacity Supply Obligation shall be subject to the provisions of Section III.13.1.9 and Section III.13.3.4.

(d) A Market Participant may request additional Demand Resource Commercial Operation Audits during a Capacity Commitment Period to verify an increase in the commercial capacity of a Demand Resource.

(e) If a Demand Resource has summer Qualified Capacity, a Demand Resource Commercial Operation Audit must be performed during the summer season (April through November) to verify the commercial capacity of the resource. A Demand Resource Commercial Operation Audit performed during the winter season (December through March) may only be used to verify the winter commercial capacity of the resource.

(f) A Demand Resource Commercial Operation Audit performed during a summer DR Auditing Period or winter DR Auditing Period may be used to satisfy the Seasonal DR Audit requirement for the same seasonal period. If a Demand Resource conducts a Demand Resource Commercial Operation Audit outside of a summer DR Auditing Period or winter DR Auditing Period, the Seasonal DR Audit requirement shall not be satisfied, however the results shall be used in the calculation of the summer Seasonal DR Audit value or winter Seasonal DR Audit value as follows:

- (1) A Demand Resource Commercial Operation Audit conducted in the months of September, October, November, April, or May shall be considered a summer Seasonal DR Audit;
- (2) A Demand Resource Commercial Operation Audit conducted in February or March shall be considered a winter Seasonal DR Audit.

III.13.6.1.5.4.5. Additional Audits.

The ISO may initiate an audit to verify the Demand Reduction Value or Audited Demand Reduction of a Demand Resource when an evaluation based on objective criteria indicates a Market Participant is

claiming demand reductions in excess of the Demand Resource's actual capability. Such criteria include, but are not limited to:

- (a) A pattern of submitting to the ISO a level of available interruption that is less than the resource's Demand Reduction Value or Audited Demand Reduction during the same time period;
- (b) Actual loads for the underlying assets of the resource that, when aggregated, are below the resource's Demand Reduction Value or Audited Demand Reduction; or
- (c) Failure to achieve the dispatched interruption.

The results of an additional audit shall replace the results of the last like Seasonal DR Audit or Demand Resource Commercial Operation Audit.

The ISO may perform additional audits for a Demand Resource to establish the audit results or Audited Demand Reduction and the performance of the installed measures of the demand asset or Demand Response Asset. This additional auditing may consist of two levels.

- (a) Level 1 Audit: the ISO will establish the audit results by conducting a review of records of the demand asset or Demand Response Asset to verify that the reported measures have been installed and are operational. The audit shall include, but is not limited to, reviewing project or program databases, invoices, installation reports, work orders, and field inspection reports. In addition, the audit may involve reviewing any independent inspections or evaluations conducted as part of program implementation and program evaluation.
- (b) Level 2 Audit: the ISO shall establish the audit results by initiating or conducting an on-site field audit to verify the installation and performance of measures in the demand asset or Demand Response Asset. Such an audit may include a random or select sample of facilities and measures.

A level 1 audit is not required to precede a level 2 audit. If the results of the audit indicate that the demand reduction capability of the Demand Resource is less than or greater than its Demand Reduction Value or Audited Demand Reduction in the same period, then the Demand Reduction Value or Audited Demand Reduction shall be adjusted to the value demonstrated through the audit.

III.13.6.1.5.4.6. Audit Methodologies.

- (a) For On-Peak Demand Resources, audit results shall be established based on the Average Hourly Output or Average Hourly Load Reduction in the DR Auditing Period.
- (b) For Seasonal Peak Demand Resources, audit results shall be established based on Average Hourly Output or Average Hourly Load Reduction or their equivalent in the DR Auditing Period.
- (c) For Real-Time Demand Response Resources and Real-Time Emergency Generation Resources, audits will be conducted via a Dispatch Instruction sent by the ISO. Audit results for a Real-Time Demand Response Resource and Real-Time Emergency Generation Resource will be based on the sum of the average load reductions or average incremental output demonstrated during the audit by each demand asset mapped to the Demand Resource.
- (d) For Demand Response Resources associated with Demand Response Capacity Resources, audits will be conducted via a Dispatch Instruction. Audit results for the Demand Response Resources will be based on the sum of the average demand reductions demonstrated during the audit by each Demand Response Asset associated with the Demand Response Resource that is mapped to the Demand Response Capacity Resource using (i) each Demand Response Resource's Offered Full Reduction Time to establish the start of the audit period and (ii) the Minimum Reduction Time adjusted for ramping time as the audit duration. The Offered Full Reduction Time is the Demand Response Resource Notification Time plus the Demand Response Resource Start-Up Time plus ((the Maximum Reduction minus the Minimum Reduction) divided by the Demand Response Resource Ramp Rate). For purposes of determining the Offered Full Reduction Time, when the output of a Real-Time Emergency Generation Asset exceeds the Demand Response Baseline, adjusted pursuant to Section III.8B.5, of a Demand Response Asset located at the same Retail Delivery Point and Net Supply is produced, the Maximum Reduction is reduced by the difference between the Real-Time Emergency Generation Asset's output and the adjusted Demand Response Baseline of the Demand Response Asset.

III.13.6.1.5.4.7. Requesting and Performing an Audit.

- (a) Seasonal DR Audits and Demand Resource Commercial Operation Audits will be performed following the request of the Market Participant. Audits will be performed within 20 Business Days of the date requested by the Market Participant. The date and time of the audit will be unannounced. An audit

request may be denied by the ISO, and an audit may be rescheduled, if its performance will jeopardize the reliable operation of the electrical system.

(b) Seasonal DR Audits may be performed on different dates and at different times for Demand Response Resources associated with a Demand Response Capacity Resource if the Demand Response Resources have different offer parameters. In addition, the ISO will only schedule Demand Resource Commercial Operation Audits of a Demand Response Resource with Demand Response Assets that do not have an Audited Demand Reduction value.

(c) New Demand Response Asset Audits will be performed following the request of the Market Participant. The request for a New Demand Response Asset Audit by the Market Participant shall be made during the last seven days of the month. The audit will be performed on Business Days during the month following the date of the request by the Market Participant. The date and time of the audit will be unannounced. An audit request may be denied by the ISO, and an audit may be rescheduled, if its performance will jeopardize the reliable operation of the electrical system.

III.13.6.1.5.4.8. New Demand Response Asset Audits

A Market Participant may request a New Demand Response Asset Audit for all New Demand Response Assets that are mapped to a Demand Resource. The results of a New Demand Response Asset Audit may be used:

(a) In calculating the Seasonal DR Audit value for the Demand Resource to which the asset is mapped until the next Seasonal DR Audit for the full Demand Resource is conducted;

(b) In calculating the commercial capacity value of the Demand Resource for purposes of determining release of financial assurance pursuant to Section III.13.1.9.2.2, until the next Demand Resource Commercial Operation Audit is conducted;

(c) For determination regarding termination under Section III.13.3.4(c); and

(d) In the monthly calculation of a Demand Resource's Demand Reduction Value pursuant to Section III.13.7.1.5.7 and Section III.13.7.1.5.8.

When a New Demand Response Asset Audit is performed, the commercial capacity value and Seasonal DR Audit value of the Demand Resource to which the asset is mapped shall be updated to reflect any changes in the composition of the Demand Resource.

III.13.6.1.5.4.8.1. General Auditing Requirements for New Demand Response Assets.

(a) A New Demand Response Asset Audit will be conducted by simultaneously evaluating the performance of each New Demand Response Asset that is mapped to that Demand Resource.

