**Table of Contents**

I.1 Purpose and Components of this Tariff; ISO Objectives

I.1.1 Purpose of this Tariff.

I.1.2 Components of this Tariff

I.1.3 Mission of ISO

I.2 Rules of Construction; Definitions

I.2.1 Rules of Construction

I.2.2 Definitions

I.3 Obligations of Market Participants and Other Customers

I.3.1 Service Agreement

I.3.2 Assets

I.3.3 Maintenance and Repair

I.3.4 Central Dispatch

I.3.5 Provision of Information

I.3.6 Records and Information

I.3.7 Payment of Invoices; Compliance with Policies

I.3.8 Protective Devices for Transmission Facilities

I.3.9 Review of Market Participant’s Proposed Plans

I.3.10 Market Participant to Avoid Adverse Effect

I.4 Termination Of Status As A Customer

I.5 Force Majeure, Liability and Indemnification

I.5.1 Force Majeure

I.5.2 Liability

I.5.3 Indemnification

I.6 Dispute Resolution

I.7 Creditworthiness

I.8 Rights Under The Federal Power Act

I.9 Pre-Existing Contracts

Exhibit IA – ISO New England Financial Assurance Policy

Exhibit IB – [Reserved.]

Exhibit IC – [Reserved.]

Exhibit ID – ISO New England Billing Policy

**I.2 Rules of Construction; Definitions**

**I.2.1. Rules of Construction**:

In this Tariff, unless otherwise provided herein:

(a) words denoting the singular include the plural and vice versa;

(b) words denoting a gender include all genders;

(c) references to a particular part, clause, section, paragraph, article, exhibit, schedule, appendix or other attachment shall be a reference to a part, clause, section, paragraph, or article of, or an exhibit, schedule, appendix or other attachment to, this Tariff;

(d) the exhibits, schedules and appendices attached hereto are incorporated herein by reference and shall be construed with an as an integral part of this Tariff to the same extent as if they were set forth verbatim herein;

(e) a reference to any statute, regulation, proclamation, ordinance or law includes all statutes, regulations, proclamations, amendments, ordinances or laws varying, consolidating or replacing the same from time to time, and a reference to a statute includes all regulations, policies, protocols, codes, proclamations and ordinances issued or otherwise applicable under that statute unless, in any such case, otherwise expressly provided in any such statute or in this Tariff;

(f) a reference to a particular section, paragraph or other part of a particular statute shall be deemed to be a reference to any other section, paragraph or other part substituted therefor from time to time;

(g) a definition of or reference to any document, instrument or agreement includes any amendment or supplement to, or restatement, replacement, modification or novation of, any such document, instrument or agreement unless otherwise specified in such definition or in the context in which such reference is used;

(h) a reference to any person (as hereinafter defined) includes such person’s successors and permitted assigns in that designated capacity;

(i) any reference to “days” shall mean calendar days unless “Business Days” (as hereinafter defined) are expressly specified;

(j) if the date as of which any right, option or election is exercisable, or the date upon which any amount is due and payable, is stated to be on a date or day that is not a Business Day, such right, option or election may be exercised, and such amount shall be deemed due and payable, on the next succeeding Business Day with the same effect as if the same was exercised or made on such date or day (without, in the case of any such payment, the payment or accrual of any interest or other late payment or charge, provided such payment is made on such next succeeding Business Day);

(k) words such as “hereunder,” “hereto,” “hereof” and “herein” and other words of similar import shall, unless the context requires otherwise, refer to this Tariff as a whole and not to any particular article, section, subsection, paragraph or clause hereof; and a reference to “include” or “including” means including without limiting the generality of any description preceding such term, and for purposes hereof the rule of *ejusdem generis* shall not be applicable to limit a general statement, followed by or referable to an enumeration of specific matters, to matters similar to those specifically mentioned.

**I.2.2. Definitions**:

In this Tariff, the terms listed in this section shall be defined as described below:

**Active Demand Capacity Resource** is one or more Demand Response Resources located within the same Dispatch Zone, that is registered with the ISO, assigned a unique resource identification number by the ISO, and participates in the Forward Capacity Market to fulfill a Market Participant’s Capacity Supply Obligation pursuant to Section III.13 of Market Rule 1.

**Actual Capacity Provided** is the measure of capacity provided during a Capacity Scarcity Condition, as described in Section III.13.7.2.2 of Market Rule 1.

**Actual Load** is the consumption at the Retail Delivery Point for the hour.

**Additional Resource Blackstart O&M Payment** is defined and calculated as specified in Section 5.1.2 of Schedule 16 to the OATT.

**Additional Resource Specified-Term Blackstart Capital Payment** is defined and calculated as specified in Section 5.1.2 of Schedule 16 to the OATT.

**Additional Resource Standard Blackstart Capital Payment** is defined and calculated as specified in Section 5.1.2 of Schedule 16 to the OATT.

**Administrative Costs** are those costs incurred in connection with the review of Applications for transmission service and the carrying out of System Impact Studies and Facilities Studies.

**Administrative Export De-List Bid** is a bid that may be submitted in a Forward Capacity Auction by certain Existing Generating Capacity Resources subject to a multi-year contract to sell capacity outside of the New England Control Area during the associated Capacity Commitment Period, as described in Section III.13.1.2.3.1.4 of Market Rule 1.

**Administrative Sanctions** are defined in Section III.B.4.1.2 of Appendix B of Market Rule 1.

**ADR Neutrals** are one or more firms or individuals identified by the ISO with the advice and consent of the Participants Committee that are prepared to act as neutrals in ADR proceedings under Appendix D to Market Rule 1.

**Advance** is defined in Section IV.A.3.2 of the Tariff.

**Affected Party**, for purposes of the ISO New England Billing Policy, is defined in Section 6.3.5 of the ISO New England Billing Policy.

**Affiliate** is any person or entity that controls, is controlled by, or is under common control by another person or entity. For purposes of this definition, "control" means the possession, directly or indirectly, of the authority to direct the management or policies of an entity. A voting interest of ten percent or more shall create a rebuttable presumption of control.

**AGC** is automatic generation control.

**AGC SetPoint** is the desired output signal for a Resource providing Regulation that is produced by the AGC system as frequently as every four seconds.

**AGC SetPoint Deadband** is a deadband expressed in megawatts that is applied to changing values of the AGC SetPoint for generating units.

**Allocated Assessment** is a Covered Entity’s right to seek and obtain payment and recovery of its share in any shortfall payments under Section 3.3 or Section 3.4 of the ISO New England Billing Policy.

**Alternative Dispute Resolution (ADR)** is the procedure set forth in Appendix D to Market Rule 1.

**Alternative Technology Regulation Resource** is any Resource eligible to provide Regulation that is not registered as a different Resource type.

**Ancillary Services** are those services that are necessary to support the transmission of electric capacity and energy from resources to loads while maintaining reliable operation of the New England Transmission System in accordance with Good Utility Practice.

**Announced Schedule 1 EA Amount, Announced Schedule 2 EA Amount, Announced Schedule 3 EA Amount** are defined in Section IV.B.2.2 of the Tariff.

**Annual Transmission Revenue Requirements** are the annual revenue requirements of a PTO’s PTF or of all PTOs’ PTF for purposes of the OATT shall be the amount determined in accordance with Attachment F to the OATT.

**Annual Reconfiguration Transaction** is a bilateral transaction that may be used in accordance with Section III.13.5.4 of Market Rule 1 to specify a price when a Capacity Supply Obligation is transferred using supply offers and demand bids in Annual Reconfiguration Auctions.

**Applicants**, for the purposes of the ISO New England Financial Assurance Policy, are entities applying for Market Participant status or for transmission service from the ISO.

**Application** is a written request by an Eligible Customer for transmission service pursuant to the provisions of the OATT.

**Asset** is a Generator Asset, a Demand Response Asset, a component of an On-Peak Demand Resource or Seasonal Peak Demand Resource, a Dispatchable Asset Related Demand, or a Load Asset.

**Asset Registration Process** is the ISO business process for registering a physical load, generator, or tie-line for settlement purposes. The Asset Registration Process is posted on the ISO’s website.

**Asset Related Demand** is a physical load that has been discretely modeled within the ISO’s dispatch and settlement systems, settles at a Node and, except for pumped storage load, is made up of one or more individual end-use metered customers receiving service from the same point or points of electrical supply, with an aggregate average hourly load of 1 MW or greater during the 12 months preceding its registration.

**Asset Related Demand Bid Block-Hours** are Block-Hours assigned to the Lead Market Participant for each Asset Related Demand bid. Blocks of the bid in effect for each hour will be totaled to determine the daily quantity of Asset Related Demand Bid Block-Hours. In the case that a Resource has a Real-Time unit status of “unavailable” for an entire day, that day will not contribute to the quantity of Asset Related Demand Bid Block-Hours. However, if the Resource has at least one hour of the day with a unit status of “available,” the entire day will contribute to the quantity of Asset Related Demand Bid Block-Hours.