(b) A New Demand Response Asset Audit is valid beginning with the month in which the audit is performed, and remains valid until the next Seasonal DR Audit is performed for a like season or until a Demand Resource Commercial Operation Audit is performed. Additional audits performed in a month shall not replace the results of the initial audit conducted in a month and are valid on the first of the month following the audit. Audit results shall not be used in the calculation of a Demand Reduction Value that is based on Demand Resource Seasonal Peak Hours, Real-Time Demand Response Event Hours, or Real-Time Emergency Generation Event Hours.

III.13.6.1.5.5. Reporting of Forecast Hourly Demand Reduction.

A Market Participant with Real-Time Demand Response Resources, or Real-Time Emergency Generation Resources shall, in accordance with the ISO New England Manuals and Operating Procedures, submit to the ISO a two-day forecast of each Demand Resource's Forecast Hourly Demand Reduction for each Operating Day. The Market Participant shall update its forecast, in accordance with the ISO New England Manuals and Operating Procedures, to reflect its estimate of each Demand Resource's Forecast Hourly Demand Reduction.

III.13.6.1.5.6. Reporting of Monthly Maximum Forecast Hourly Demand Reduction.

A Market Participant with Real-Time Demand Response Resources, or Real-Time Emergency Generation Resources shall, in accordance with the ISO New England Manuals and Operating Procedures, submit to the ISO each month a forecast of each resource's monthly maximum Forecast Hourly Demand Reduction for each of the next 12 months.

III.13.6.1.6. DNE Dispatchable Generator.

III.13.6.1.6.1. Energy Market Offer Requirements.

Beginning on June 1, 2019, Market Participants with DNE Dispatchable Generators with a Capacity Supply Obligation must submit offers into the Day-Ahead Energy Market for the full amount of the resource's expected hourly physical capability as determined by the Market Participant. Market Participants with DNE Dispatchable Generators having a Capacity Supply Obligation must submit offers for the Real-Time Energy Market consistent with the characteristics of the resource. For purposes of calculating Real-Time NCPC Charges, DNE Dispatchable Generators shall have a generation deviation of zero.

III.13.6.2. Resources without a Capacity Supply Obligation.

A resource that does not have any Capacity Supply Obligation shall comply with the requirements in this Section III.13.6.2, and shall not be subject to the requirements set forth in Section III.13.6.1 during the Capacity Commitment Period, or portion thereof, for which the resource has no Capacity Supply Obligation.

III.13.6.2.1. Generating Capacity Resources.

III.13.6.2.1.1. Energy Market Offer Requirements.

A Generating Capacity Resource having no Capacity Supply Obligation is not required to offer into the Day-Ahead Energy Market or Real-Time Energy Market.

III.13.6.2.1.1.1. Day-Ahead Energy Market Participation.

A Generating Capacity Resource having no Capacity Supply Obligation may submit an offer into the Day-Ahead Energy Market. If any portion of the offered energy clears in the Day-Ahead Energy Market, the entire Supply Offer, up to the Economic Maximum Limit offered into the Day-Ahead Energy Market, will be subject to all of the rules and requirements applicable to that market for the operating day, including the obligation to follow ISO dispatch instructions. Such a resource that clears shall be eligible for dispatch in the Real-Time Energy Market.

III.13.6.2.1.1.2. Real-Time Energy Market Participation.

A Market Participant with a Generating Capacity Resource having no Capacity Supply Obligation that did not submit an offer for the resource into the Day-Ahead Energy Market or the resource was offered into the Day-Ahead Energy Market and did not clear, must be Self-Scheduled or, in the case of a DNE Dispatchable Generator must submit an offer for the Real-Time Energy Market consistent with the characteristics of the resource, in order to participate in the Real-Time Energy Market and shall be subject

to all of the requirements associated therewith. Such a resource shall be eligible for dispatch in the Real-Time Energy Market.

III.13.6.2.1.2. Additional Requirements for Generating Capacity Resources Having No Capacity Supply Obligation.

Generating Capacity Resources having no Capacity Supply Obligation are subject to the following additional requirements:

- (a) complying with the auditing and rating requirements as detailed in the ISO New England Manuals;
- (b) complying with the Operating Data collection requirements detailed in the ISO New England Manuals; and
- (c) complying with outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals. Generating Capacity Resources having no Capacity Supply Obligation are not subject to the forced re-scheduling provisions for outages in accordance with the ISO New England Manuals and ISO New England Operating Procedures.

III.13.6.2.2. [Reserved.]

III.13.6.2.3. Intermittent Power Resources.

III.13.6.2.3.1. Energy Market Offer Requirements.

An Intermittent Power Resource having no Capacity Supply Obligation is not required to offer into the Day-Ahead Energy Market or Real-Time Energy Market.

III.13.6.2.3.2. Additional Requirements for Intermittent Power Resources.

Intermittent Power Resources are subject to the following additional requirements:

- (a) auditing and rating requirements as detailed in the ISO New England Manuals; and
- (b) Operating Data collection requirements as detailed in the ISO New England Manuals.

III.13.6.2.4. Intermittent Settlement Only Resources and Non-Intermittent Settlement Only Resources.

III.13.6.2.4.1. Energy Market Offer Requirements.

A Settlement Only Resource may not submit an offer into the Day-Ahead Energy Market or the Real-Time Energy Market.

III.13.6.2.4.2. Additional Requirements for Settlement Only Resources.

Settlement Only Resources are subject to the following additional requirements:

- (a) auditing and rating requirements as detailed in the ISO New England Manuals;
- (b) Operating Data collection requirements as detailed in the ISO New England Manuals;
- (c) such resources are not subject to outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals.

III.13.6.2.5. Demand Resources.

III.13.6.2.5.1. Energy Market Offer Requirements.

Real-Time Emergency Generation Resources, Seasonal Peak and On-Peak Demand Resources may not submit Supply Offers into the Day-Ahead Energy Market or Real-Time Energy Market. A Real-Time Demand Response Asset associated with a Real-Time Demand Response Resource may submit Demand Reduction Offers on a Day-Ahead and Real-Time basis pursuant to Appendix E1. A Market Participant with a Demand Response Resource associated with a Demand Response Capacity Resource without a Capacity Supply Obligation is not required to offer Demand Reduction Offers for the Demand Response Resource into the Day-Ahead Energy Market or Real-Time Energy Market.

For Demand Reduction Offers made into the Day-Ahead Energy Market and Real-Time Energy Market for such Demand Response Resources, the sum of the Demand Response Resource's Minimum Reduction Time plus the Minimum Time Between Reductions must also be less than or equal to 24 hours.

III.13.6.2.5.1.1. Day-Ahead Energy Market Participation.

A Market Participant with a Demand Response Resource not associated with a Demand Response Capacity Resource or a Demand Response Resource associated with a Demand Response Capacity Resource without a Capacity Supply Obligation, may submit a Demand Reduction Offer into the Day-Ahead Energy Market. If any portion of the Demand Reduction Offer clears in the Day-Ahead Energy Market, the entire Demand Reduction Offer, up to the Maximum Reduction offered into the Day-Ahead Energy Market, will be subject to all of the rules and requirements applicable to that market for the Operating Day, including the obligation to follow Dispatch Instructions. Such a resource that clears shall be eligible for dispatch in the Real-Time Energy Market.

III.13.6.2.5.1.2. Real-Time Energy Market Participation.

A Market Participant with a Demand Response Resource not associated with a Demand Response Capacity Resource or a Demand Response Resource associated with a Demand Response Capacity Resource without a Capacity Supply Obligation, that did not submit an offer into the Day-Ahead Energy Market or was offered into the Day-Ahead Energy Market and did not clear, may submit a Demand Reduction Offer in the Real-Time Energy Market and shall be subject to all of the requirements associated therewith. Such a resource shall be eligible for dispatch in the Real-Time Energy Market.