**Asset-Specific Going Forward Costs** are the net costs of an asset that is part of an Existing Generating Capacity Resource, calculated for the asset in the same manner as the net costs of Existing Generating Capacity Resources as described in Section III.13.1.2.3.2.1.1.1 (for an asset with a Static De-List Bid or an Export Bid) or Section III.13.1.2.3.2.1.1.2 (for an asset with a Permanent De-List Bid or Retirement De-List Bid).

**Assigned Meter Reader** reports to the ISO the hourly and monthly MWh associated with the Asset. These MWh are used for settlement. The Assigned Meter Reader may designate an agent to help fulfill its Assigned Meter Reader responsibilities; however, the Assigned Meter Reader remains functionally responsible to the ISO.

**Auction Revenue Right (ARR)** is a right to receive FTR Auction Revenues in accordance with Appendix C of Market Rule 1.

**Auction Revenue Right Allocation (ARR Allocation)** is defined in Section 1 of Appendix C of Market Rule 1.

**Auction Revenue Right Holder (ARR Holder)** is an entity which is the record holder of an Auction Revenue Right (excluding an Incremental ARR) in the register maintained by the ISO.

**Authorized Commission** is defined in Section 3.3 of the ISO New England Information Policy.

**Authorized Person** is defined in Section 3.3 of the ISO New England Information Policy.

**Automatic Response Rate** is the response rate, in MW/Minute, at which a Market Participant is willing to have a generating unit change its output while providing Regulation between the Regulation High Limit and Regulation Low Limit.

**Average Hourly Load Reduction** is either: (i) the sum of the On-Peak Demand Resource’s electrical energy reduction during Demand Resource On-Peak Hours in the month divided by the number of Demand Resource On-Peak Hours in the month; or (ii) the sum of the Seasonal Peak Demand Resource’s electrical energy reduction during Demand Resource Seasonal Peak Hours in the month divided by the number of Demand Resource Seasonal Peak Hours in the month. The On-Peak Demand Resource’s or Seasonal Peak Demand Resource’s electrical energy reduction and Average Hourly Load Reduction shall be determined consistent with the resource’s Measurement and Verification Plan, which shall be reviewed by the ISO to ensure consistency with the measurement and verification requirements, as described in Section III.13.1.4.3 of Market Rule 1 and the ISO New England Manuals.

**Average Hourly Output** is either: (i) the sum of the On-Peak Demand Resource’s electrical energy output during Demand Resource On-Peak Hours in the month divided by the number of Demand Resource On-Peak Hours in the month; or (ii) the sum of the Seasonal Peak Demand Resource’s electrical energy output during Demand Resource Seasonal Peak Hours in the month divided by the number of Demand Resource Seasonal Peak Hours in the month. Electrical energy output and Average Hourly Output shall be determined consistent with the resource’s Measurement and Verification Plan, which shall be reviewed by the ISO to ensure consistency with the measurement and verification requirements, as described in Section III.13.1.4.3 of Market Rule 1 and the ISO New England Manuals.

**Average Monthly PER** is calculated in accordance with Section III.13.7.1.2.2 of Market Rule 1.

**Backstop Transmission Solution** is a solution proposed:  (i) to address a reliability or market efficiency need identified by the ISO in a Needs Assessment reported by the ISO pursuant to Section 4.1(i) of Attachment K to the ISO OATT, (ii) by the PTO or PTOs with an obligation under Schedule 3.09(a) of the TOA to address the identified need; and (iii) in circumstances in which the competitive solution process specified in Section 4.3 of Attachment K to the ISO OATT will be utilized.

**Bankruptcy Code** is the United States Bankruptcy Code.

**Bankruptcy Event** occurs when a Covered Entity files a voluntary or involuntary petition in bankruptcy or commences a proceeding under the United States Bankruptcy Code or any other applicable law concerning insolvency, reorganization or bankruptcy by or against such Covered Entity as debtor.

**Bilateral Contract (BC)** is any of the following types of contracts: Internal Bilateral for Load, Internal Bilateral for Market for Energy, and External Transactions.

**Bilateral Contract Block-Hours** are Block-Hours assigned to the seller and purchaser of an Internal Bilateral for Load, Internal Bilateral for Market for Energy and External Transactions; provided, however, that only those contracts which apply to the Real-Time Energy Market will accrue Block-Hours.

**Blackstart Capability Test** is the test, required by ISO New England Operating Documents, of a resource’s capability to provide Blackstart Service.

**Blackstart Capital Payment** is the annual compensation, as calculated pursuant to Section 5.1, or as referred to in Section 5.2, of Schedule 16 to the OATT, for a Designated Blackstart Resource’s Blackstart Equipment capital costs associated with the provision of Blackstart Service (excluding the capital costs associated with compliance with NERC Critical Infrastructure Protection Reliability Standards as part of Blackstart Service).

**Blackstart CIP Capital Payment** is the annual compensation level, as calculated pursuant to Section 5.1 utilizing data from Table 6 of Appendix A to this Schedule 16, or as referred to in Section 5.2, of Schedule 16 to the OATT, for a Blackstart Station’s costs associated with compliance with NERC Critical Infrastructure Protection Reliability Standards as part of Blackstart Service.

**Blackstart CIP O&M Payment** is the annual compensation level, as calculated pursuant to Section 5.1 of Schedule 16 to the OATT, utilizing data from Table 6 of Appendix A to this Schedule 16, for a Blackstart Station’s operating and maintenance costs associated with compliance with NERC Critical Infrastructure Protection Reliability Standards as part of the provision of Blackstart Service.

**Blackstart Equipment** is any equipment that is solely necessary to enable the Designated Blackstart Resource to provide Blackstart Service and is not required to provide other products or services under the Tariff.

**Blackstart O&M Payment** is the annual compensation, as calculated pursuant to Section 5.1 of Schedule 16 to the OATT, for a Designated Blackstart Resource’s operating and maintenance costs associated with the provision of Blackstart Service (except for operating and maintenance costs associated with compliance with NERC Critical Infrastructure Protection Reliability Standards as part of Blackstart Service).

**Blackstart Owner** is the Market Participant who is authorized on behalf of the Generator Owner(s) to offer or operate the resource as a Designated Blackstart Resource and is authorized to commit the resource to provide Blackstart Service.

**Blackstart Service** is the Ancillary Service described in Section II.47 of the Tariff and Schedule 16 of the OATT, which also encompasses “System Restoration and Planning Service” under the predecessor version of Schedule 16.

**Blackstart Service Commitment** is the commitment by a Blackstart Owner for its resource to provide Blackstart Service and the acceptance of that commitment by the ISO, in the manner detailed in ISO New England Operating Procedure No. 11 – Designated Blackstart Resource Administration (OP 11), and which includes a commitment to provide Blackstart Service under a “Signature Page for Schedule 16 of the NEPOOL OATT” that was executed and in effect prior to January 1, 2013 for Category A Designated Blackstart Resources or a commitment to provide Blackstart Service established under Operating Procedure 11 – Designated Blackstart Resource Administration (OP11) for Category B Designated Blackstart Resources.

**Blackstart Service Minimum Criteria** are the minimum criteria that a Blackstart Owner and its resource must meet in order to establish and maintain a resource as a Designated Blackstart Resource.

**Blackstart Standard Rate Payment** is the formulaic rate of monthly compensation, as calculated pursuant to Section 5 of Schedule 16 to the OATT, paid to a Blackstart Owner for the provision of Blackstart Service from a Designated Blackstart Resource.

**Blackstart Station** is comprised of (i) a single Designated Blackstart Resource or (ii) two or more Designated Blackstart Resources that share Blackstart Equipment.

**Blackstart Station-specific Rate Payment** is the Commission-approved compensation, as calculated pursuant to Section 5.2 of Schedule 16 to the OATT, paid to a Blackstart Owner on a monthly basis for the provision of Blackstart Service by Designated Blackstart Resources located at a specific Blackstart Station.

**Blackstart Station-specific Rate Capital Payment** is a component of the Blackstart Station-specific Rate Payment that reflects a Blackstart Station’s capital Blackstart Equipment costs associated with the provision of Blackstart Service (excluding the capital costs associated with compliance with NERC Critical Infrastructure Protection Reliability Standards as part of Blackstart Service).

**Blackstart Station-specific Rate CIP Capital Payment** is a component of the Blackstart Station-specific Rate Payment that reflects a Blackstart Station’s capital costs associated with compliance with NERC Critical Infrastructure Protection Reliability Standards as part of Blackstart Service.

**Block** is defined as follows: (1) With respect to Bilateral Contracts, a Bilateral Contract administered by the ISO for an hour; (2) with respect to Supply Offers administered by the ISO, a quantity with a related price for Energy (Supply Offers for Energy may contain multiple sets of quantity and price pairs for each hour); (3) with respect to Demand Bids administered by the ISO, a quantity with a related price for Energy (Demand Bids for Energy may contain multiple sets of quantity and price pairs for each hour); (4) with respect to Increment Offers administered by the ISO, a quantity with a related price for Energy (Increment Offers for Energy may contain multiple sets of quantity and price pairs for each hour); (5) with respect to Decrement Bids administered by the ISO, a quantity with a related price for Energy (Decrement Bids for Energy may contain multiple sets of quantity and price pairs for each hour); (6) with respect to Asset Related Demand bids administered by the ISO, a quantity with a related price for Energy (Asset Related Demand bids may contain multiple sets of quantity and price pairs for each hour); and (7) with respect to Demand Reduction Offers administered by the ISO, a quantity of reduced demand with a related price (Demand Reduction Offers may contain multiple sets of quantity and price pairs for the day).