III.13.6.2.5.2. Additional Requirements for Demand Response Capacity Resources Having No Capacity Supply Obligation.

Demand Response Capacity Resources without a Capacity Supply Obligation are subject to the following additional requirements:

- (a) complying with the auditing and rating requirements as detailed in Section III.13.6.1.5.4 and the ISO New England Manuals;
- (b) complying with the Operating Data collection requirements detailed in the ISO New England Manuals; and
- (c) complying with outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals. Demand Response Capacity Resources having no Capacity Supply Obligation are not subject to the forced re-scheduling provisions for outages in accordance with the ISO New England Manuals and ISO New England Operating Procedures.

III.13.6.3. Exporting Resources.

A resource that is exporting capacity not subject to a Capacity Supply Obligation to an external Control Area shall comply with this Section III.13.6.3 and the ISO New England Manuals. Intermittent Power Resources, Settlement Only Resources, and Demand Resources are not permitted to back a capacity export to an external Control Area. The portion of a resource without a Capacity Supply Obligation that will be used in Real-Time to support an External Transaction sale must comply with the energy market offer requirements of Section III.1.10.7.

III.13.6.4. ISO Requests for Energy.

The ISO may request that a Demand Response Capacity Resource or Generating Capacity Resource having capacity that is not subject to a Capacity Supply Obligation provide energy for reliability purposes in the Real-Time Energy Market, but such resource shall not be obligated under Section III.13 of this Tariff by such a request to provide energy from that capacity, and shall not be subject to any availability penalties under Section III.13 of this Tariff by such a request for failure to provide energy from that capacity that is not subject to a Capacity Supply Obligation. If such resource does provide energy from that capacity, the resource shall be paid based on its most recent offer and is eligible for NCPC.

III.13.6.4.1. Real-Time High Operating Limit.

For purposes of facilitating ISO requests for energy under Section III.13.6.4, a Market Participant must report an up-to-date Real-Time High Operating Limit value at all times for a Generating Capacity Resource.

III.13.6. Rights and Obligations.

Resources assuming a Capacity Supply Obligation through a Forward Capacity Auction or resources assuming or shedding a Capacity Supply Obligation through a reconfiguration auction or a Capacity Supply Obligation Bilateral shall comply with this Section III.13.6 for each Capacity Commitment Period. In the event a resource with a Capacity Supply Obligation assumed through a Forward Capacity Auction, reconfiguration auction, or Capacity Supply Obligation Bilateral can not be allowed to shed its Capacity Supply Obligation due to system reliability considerations, the resource shall maintain the Capacity Supply Obligation until the resource can be released from its Capacity Supply Obligation. No additional compensation shall be provided through the Forward Capacity Market if the resource fails to be released from its Capacity Supply Obligation.

III.13.6.1. Resources with Capacity Supply Obligations.

A resource with a Capacity Supply Obligation assumed through a Forward Capacity Auction, reconfiguration auction, or a Capacity Supply Obligation Bilateral shall comply with the requirements of this Section III.13.6.1 during the Capacity Commitment Period, or portion thereof, in which the Capacity Supply Obligation applies.

III.13.6.1.1. Generating Capacity Resources.

III.13.6.1.1.1. Energy Market Offer Requirements.

A Generating Capacity Resource having a Capacity Supply Obligation shall be offered into both the Day-Ahead Energy Market and Real-Time Energy Market at a MW amount equal to or greater than its Capacity Supply Obligation whenever the resource is physically available. If the resource is physically available at a level less than its Capacity Supply Obligation, however, the resource shall be offered into both the Day-Ahead Energy Market and Real-Time Energy Market at that level. Day-Ahead Energy Market Supply Offers from such Generating Capacity Resources shall also meet one of the following requirements:

- (a) the sum of the Generating Capacity Resource's Notification Time plus Start-Up Time plus Minimum Run Time plus Minimum Down Time is less than or equal to 72 hours; or
- (b) if the Generating Capacity Resource cannot meet the offer requirements in Section III.13.6.1.1.1(a) due to physical design limits, then the resource shall be offered into the Day-Ahead Energy Market at a MW amount equal to or greater than its Economic Minimum Limit at a price of zero

or shall be self-scheduled in the Day-Ahead Energy Market at a MW amount equal to or greater than the resource's Economic Minimum Limit.

III.13.6.1.1.2. Requirement that Offers Reflect Accurate Generating Capacity Resource Operating Characteristics.

For each day, Day-Ahead Energy Market and Real-Time Energy Market offers for the listed portion of a resource must reflect the then-known unit-specific operating characteristics (taking into account, among other things, the physical design characteristics of the unit) consistent with Good Utility Practice.

Resources must re-declare to the ISO any changes to the offer parameters that occur in real time to reflect the known capability of the resource. A resource failing to comply with this requirement shall be subject to economic penalties described in Appendix B, in addition to any applicable availability penalties pursuant to Section III.13.7.2.7.1.2.

III.13.6.1.1.3. [Reserved.]

III.13.6.1.1.4. [Reserved.]

III.13.6.1.1.5. Additional Requirements for Generating Capacity Resources.

Generating Capacity Resources having a Capacity Supply Obligation are subject to the following additional requirements:

- (a) auditing and rating requirements as detailed in the ISO New England Manuals and ISO New England Operating Procedures;
- (b) Operating Data collection requirements as detailed in the ISO New England Manuals and Market Rule 1 and the requirement to provide to the ISO, upon request and as soon as practicable, confirmation of gas volume schedules sufficient to deliver the energy scheduled for each Generating Capacity Resource using natural gas;
- (c) outage requirements in accordance with the ISO New England Manuals and ISO New England Operating Procedures, provided, however, that the portion of a resource having no Capacity Supply Obligation is not subject to the forced re-scheduling provisions for outages in accordance with the ISO New England Manuals and ISO New England Operating Procedures.

III.13.6.1.2. Import Capacity Resources.

III.13.6.1.2.1. Energy Market Offer Requirements.

A Market Participant must offer energy associated with an Import Capacity Resource with a Capacity Supply Obligation into the Day-Ahead Energy Market and Real-Time Energy Market as one or more External Transactions for every hour of each Operating Day at the same external interface totaling an amount (MW) equal to the Capacity Supply Obligation unless the Import Capacity Resource is associated with an External Resource that is on an outage. In all cases the Import Capacity Resource is subject to the provisions in Section III.13.7 for the entire Capacity Supply Obligation of the Import Capacity Resource. A Market Participant with an Import Capacity Resource that fails to comply with this requirement may be subject to sanctions pursuant to Appendix B, in addition to any applicable availability penalties pursuant to Section III.13.7.2.7.2 for failing to deliver the External Transaction or External Transactions in the energy market as described in the ISO New England System Rules.

The offer requirements of Section III.13.6.1.2.1 will not apply to External Transactions associated with the VJO and NYPA Import Capacity Resources specified in Section III.13.1.3.3(c) for the duration of the contract provided the transactions are self-scheduled in both the Day-Ahead Energy Market and Real-Time Energy Market. If the energy associated with these contracts is not self-scheduled, the offer requirements and provisions of this section will apply to the applicable contract.