**Block-Hours** are the number of Blocks administered for a particular hour.

**Budget and Finance Subcommittee** is a subcommittee of the Participants Committee, the responsibilities of which are specified in Section 8.4 of the Participants Agreement.

**Business Day** is any day other than a Saturday or Sunday or ISO holidays as posted by the ISO on its website.

**Cancelled Start NCPC Credit** is an NCPC Credit calculated pursuant to Appendix F to Market Rule 1.

**Capability Demonstration Year** is the one year period from September 1 through August 31.

**Capacity Acquiring Resource** is a resource that is seeking to acquire a Capacity Supply Obligation through: (1) a Capacity Supply Obligation Bilateral, as described in Section III.13.5.1, or; (2) an annual or monthly reconfiguration auction, as described in Section III.13.4.

**Capacity Balancing Ratio** is a ratio used in calculating the Capacity Performance Payment in the Forward Capacity Market, as described in Section III.13.7.2.3 of Market Rule 1.

**Capacity Base Payment** is the portion of revenue received in the Forward Capacity Market as described in Section III.13.7.1 of Market Rule 1.

**Capacity Capability Interconnection Standard** has the meaning specified in Schedule 22, Schedule 23, and Schedule 25 of the OATT.

**Capacity Clearing Price** is the clearing price for a Capacity Zone for a Capacity Commitment Period resulting from the Forward Capacity Auction conducted for that Capacity Commitment Period, as determined in accordance with Section III.13.2.7 of Market Rule 1.

**Capacity Clearing Price Floor** is described in Section III.13.2.7.

**Capacity Commitment Period** is the one-year period from June 1 through May 31 for which obligations are assumed and payments are made in the Forward Capacity Market.

**Capacity Cost (CC)** is one of four forms of compensation that may be paid to resources providing VAR Service under Schedule 2 of the OATT.

**Capacity Export Through Import Constrained Zone Transaction** is defined in Section III.1.10.7(f)(i) of Market Rule 1.

**Capacity Load Obligation** is the quantity of capacity for which a Market Participant is financially responsible, equal to that Market Participant’s Capacity Requirement (if any) adjusted to account for any relevant Capacity Load Obligation Bilaterals, as described in Section III.13.7.5.1 of Market Rule 1.

**Capacity Load Obligation Acquiring Participant** is a load serving entity or any other Market Participant seeking to acquire a Capacity Load Obligation through a Capacity Load Obligation Bilateral, as described in Section III.13.5.2 of Market Rule 1.

**Capacity Network Import Capability (CNI Capability)** is as defined in Section I of Schedule 25 of the OATT.

**Capacity Network Import Interconnection Service (CNI Interconnection Service)** is as defined in Section I of Schedule 25 of the OATT.

**Capacity Load Obligation Bilateral** is a bilateral contract through which a Market Participant may transfer all or a portion of its Capacity Load Obligation to another entity, as described in Section III.13.5 of Market Rule 1.

**Capacity Load Obligation Transferring Participant** is an entity that has a Capacity Load Obligation and is seeking to shed such obligation through a Capacity Load Obligation Bilateral, as described in Section III.13.5.2 of Market Rule 1.

**Capacity Network Resource (CNR)** is defined in Section I of Schedule 22 and Attachment 1 to Schedule 23 of the OATT.

**Capacity Network Resource Interconnection Service** is defined in Section I of Schedule 22 and Attachment 1 to Schedule 23 of the OATT.

**Capacity Performance Bilateral** is a transaction for transferring Capacity Performance Score, as described in Section III.13.5.3 of Market Rule 1.

**Capacity Performance Payment** is the performance-dependent portion of revenue received in the Forward Capacity Market, as described in Section III.13.7.2 of Market Rule 1.

**Capacity Performance Payment Rate** is a rate used in calculating Capacity Performance Payments, as described in Section III.13.7.2.5 of Market Rule 1.

**Capacity Performance Score** is a figure used in determining Capacity Performance Payments, as described in Section III.13.7.2.4 of Market Rule 1.

**Capacity Rationing Rule** addresses whether offers and bids in a Forward Capacity Auction may be rationed, as described in Section III.13.2.6 of Market Rule 1.

**Capacity Requirement** is described in Section III.13.7.5.1 of Market Rule 1.

**Capacity Scarcity Condition** is a period during which performance is measured in the Forward Capacity Market, as described in Section III.13.7.2.1 of Market Rule 1.

**Capacity Scarcity Condition** is a period during which performance is measured in the Forward Capacity Market, as described in Section III.13.7.2.1 of Market Rule 1.

**Capacity Supply Obligation** is an obligation to provide capacity from a resource, or a portion thereof, to satisfy a portion of the Installed Capacity Requirement that is acquired through a Forward Capacity Auction in accordance with Section III.13.2, a reconfiguration auction in accordance with Section III.13.4, or a Capacity Supply Obligation Bilateral in accordance with Section III.13.5.1 of Market Rule 1.

**Capacity Supply Obligation Bilateral** is a bilateral contract through which a Market Participant may transfer all or a part of its Capacity Supply Obligation to another entity, as described in Section III.13.5.1 of Market Rule 1.

**Capacity Transfer Right (CTR)** is a financial right that entitles the holder to the difference in the Net Regional Clearing Prices between Capacity Zones for which the transfer right is defined, in the MW amount of the holder’s entitlement.

**Capacity Transferring Resource** is a resource that has a Capacity Supply Obligation and is seeking to shed such obligation, or a portion thereof, through: (1) a Capacity Supply Obligation Bilateral, as described in Section III.13.5.1, or; (2) an annual or monthly reconfiguration auction, as described in Section III.13.4.

**Capacity Zone** is a geographic sub-region of the New England Control Area as determined in accordance with Section III.12.4 of Market Rule 1.

**Capacity Zone Demand Curves** are the demand curves used in the Forward Capacity Market for a Capacity Zone as specified in Sections III.13.2.2.2 and III.13.2.2.3.

**Capital Funding Charge (CFC)** is defined in Section IV.B.2 of the Tariff.

**CARL Data** is Control Area reliability data submitted to the ISO to permit an assessment of the ability of an external Control Area to provide energy to the New England Control Area in support of capacity offered to the New England Control Area by that external Control Area.

**Category A Designated Blackstart Resource** is a Designated Blackstart Resource that has committed to provide Blackstart Service under a “Signature Page for Schedule 16 of the NEPOOL OATT” that was executed and in effect prior to January 1, 2013 and has not been converted to a Category B Designated Blackstart Resource.

**Category B Designated Blackstart Resource** is a Designated Blackstart Resource that is not a Category A Designated Blackstart Resource.

**Charge** is a sum of money due from a Covered Entity to the ISO, either in its individual capacity or as billing and collection agent for NEPOOL pursuant to the Participants Agreement.

**CLAIM10** is the value, expressed in megawatts, calculated pursuant to Section III.9.5.3 of the Tariff.

**CLAIM30** is the value, expressed in megawatts, calculated pursuant to Section III.9.5.3 of the Tariff.

**Claimed Capability Audit** is performed to determine the real power output capability of a Generator Asset or the demand reduction capability of a Demand Response Resource.

**CNR Capability** is defined in Section I of Schedule 22 and Attachment 1 to Schedule 23 of the OATT.

**Coincident Peak Contribution** is a Market Participant’s share of the New England Control Area coincident peak demand for the prior calendar year as determined prior to the start of each power year, which reflects the sum of the prior year’s annual coincident peak contributions of the customers served by the Market Participant at each Load Asset in all Load Zones. Daily Coincident Peak Contribution values shall be submitted by the Assigned Meter Reader or Host Participant by the meter reading deadline to the ISO.

**Commercial Capacity** is capacity that has achieved FCM Commercial Operation.

**Commission** is the Federal Energy Regulatory Commission.

**Commitment Period** is (i) for a Day-Ahead Energy Market commitment, a period of one or more contiguous hours for which a Resource is cleared in the Day-Ahead Energy Market, and (ii) for a Real-Time Energy Market commitment, the period of time for which the ISO indicates the Resource is being committed when it issues the Dispatch Instruction. If the ISO does not indicate the period of time for which the Resource is being committed in the Real-Time Energy Market, then the Commitment Period is the Minimum Run Time for an offline Resource and one hour for an online Resource.

**Common Costs** are those costs associated with a Station that are avoided only by the clearing of the Static De-List Bids, the Permanent De-List Bids, or the Retirement De-List Bids of all the Existing Generating Capacity Resources comprising the Station.

**Completed Application** is an Application that satisfies all of the information and other requirements of the OATT, including any required deposit.

**Compliance Effective Date** is the date upon which the changes in the predecessor NEPOOL Open Access Transmission Tariff which have been reflected herein to comply with the Commission’s Order of April 20, 1998 became effective.