(a) All priced External Transactions associated with an Import Capacity Resource with a Capacity Supply Obligation must be offered each hour at or below the greater of either: (1) the offer threshold specified in Section III.13.6.1.2.1(b) for the Operating Day; (2) the offer threshold determined for the prior Operating Day; and (3) for any priced External Transactions from the New York Control Area the corresponding hourly day-ahead energy price (NYISO Location-Based Marginal Price) at the source interface.

(b) A daily offer threshold will be determined for each Operating Day and will apply to each hour of the Operating Day. From June 1, 2010 to May 31, 2013 the daily offer threshold is equal to the product of the PER Proxy Unit heat rate as described in Section III.13.7.2.7.1.1(b)(iii) and the lower of ultra low-sulfur No. 2 oil measured at New York Harbor plus a seven percent markup for transportation of day-ahead gas measured at the Algonquin City Gate, as determined on a daily basis. After May 31, 2013 the daily offer threshold is equal to the product of the applicable Forward Reserve Heat Rate as described in Section III.9.6.2 and the lower of ultra low-sulfur No. 2 oil measured at New York Harbor plus a seven

percent markup for transportation or day-ahead gas measured at the Algonquin City Gate, as determined on a daily basis.

(c) Submittal of External Transactions to the Day-Ahead Energy Market in support of a Capacity Supply Obligation for an Import Capacity Resource requires submittal of matching energy transactions to the Real-Time Energy Market; the External Transactions submitted to the Real-Time Energy Market must match the External Transactions submitted to the Day-Ahead Energy Market, subject to the right to submit different prices into the Real-Time Energy Market.

(d) External Transactions submitted to the Real-Time Energy Market in support of a Capacity Supply Obligation for an Import Capacity Resource must be submitted prior to the offer submission deadline for the Day-Ahead Energy Market the day before the Operating Day for which they are intended to be scheduled.

(e) A Market Participant submitting a priced External Transaction supporting an Import Capacity Resource with a Capacity Supply Obligation to the Real-Time Energy Market on an external interface where advance transmission reservations are required must link the transaction to the associated transmission reservation and NERC E-Tag no later than one hour before the operating hour in order to be eligible for scheduling in the Real-Time Energy Market. If a Market Participant does not link the transaction to the associated transmission reservation and NERC E-Tag in the Real-Time Energy Market for any hour during which the External Transaction would otherwise have been economically and reliably scheduled in the Real-Time Energy Market, the associated Import Capacity Resource shall be treated as having not delivered energy for the hour despite ISO requested dispatch under Section III.13.7.1.2 and III.13.7.2.7.2. A Market Participant submitting any other External Transaction to the Real-Time Energy Market must comply with the requirements in Section III.1.10.7(e) with respect to linking the transaction to the associated transmission reservation and NERC E-Tag.

III.13.6.1.2.2. Additional Requirements for Import Capacity Resources.

Import Capacity Resources are subject to the following additional requirements:

(a) information submittal requirements for External Transactions associated with resource or Control Area backed Import Capacity Resources as detailed in the ISO New England Manuals;

(b) resource backed Import Capacity Resources shall be subject to the outage requirements as detailed in the ISO New England Manuals and ISO New England Operating Procedures. Control Area backed Import Capacity Resources are not subject to such outage requirements;

(c) resource backed Import Capacity Resources are subject to the voluntary and mandatory re-scheduling of maintenance procedures outlined in the ISO New England Operating Procedures and ISO New England Manuals.

(d) at the time of submittal, each External Transaction shall reference the associated Import Capacity Resource.

III.13.6.1.3. Intermittent Power Resources.

III.13.6.1.3.1. Energy Market Offer Requirements.

Market Participants may submit offers into the Day-Ahead Energy Market for Intermittent Power Resources with a Capacity Supply Obligation. Market Participants are required to submit offers for Intermittent Power Resources with a Capacity Supply Obligation for use in the Real-Time Energy Market consistent with the characteristics of the resource. Day-Ahead projections of output shall be submitted as detailed in the ISO New England Manuals. For purposes of calculating Real-Time NCPC Charges, Intermittent Power Resources shall have a generation deviation of zero.

III.13.6.1.3.2. [Reserved.]

III.13.6.1.3.3. Additional Requirements for Intermittent Power Resources.

Intermittent Power Resources are subject to the following additional requirements:

(a) auditing and rating requirements as detailed in the ISO New England Manuals;

(b) Operating Data collection requirements as detailed in the ISO New England Manuals;

(c) complying with outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals.

III.13.6.1.4. Intermittent Settlement Only Resources and Non-Intermittent Settlement Only Resources.

III.13.6.1.4.1. Energy Market Offer Requirements.

Intermittent Settlement Only Resources and Non-Intermittent Settlement Only Resources may not submit Supply Offers into the Day-Ahead Energy Market or Real-Time Energy Market.

III.13.6.1.4.2. Additional Requirements for Settlement Only Resources.

Intermittent Settlement Only Resources and Non-Intermittent Settlement Only Resources having a Capacity Supply Obligation are subject to the following additional requirements:

- (a) auditing and rating requirements as detailed in the ISO New England Manuals;
- (b) Operating Data collection requirements as detailed in the ISO New England Manuals;
- (c) such resources are not subject to outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals.

III.13.6.1.5. Demand Resources.

III.13.6.1.5.1. Energy Market Offer Requirements.

Seasonal Peak Demand Resources, On-Peak Demand Resources and Real-Time Emergency Generation Resources may not submit Supply Offers into the Day-Ahead Energy Market or Real-Time Energy Markets. A Real-Time Demand Response Asset associated with a Real-Time Demand Response Resource may submit Demand Reduction Offers on a Day-Ahead and Real-Time basis pursuant to Appendix E.

Commencing June 1, 2018, a Market Participant with a Demand Response Capacity Resource having a Capacity Supply Obligation shall submit Demand Reduction Offers for its Demand Response Resources into the Day-Ahead Energy Market and Real-Time Energy Market. The sum of the Demand Reduction Offers must be equal to or greater than the Demand Response Capacity Resource's Capacity Supply Obligation whenever the Demand Response Resources are physically available. If the Demand Response Resources are physically available at a level less than the Demand Response Capacity Resource's Capacity Supply Obligation, the sum of the Demand Reduction Offers will equal that level and shall be

offered into both the Day-Ahead Energy Market and Real-Time Energy Market. Each Demand Reduction Offer from a Demand Response Resource made into the Day-Ahead Energy Market shall also meet one of the following requirements:

(a) the sum of the Demand Response Resource Notification Time plus Demand Response Resource Start-Up Time plus Minimum Reduction Time plus Minimum Time Between Reductions is less than or equal to 72 hours.

(b) the sum of the Demand Response Resource's Minimum Reduction Time plus the Minimum Time Between Reductions is less than or equal to 24 hours.

III.13.6.1.5.2. Requirement that Offers Reflect Accurate Demand Response Capacity Resource Operating Characteristics.

For each day, Demand Reduction Offers submitted into the Day-Ahead Energy Market and Real-Time Energy Market for a resource Demand Response Resources associated with a Demand Response Capacity Resource must reflect the then-known operating characteristics of the resource. Resources must re-declare to the ISO any changes to the offer parameters that occur in real time to reflect the operating characteristics 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.13.6.1.5.3. 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 and the auditing and rating requirements as detailed in Section III.13.6.1.5.4 and the ISO New England Manuals. Demand Response Capacity Resources having a Capacity Supply Obligation are subject to the following additional requirements:

(a) Operating Data collection requirements as detailed in the ISO New England Manuals and Market Rule 1;

(b) outage requirements in accordance with the ISO New England Manuals and ISO New England Operating Procedures, provided, however, that the portion of a resource having no Capacity Supply

Obligation is not subject to the forced re-scheduling provisions for outages in accordance with the ISO New England Manuals and ISO New England Operating Procedures.

III.13.6.1.5.4. Demand Response Auditing.

Demand Resources shall be subject to ISO conducted audits for the purposes of:

- (a) Auditing Demand Reduction Values or determining the Audited Demand Reduction for a Demand Resource;
- (b) Verifying the Commercial Operation of a Demand Resource; and
- (c) Verifying the Demand Reduction Value or the Audited Demand Reduction of the Demand Resource when the ISO, based on objective criteria, has determined that the Demand Reduction Value or the Audited Demand Reduction of a Demand Resource may not be credible.

New Demand Response Asset Audits shall be performed pursuant to Section III.13.6.1.5.4.8.

III.13.6.1.5.4.1. General Auditing Requirements for Demand Resources Excluding Demand Response Capacity Resources.

- (a) Audits of a Demand Resource will be conducted by simultaneously evaluating the performance of each demand asset that is mapped to that Demand Resource.
- (b) An audit of a Real-Time Emergency Generation Resource must be performed simultaneously with the audit of any Real-Time Demand Response Resources containing Real-Time Demand Response Assets that are located behind the same end-use customer meter as any Real-Time Emergency Generation Assets mapped to the Real-Time Emergency Generation Resource except as provided in Section III.13.6.1.5.4.3.3.
- (c) An audit is valid beginning with the month in which the audit is performed, and remains valid until the next audit is performed for a like season, which shall be no later than the end of the next like seasonal DR Auditing Period. Additional audits performed in a month shall not replace the results of the initial audit conducted in a month and are valid on the first of the subsequent month following the audit. Audit results shall not replace a Demand Reduction Value that is based on Demand Resource Seasonal

Peak Hours, Real-Time Demand Response Event Hours, or Real-Time Emergency Generation Event Hours.

(d) If one or more demand assets of a Demand Resource do not have audit results at the time the Demand Resource is audited and the audit was conducted in a summer DR Auditing Period or a winter DR Auditing Period, then the contribution of those demand assets toward the audit value of the Demand Resource shall be effective starting with the later of: (i) the start of the DR Auditing Period, or (ii) the 1st of the month prior to the month of the audit provided the demand asset was available for dispatch by the ISO in that prior month, and if the demand asset was not available for dispatch in that prior month, then the 1st of the month in which the demand asset was available for dispatch.

III.13.6.1.5.4.2. General Auditing Requirements for Demand Response Capacity Resources.

- (a) Audits of Demand Response Resources associated with a Demand Response Capacity Resource will be conducted by simultaneously evaluating the performance of each Demand Response Asset that is mapped to a Demand Response Resource. The Demand Response Resources associated with a Demand Response Capacity Resource are not required to be evaluated simultaneously.
- (b) An audit of a Real-Time Emergency Generation Resource must be performed simultaneously with the audit of any Demand Response Resources containing Demand Response Assets that are located behind the same Retail Delivery Point as the Real-Time Emergency Generation Assets mapped to the Real-Time Emergency Generation Resource. When the output of the Real-Time Emergency Generation Asset is greater than the Demand Response Baseline, adjusted pursuant to Section III.8B.5, of the Demand Response Asset located at the same Retail Delivery Point and Net Supply is produced, the Net Supply is reduced by the difference between the Real-Time Emergency Generation Asset's output and the adjusted Demand Response Baseline of the Demand Response Asset.
- (c) An audit is valid beginning with the date on which the audit is performed, and remains valid until the next audit is performed for a like season, which shall be no later than the end of the next like Seasonal DR Audit period. For the Capacity Commitment Period commencing on June 1, 2018, the audit results for Demand Response Resources comprised of Demand Response Assets that were associated with a Real-Time Demand Response Resource in the prior Capacity Commitment

Period shall be the sum of the audit results for those assets in the prior like Seasonal DR Audit period. When using audit results from a period prior to June 1, 2018 for those former Real-Time Demand Response Assets, the Audited Full Reduction Time shall be 30 minutes.

- (d) If one or more Demand Response Assets of a Demand Response Resource do not have an Audited Demand Reduction at the time the Demand Response Resource is audited and the audit was conducted in a summer DR Auditing Period or a winter DR Auditing Period, then the contribution of those Demand Response Assets toward the Audited Demand Reduction of the Demand Response Resource shall be effective starting with the later of: (i) the start of the DR Auditing Period, or (ii) the 1st of the month prior to the month of the audit, provided the Demand Response Asset was available for dispatch by the ISO in that prior month, and if the Demand Response Asset was not available for dispatch in that prior month, then the 1st of the month in which the Demand Response Asset was available for dispatch.

III.13.6.1.5.4.3. Seasonal DR Audits.

A Seasonal DR Audit must be conducted for each Demand Resource during each seasonal DR Auditing Period.

III.13.6.1.5.4.3.1. Seasonal DR Audit Requirement.

A Market Participant shall submit each Demand Resource to an ISO initiated audit each season to verify the Demand Reduction Value or Audited Demand Reduction for the resource for one or more months of the season. The Seasonal DR Audit must be requested by the Market Participant for the Demand Resource within each Capacity Commitment Period in which the Demand Resource has a Capacity Supply Obligation. The summer DR Auditing Period begins on June 1 and ends on August 31. The winter DR Auditing Period begins on December 1 and ends on January 31. For all Demand Resources other than Demand Response Capacity Resources, audits performed during the summer DR Auditing Period will be used to establish the audit results for the months of June, July, and August, and audits performed during the winter DR Auditing Period will be used to establish the audit results for the months of December and January. For Demand Response Capacity Resources, audits performed during the summer DR Auditing Period will be used to establish the Audited Demand Reduction for the Demand Resource summer months of June, July, August, September, October, November, and the following April and May, and audits performed during the winter DR Auditing Period will be used to establish the Audited Demand Reduction for the Demand Resource winter months of December and the following January, February and March.

III.13.6.1.5.4.3.2. Failure to Request or Perform an Audit.

If by the 1st of August for the summer DR Auditing Period or by the 1st of January for the winter DR Auditing Period a Market Participant has not requested a Seasonal DR Audit for a Demand Resource, the Market Participant shall be deemed to have requested a Seasonal DR Audit on those respective dates. A Demand Resource that does not successfully perform a Seasonal DR Audit for a DR Auditing Period shall have the audit results of its mapped demand assets or Demand Response Assets set to zero.

III.13.6.1.5.4.3.3. Use of Event Performance Data to Satisfy Audit Requirements for Certain Resources.

A Real-Time Demand Response Resource or Real-Time Emergency Generation Resource that is not subject to Section III.13.6.1.5.4.1(b) and has received a Dispatch Instruction in a season for 100% of its highest Capacity Supply Obligation for the current DR Auditing Period lasting at least one hour, not including the 30 minute notification time, may elect to a first 60 minute period of the event after the 30 minute notification time to satisfy the Seasonal DR Audit requirements.

A Real-Time Demand Response Resource that is subject to Section III.13.6.1.5.4.1(b) and has received a Dispatch Instruction in a season for 100% of its highest Capacity Supply Obligation for the current DR Auditing Period lasting at least one hour, not including the 30 minute notification time, may elect to use a 60 minute period of the event to satisfy the Seasonal DR Audit requirements, provided that any Real-Time Demand Response Assets mapped to the Real-Time Demand Response Resource that are located behind the same end-use customer meter as Real-Time Emergency Generation Assets mapped to the Real-Time Emergency Generation Resource must be audited concurrently with the Real-Time Emergency Generation Resource audit in the same DR Auditing Period. The performance of Real-Time Demand Response Assets that are audited concurrently with a Real-Time Emergency Generation Resource audit in a DR Auditing Period shall be used in establishing the Real-Time Demand Response Resource's Seasonal DR Audit value for that DR Auditing Period.