**Composite FCM Transaction** is a transaction for separate resources seeking to participate as a single composite resource in a Forward Capacity Auction in which multiple Designated FCM Participants provide capacity, as described in Section III.13.1.5 of Market Rule 1.

**Conditional Qualified New Resource** is defined in Section III.13.1.1.2.3(f) of Market Rule 1.

**Confidential Information** is defined in Section 2.1 of the ISO New England Information Policy, which is Attachment D to the Tariff.

**Confidentiality Agreement** is Attachment 1 to the ISO New England Billing Policy.

**Congestion** is a condition of the New England Transmission System in which transmission limitations prevent unconstrained regional economic dispatch of the power system. Congestion is the condition that results in the Congestion Component of the Locational Marginal Price at one Location being different from the Congestion Component of the Locational Marginal Price at another Location during any given hour of the dispatch day in the Day-Ahead Energy Market or Real-Time Energy Market.

**Congestion Component** is the component of the nodal price that reflects the marginal cost of congestion at a given Node or External Node relative to the reference point. When used in connection with Zonal Price and Hub Price, the term Congestion Component refers to the Congestion Components of the nodal prices that comprise the Zonal Price and Hub Price weighted and averaged in the same way that nodal prices are weighted to determine Zonal Price and averaged to determine the Hub Price.

**Congestion Cost** is the cost of congestion as measured by the difference between the Congestion Components of the Locational Marginal Prices at different Locations and/or Reliability Regions on the New England Transmission System.

**Congestion Paying LSE** is, for the purpose of the allocation of FTR Auction Revenues to ARR Holders as provided for in Appendix C of Market Rule 1, a Market Participant or Non-Market Participant Transmission Customer that is responsible for paying for Congestion Costs as a Transmission Customer paying for Regional Network Service under the Transmission, Markets and Services Tariff, unless such Transmission Customer has transferred its obligation to supply load in accordance with ISO New England System Rules, in which case the Congestion Paying LSE shall be the Market Participant supplying the transferred load obligation. The term Congestion Paying LSE shall be deemed to include, but not be limited to, the seller of internal bilateral transactions that transfer Real-Time Load Obligations under the ISO New England System Rules.

**Congestion Revenue Fund** is the amount available for payment of target allocations to FTR Holders from the collection of Congestion Cost.

**Congestion Shortfall** means congestion payments exceed congestion charges during the billing process in any billing period.

**Control Agreement** is the document posted on the ISO website that is required if a Market Participant’s cash collateral is to be invested in BlackRock funds.

**Control Area** is an electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to:

(1) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);

(2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice;

(3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice and the criteria of the applicable regional reliability council or the North American Electric Reliability Corporation; and

(4) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

**Coordinated External Transaction** is an External Transaction at an external interface for which the enhanced scheduling procedures in Section III.1.10.7.A are implemented. A transaction to wheel energy into, out of or through the New England Control Area is not a Coordinated External Transaction. **Coordinated Transaction Scheduling** means the enhanced scheduling procedures set forth in Section III.1.10.7.A.

**Correction Limit** means the date that is one hundred and one (101) calendar days from the last Operating Day of the month to which the data applied. As described in Section III.3.6.1 of Market Rule 1, this will be the period during which meter data corrections must be submitted unless they qualify for submission as a Requested Billing Adjustment under Section III.3.7 of Market Rule 1.

**Cost of Energy Consumed (CEC)** is one of four forms of compensation that may be paid to resources providing VAR Service under Schedule 2 of the OATT.

**Cost of Energy Produced (CEP)** is one of four forms of compensation that may be paid to resources providing VAR Service under Schedule 2 of the OATT.

**Cost of New Entry (CONE)** is the estimated cost of new entry ($/kW-month) for a capacity resource that is determined by the ISO for each Forward Capacity Auction pursuant to Section III.13.2.4.

**Counterparty** means the status in which the ISO acts as the contracting party, in its name and own right and not as an agent, to an agreement or transaction with a Customer (including assignments involving Customers) involving sale to the ISO, and/or purchase from the ISO, of Regional Transmission Service and market and other products and services, and other transactions and assignments involving Customers, all as described in the Tariff.

**Covered Entity** is defined in the ISO New England Billing Policy.

**Credit Coverage** is third-party credit protection obtained by the ISO, in the form of credit insurance coverage, a performance or surety bond, or a combination thereof.

**Credit Qualifying** means a Rated Market Participant that has an Investment Grade Rating and an Unrated Market Participant that satisfies the Credit Threshold.

**Credit Threshold** consists of the conditions for Unrated Market Participants outlined in Section II.B.2 of the ISO New England Financial Assurance Policy.