A Real-Time Emergency Generation Resource that is subject to Section III.13.6.1.5.4.1(b) and has received a Dispatch Instruction in a season for 100% of its highest Capacity Supply Obligation for the current DR Auditing Period lasting at least one hour, not including the 30 minute notification time, may elect to use a 60 minute period of the event to satisfy the Seasonal DR Audit requirements, provided that during this same 60 minute period, the Real-Time Demand Response Resource with Real-Time Demand Response Assets located behind the same end-use customer meter as a Real-Time Emergency Generation

Asset mapped to the Real-Time Emergency Generation Resource has also received a Dispatch Instruction for 100% of its highest Capacity Supply Obligation for the current DR Auditing Period lasting at least one hour coincident with the dispatch of the Real-Time Emergency Generation Resource, not including the 30 minute notification time, and further provided that the Real-Time Demand Response Resource also elects to use this 60 minute period to satisfy its Seasonal DR Audit requirements.

A Real-Time Demand Response Resource or Real-Time Emergency Generation Resource's audit value under these provisions is based on the average load reduction or output demonstrated over the duration of the qualifying 60 minute period. If a Real-Time Demand Response Resource and a Real-Time Emergency Generation Resource subject to Section III.13.6.1.5.4.1(b) are dispatched concurrently, the qualifying 60 minute period is the first 60 minutes of the coincident dispatch after the 30 minute notification times of each resource. If there is no concurrent dispatch of the Real-Time Demand Response Resource and the Real-Time Emergency Generation Resource, the qualifying 60 minute period is the first 60 minute period of the event after the 30 minute notification time.

A Market Participant must request that an event be used to satisfy the Demand Resource's Seasonal DR Audit requirement or replace a currently effective audit result within seven days of the Operating Day on which the Dispatch Instruction for the Real-Time Demand Response Resource or Real-Time Emergency Generation Resource is received.

III.13.6.1.5.4.3.3.1. Demand Response Capacity Resources.

A Demand Response Capacity Resource may elect to use performance associated with a Capacity Scarcity Condition, or a time period when the ISO has declared a capacity deficiency pursuant to ISO New England Operating Procedure No. 4, that occurs during a DR Auditing Period in place of requesting a Seasonal DR Audit; provided that any Demand Response Asset of a Demand Response Resource associated with the Demand Response Capacity Resource on a forced curtailment or scheduled curtailment as defined in Section III.8B.6 is assessed a zero audit value.

If a Demand Response Resource associated with a Demand Response Capacity Resource does not reduce demand for some portion of the event, the audit results of its Demand Response Assets shall be set to zero. Otherwise, the Demand Response Resources associated with a Demand Response Capacity Resource will be measured based upon their offered parameters per Section III.13.6.1.5.4.6(d), and the Audited Demand Reduction for each Demand Response Resource will be capped at the average Desired

Dispatch Point for the Demand Response Resource over the audit duration by proportionally reducing each associated Demand Response Asset's audit results.

Within 7 calendar days of the event, the participant must inform the ISO that it wishes to use dispatch performance during the event to establish the Demand Response Resource's Audited Demand Reduction.

If an event occurs before a Demand Response Resource has established an Audited Demand Reduction value and the resource was not dispatched during the event at a level equal to its Maximum Reduction, a Market Participant may elect within seven calendar days after the event to set the Audited Demand Reduction of the Demand Response Resource equal to its CLAIM10 or CLAIM30 value at the time of the event as determined pursuant to Section III.9.5.3.

A Market Participant may elect to use performance associated with a CLAIM10 or CLAIM30 audit of a Demand Response Resource that occurs during a DR Auditing Period in place of requesting a Seasonal DR Audit of that resource provided that the audit was conducted in a manner that meets the requirements of a Seasonal DR Audit. Within seven calendar days of the CLAIM10 or CLAIM30 audit, the Market Participant must inform the ISO that it wishes to use dispatch performance during the audit to establish the Demand Response Resource's Seasonal DR Audit value.

III.13.6.1.5.4.4. Demand Resource Commercial Operation Audit.

(a) A Market Participant with a Demand Resource that has one or more increments that have not demonstrated commercial operation prior to the commencement of a Capacity Commitment Period shall perform a Demand Resource Commercial Operation Audit. The results of the Demand Resource Commercial Operation Audit shall be used to verify the commercial capacity of the Demand Resource and establish the Audited Demand Reduction of a Demand Response Resource.

(b) If a Demand Resource Commercial Operation Audit is not performed prior to the commencement of the Capacity Commitment Period, an audit must be requested in time for performance within the first month in which the Demand Resource has a Capacity Supply Obligation in the Capacity Commitment Period or the Commercial Operation Date, whichever is earlier. A Demand Resource that does not successfully perform a Demand Resource Commercial Operation Audit prior to the end of the first month

in which the Demand Resource has a Capacity Supply Obligation shall have the audit results of its mapped demand assets or Demand Response Assets set to zero.

(c) A Demand Resource that fails to demonstrate through its Demand Resource Commercial Operation Audit a demand reduction in the amount of its Capacity Supply Obligation shall be subject to the provisions of Section III.13.1.9 and Section III.13.3.4.

(d) A Market Participant may request additional Demand Resource Commercial Operation Audits during a Capacity Commitment Period to verify an increase in the commercial capacity of a Demand Resource.

(e) If a Demand Resource has summer Qualified Capacity, a Demand Resource Commercial Operation Audit must be performed during the summer season (April through November) to verify the commercial capacity of the resource. A Demand Resource Commercial Operation Audit performed during the winter season (December through March) may only be used to verify the winter commercial capacity of the resource.

(f) A Demand Resource Commercial Operation Audit performed during a summer DR Auditing Period or winter DR Auditing Period may be used to satisfy the Seasonal DR Audit requirement for the same seasonal period. If a Demand Resource conducts a Demand Resource Commercial Operation Audit outside of a summer DR Auditing Period or winter DR Auditing Period, the Seasonal DR Audit requirement shall not be satisfied, however the results shall be used in the calculation of the summer Seasonal DR Audit value or winter Seasonal DR Audit value as follows:

- (1) A Demand Resource Commercial Operation Audit conducted in the months of September, October, November, April, or May shall be considered a summer Seasonal DR Audit;
- (2) A Demand Resource Commercial Operation Audit conducted in February or March shall be considered a winter Seasonal DR Audit.

III.13.6.1.5.4.5. Additional Audits.

The ISO may initiate an audit to verify the Demand Reduction Value or Audited Demand Reduction of a Demand Resource when an evaluation based on objective criteria indicates a Market Participant is claiming demand reductions in excess of the Demand Resource's actual capability. Such criteria include, but are not limited to:

- (a) A pattern of submitting to the ISO a level of available interruption that is less than the resource's Demand Reduction Value or Audited Demand Reduction during the same time period;
- (b) Actual loads for the underlying assets of the resource that, when aggregated, are below the resource's Demand Reduction Value or Audited Demand Reduction; or
- (c) Failure to achieve the dispatched interruption.

The results of an additional audit shall replace the results of the last like Seasonal DR Audit or Demand Resource Commercial Operation Audit.

The ISO may perform additional audits for a Demand Resource to establish the audit results or Audited Demand Reduction and the performance of the installed measures of the demand asset or Demand Response Asset. This additional auditing may consist of two levels.

- (a) Level 1 Audit: the ISO will establish the audit results by conducting a review of records of the demand asset or Demand Response Asset to verify that the reported measures have been installed and are operational. The audit shall include, but is not limited to, reviewing project or program databases, invoices, installation reports, work orders, and field inspection reports. In addition, the audit may involve reviewing any independent inspections or evaluations conducted as part of program implementation and program evaluation.
- (b) Level 2 Audit: the ISO shall establish the audit results by initiating or conducting an on-site field audit to verify the installation and performance of measures in the demand asset or Demand Response Asset. Such an audit may include a random or select sample of facilities and measures.

A level 1 audit is not required to precede a level 2 audit. If the results of the audit indicate that the demand reduction capability of the Demand Resource is less than or greater than its Demand Reduction Value or Audited Demand Reduction in the same period, then the Demand Reduction Value or Audited Demand Reduction shall be adjusted to the value demonstrated through the audit.

III.13.6.1.5.4.6. Audit Methodologies.

- (a) For On-Peak Demand Resources, audit results shall be established based on the Average Hourly Output or Average Hourly Load Reduction in the DR Auditing Period.
- (b) For Seasonal Peak Demand Resources, audit results shall be established based on Average Hourly Output or Average Hourly Load Reduction or their equivalent in the DR Auditing Period.
- (c) For Real-Time Demand Response Resources and Real-Time Emergency Generation Resources, audits will be conducted via a Dispatch Instruction sent by the ISO. Audit results for a Real-Time Demand Response Resource and Real-Time Emergency Generation Resource will be based on the sum of the average load reductions or average incremental output demonstrated during the audit by each demand asset mapped to the Demand Resource.
- (d) For Demand Response Resources associated with Demand Response Capacity Resources, audits will be conducted via a Dispatch Instruction. Audit results for the Demand Response Resources will be based on the sum of the average demand reductions demonstrated during the audit by each Demand Response Asset associated with the Demand Response Resource that is mapped to the Demand Response Capacity Resource using (i) each Demand Response Resource's Offered Full Reduction Time to establish the start of the audit period and (ii) the Minimum Reduction Time adjusted for ramping time as the audit duration. The Offered Full Reduction Time is the Demand Response Resource Notification Time plus the Demand Response Resource Start-Up Time plus ((the Maximum Reduction minus the Minimum Reduction) divided by the Demand Response Resource Ramp Rate). For purposes of determining the Offered Full Reduction Time, when the output of a Real-Time Emergency Generation Asset exceeds the Demand Response Baseline, adjusted pursuant to Section III.8B.5, of a Demand Response Asset located at the same Retail Delivery Point and Net Supply is produced, the Maximum Reduction is reduced by the difference between the Real-Time Emergency Generation Asset's output and the adjusted Demand Response Baseline of the Demand Response Asset.

III.13.6.1.5.4.7. Requesting and Performing an Audit.

- (a) Seasonal DR Audits and Demand Resource Commercial Operation Audits will be performed following the request of the Market Participant. Audits will be performed within 20 Business Days of the date requested by the Market Participant. The date and time of the audit will be unannounced. An audit request may be denied by the ISO, and an audit may be rescheduled, if its performance will jeopardize the reliable operation of the electrical system.

(b) Seasonal DR Audits may be performed on different dates and at different times for Demand Response Resources associated with a Demand Response Capacity Resource if the Demand Response Resources have different offer parameters. In addition, the ISO will only schedule Demand Resource Commercial Operation Audits of a Demand Response Resource with Demand Response Assets that do not have an Audited Demand Reduction value.

(c) New Demand Response Asset Audits will be performed following the request of the Market Participant. The request for a New Demand Response Asset Audit by the Market Participant shall be made during the last seven days of the month. The audit will be performed on Business Days during the month following the date of the request by the Market Participant. The date and time of the audit will be unannounced. An audit request may be denied by the ISO, and an audit may be rescheduled, if its performance will jeopardize the reliable operation of the electrical system.

III.13.6.1.5.4.8. New Demand Response Asset Audits

A Market Participant may request a New Demand Response Asset Audit for all New Demand Response Assets that are mapped to a Demand Resource. The results of a New Demand Response Asset Audit may be used:

- (a) In calculating the Seasonal DR Audit value for the Demand Resource to which the asset is mapped until the next Seasonal DR Audit for the full Demand Resource is conducted;
- (b) In calculating the commercial capacity value of the Demand Resource for purposes of determining release of financial assurance pursuant to Section III.13.1.9.2.2, until the next Demand Resource Commercial Operation Audit is conducted;
- (c) For determination regarding termination under Section III.13.3.4(c); and
- (d) In the monthly calculation of a Demand Resource's Demand Reduction Value pursuant to Section III.13.7.1.5.7 and Section III.13.7.1.5.8.

When a New Demand Response Asset Audit is performed, the commercial capacity value and Seasonal DR Audit value of the Demand Resource to which the asset is mapped shall be updated to reflect any changes in the composition of the Demand Resource.

III.13.6.1.5.4.8.1. General Auditing Requirements for New Demand Response Assets.

(a) A New Demand Response Asset Audit will be conducted by simultaneously evaluating the performance of each New Demand Response Asset that is mapped to that Demand Resource.

(b) A New Demand Response Asset Audit is valid beginning with the month in which the audit is performed, and remains valid until the next Seasonal DR Audit is performed for a like season or until a Demand Resource Commercial Operation Audit is performed. Additional audits performed in a month shall not replace the results of the initial audit conducted in a month and are valid on the first of the month following the audit. Audit results shall not be used in the calculation of a Demand Reduction Value that is based on Demand Resource Seasonal Peak Hours, Real-Time Demand Response Event Hours, or Real-Time Emergency Generation Event Hours.

III.13.6.1.5.5. Reporting of Forecast Hourly Demand Reduction.

A Market Participant with Real-Time Demand Response Resources, or Real-Time Emergency Generation Resources shall, in accordance with the ISO New England Manuals and Operating Procedures, submit to the ISO a two-day forecast of each Demand Resource's Forecast Hourly Demand Reduction for each Operating Day. The Market Participant shall update its forecast, in accordance with the ISO New England Manuals and Operating Procedures, to reflect its estimate of each Demand Resource's Forecast Hourly Demand Reduction.

III.13.6.1.5.6. Reporting of Monthly Maximum Forecast Hourly Demand Reduction.

A Market Participant with Real-Time Demand Response Resources, or Real-Time Emergency Generation Resources shall, in accordance with the ISO New England Manuals and Operating Procedures, submit to the ISO each month a forecast of each resource's monthly maximum Forecast Hourly Demand Reduction for each of the next 12 months.

III.13.6.1.6. DNE Dispatchable Generator.

III.13.6.1.6.1. Energy Market Offer Requirements.

Beginning on June 1, 2019, Market Participants with DNE Dispatchable Generators with a Capacity Supply Obligation must submit offers into the Day-Ahead Energy Market for the full amount of the resource's expected hourly physical capability as determined by the Market Participant. Market Participants with DNE Dispatchable Generators having a Capacity Supply Obligation must submit offers for the Real-Time Energy Market consistent with the characteristics of the resource. For purposes of calculating Real-Time NCPC Charges, DNE Dispatchable Generators shall have a generation deviation of zero.

III.13.6.2. Resources without a Capacity Supply Obligation.

A resource that does not have any Capacity Supply Obligation shall comply with the requirements in this Section III.13.6.2, and shall not be subject to the requirements set forth in Section III.13.6.1 during the Capacity Commitment Period, or portion thereof, for which the resource has no Capacity Supply Obligation.

III.13.6.2.1. Generating Capacity Resources.

III.13.6.2.1.1. Energy Market Offer Requirements.

A Generating Capacity Resource having no Capacity Supply Obligation is not required to offer into the Day-Ahead Energy Market or Real-Time Energy Market.

III.13.6.2.1.1.1. Day-Ahead Energy Market Participation.

A Generating Capacity Resource having no Capacity Supply Obligation may submit an offer into the Day-Ahead Energy Market. If any portion of the offered energy clears in the Day-Ahead Energy Market, the entire Supply Offer, up to the Economic Maximum Limit offered into the Day-Ahead Energy Market, will be subject to all of the rules and requirements applicable to that market for the operating day, including the obligation to follow ISO dispatch instructions. Such a resource that clears shall be eligible for dispatch in the Real-Time Energy Market.

III.13.6.2.1.1.2. Real-Time Energy Market Participation.

A Market Participant with a Generating Capacity Resource having no Capacity Supply Obligation that did not submit an offer for the resource into the Day-Ahead Energy Market or the resource was offered into the Day-Ahead Energy Market and did not clear, must be Self-Scheduled or, in the case of a DNE Dispatchable Generator must submit an offer for the Real-Time Energy Market consistent with the characteristics of the resource, in order to participate in the Real-Time Energy Market and shall be subject

to all of the requirements associated therewith. Such a resource shall be eligible for dispatch in the Real-Time Energy Market.

III.13.6.2.1.2. Additional Requirements for Generating Capacity Resources Having No Capacity Supply Obligation.

Generating Capacity Resources having no Capacity Supply Obligation are subject to the following additional requirements:

- (a) complying with the auditing and rating requirements as detailed in the ISO New England Manuals;
- (b) complying with the Operating Data collection requirements detailed in the ISO New England Manuals; and
- (c) complying with outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals. Generating Capacity Resources having no Capacity Supply Obligation are not subject to the forced re-scheduling provisions for outages in accordance with the ISO New England Manuals and ISO New England Operating Procedures.

III.13.6.2.2. [Reserved.]

III.13.6.2.3. Intermittent Power Resources.

III.13.6.2.3.1. Energy Market Offer Requirements.

An Intermittent Power Resource having no Capacity Supply Obligation is not required to offer into the Day-Ahead Energy Market or Real-Time Energy Market.

III.13.6.2.3.2. Additional Requirements for Intermittent Power Resources.

Intermittent Power Resources are subject to the following additional requirements:

- (a) auditing and rating requirements as detailed in the ISO New England Manuals; and
- (b) Operating Data collection requirements as detailed in the ISO New England Manuals.

III.13.6.2.4. Intermittent Settlement Only Resources and Non-Intermittent Settlement Only Resources.

III.13.6.2.4.1. Energy Market Offer Requirements.

A Settlement Only Resource may not submit an offer into the Day-Ahead Energy Market or the Real-Time Energy Market.

III.13.6.2.4.2. Additional Requirements for Settlement Only Resources.

Settlement Only Resources are subject to the following additional requirements:

- (a) auditing and rating requirements as detailed in the ISO New England Manuals;
- (b) Operating Data collection requirements as detailed in the ISO New England Manuals;
- (c) such resources are not subject to outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals.

III.13.6.2.5. Demand Resources.

III.13.6.2.5.1. Energy Market Offer Requirements.

Real-Time Emergency Generation Resources, Seasonal Peak and On-Peak Demand Resources may not submit Supply Offers into the Day-Ahead Energy Market or Real-Time Energy Market. A Real-Time Demand Response Asset associated with a Real-Time Demand Response Resource may submit Demand Reduction Offers on a Day-Ahead and Real-Time basis pursuant to Appendix E1. A Market Participant with a Demand Response Resource associated with a Demand Response Capacity Resource without a Capacity Supply Obligation is not required to offer Demand Reduction Offers for the Demand Response Resource into the Day-Ahead Energy Market or Real-Time Energy Market.

For Demand Reduction Offers made into the Day-Ahead Energy Market and Real-Time Energy Market for such Demand Response Resources, the sum of the Demand Response Resource's Minimum Reduction Time plus the Minimum Time Between Reductions must also be less than or equal to 24 hours.

III.13.6.2.5.1.1. Day-Ahead Energy Market Participation.

A Market Participant with a Demand Response Resource not associated with a Demand Response Capacity Resource or a Demand Response Resource associated with a Demand Response Capacity Resource without a Capacity Supply Obligation, may submit a Demand Reduction Offer into the Day-Ahead Energy Market. If any portion of the Demand Reduction Offer clears in the Day-Ahead Energy Market, the entire Demand Reduction Offer, up to the Maximum Reduction offered into the Day-Ahead Energy Market, will be subject to all of the rules and requirements applicable to that market for the Operating Day, including the obligation to follow Dispatch Instructions. Such a resource that clears shall be eligible for dispatch in the Real-Time Energy Market.

III.13.6.2.5.1.2. Real-Time Energy Market Participation.

A Market Participant with a Demand Response Resource not associated with a Demand Response Capacity Resource or a Demand Response Resource associated with a Demand Response Capacity Resource without a Capacity Supply Obligation, that did not submit an offer into the Day-Ahead Energy Market or was offered into the Day-Ahead Energy Market and did not clear, may submit a Demand Reduction Offer in the Real-Time Energy Market and shall be subject to all of the requirements associated therewith. Such a resource shall be eligible for dispatch in the Real-Time Energy Market.

III.13.6.2.5.2. Additional Requirements for Demand Response Capacity Resources Having No Capacity Supply Obligation.

Demand Response Capacity Resources without a Capacity Supply Obligation are subject to the following additional requirements:

- (a) complying with the auditing and rating requirements as detailed in Section III.13.6.1.5.4 and the ISO New England Manuals;
- (b) complying with the Operating Data collection requirements detailed in the ISO New England Manuals; and
- (c) complying with outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals. Demand Response Capacity Resources having no Capacity Supply Obligation are not subject to the forced re-scheduling provisions for outages in accordance with the ISO New England Manuals and ISO New England Operating Procedures.

III.13.6.3. Exporting Resources.

A resource that is exporting capacity not subject to a Capacity Supply Obligation to an external Control Area shall comply with this Section III.13.6.3 and the ISO New England Manuals. Intermittent Power Resources, Settlement Only Resources, and Demand Resources are not permitted to back a capacity export to an external Control Area. The portion of a resource without a Capacity Supply Obligation that will be used in Real-Time to support an External Transaction sale must comply with the energy market offer requirements of Section III.1.10.7.

III.13.6.4. ISO Requests for Energy.

The ISO may request that a Demand Response Capacity Resource or Generating Capacity Resource having capacity that is not subject to a Capacity Supply Obligation provide energy for reliability purposes in the Real-Time Energy Market, but such resource shall not be obligated under Section III.13 of this Tariff by such a request to provide energy from that capacity, and shall not be subject to any availability penalties under Section III.13 of this Tariff by such a request for failure to provide energy from that capacity that is not subject to a Capacity Supply Obligation. If such resource does provide energy from that capacity, the resource shall be paid based on its most recent offer and is eligible for NCPC.

III.13.6.4.1. Real-Time High Operating Limit.

For purposes of facilitating ISO requests for energy under Section III.13.6.4, a Market Participant must report an up-to-date Real-Time High Operating Limit value at all times for a Generating Capacity Resource.