**Critical Energy Infrastructure Information (CEII)** is defined in Section 3.0(j) of the ISO New England Information Policy, which is Attachment D to the Tariff.

**Current Ratio** is, on any date, all of a Market Participant’s or Non-Market Participant Transmission Customer’s current assets divided by all of its current liabilities, in each case as shown on the most recent financial statements provided by such Market Participant or Non-Market Participant Transmission Customer to the ISO.

**Curtailment** is a reduction in the dispatch of a transaction that was scheduled, using transmission service, in response to a transfer capability shortage as a result of system reliability conditions.

**Customer** is a Market Participant, a Transmission Customer or another customer of the ISO.

**Data Reconciliation Process** means the process by which meter reconciliation and data corrections that are discovered by Governance Participants after the Invoice has been issued for a particular month or that are discovered prior to the issuance of the Invoice for the relevant month but not included in that Invoice or in the other Invoices for that month and are reconciled by the ISO on an hourly basis based on data submitted to the ISO by the Host Participant Assigned Meter Reader or Assigned Meter Reader.

**Day-Ahead** is the calendar day immediately preceding the Operating Day.

**Day-Ahead Adjusted Load Obligation** is defined in Section III.3.2.1(a) of Market Rule 1.

**Day-Ahead Congestion Revenue** is defined in Section III.3.2.1(i) of Market Rule 1.

**Day-Ahead Demand Reduction Obligation** is defined in Section III.3.2.1(a) of Market Rule 1.

**Day-Ahead Energy Market** means the schedule of commitments for the purchase or sale of energy, purchase of demand reductions, payment of Congestion Costs, payment for losses developed by the ISO as a result of the offers and specifications submitted in accordance with Section III.1.10 of Market Rule 1.

**Day-Ahead Energy Market Congestion Charge/Credit** is defined in Section III.3.2.1(f) of Market Rule 1.

**Day-Ahead Energy Market Energy Charge/Credit** is defined in Section III.3.2.1(f) of Market Rule 1.

**Day-Ahead Energy Market Loss Charge/Credit** is defined in Section III.3.2.1(f) of Market Rule 1.

**Day-Ahead Energy Market NCPC Credit** is an NCPC Credit calculated pursuant to Appendix F to Market Rule 1.

**Day-Ahead External Transaction Export and Decrement Bid NCPC Credit** is an NCPC Credit calculated pursuant to Appendix F to Market Rule 1.

**Day-Ahead External Transaction Import and Increment Offer NCPC Credit** is an NCPC Credit calculated pursuant to Appendix F to Market Rule 1.

**Day-Ahead Generation Obligation** is defined in Section III.3.2.1(a) of Market Rule 1.

**Day-Ahead Load Obligation** is defined in Section III.3.2.1(a) of Market Rule 1.

**Day-Ahead Locational Adjusted Net Interchange** is defined in Section III.3.2.1(a) of Market Rule 1.

**Day-Ahead Loss Charges or Credits** is defined in Section III.3.2.1(k) of Market Rule 1.

**Day-Ahead Loss Revenue** is defined in Section III.3.2.1(j) of Market Rule 1.

**Day-Ahead Prices** means the Locational Marginal Prices resulting from the Day-Ahead Energy Market.

**DDP Dispatchable Resource** is any Dispatchable Resource that the ISO dispatches using Desired Dispatch Points in the Resource’s Dispatch Instructions.

**Debt-to-Total Capitalization Ratio** is, on any date, a Market Participant’s or Non-Market Participant Transmission Customer’s total debt (including all current borrowings) divided by its total shareholders’ equity plus total debt, in each case as shown on the most recent financial statements provided by such Market Participant or Non-Market Participant Transmission Customer to the ISO.

**Decrement Bid** means a bid to purchase energy at a specified Location in the Day-Ahead Energy Market which is not associated with a physical load. An accepted Decrement Bid results in scheduled load at the specified Location in the Day-Ahead Energy Market.

**Default Amount** is all or any part of any amount due to be paid by any Covered Entity that the ISO, in its reasonable opinion, believes will not or has not been paid when due (other than in the case of a payment dispute for any amount due for transmission service under the OATT).

**Default Period** is defined in Section 3.3.h(i) of the ISO New England Billing Policy.

**Delivering Party** is the entity supplying capacity and/or energy to be transmitted at Point(s) of Receipt under the OATT.

**Demand Bid** means a request to purchase an amount of energy, at a specified Location, or an amount of energy at a specified price, that is associated with a physical load. A cleared Demand Bid in the Day-Ahead Energy Market results in scheduled load at the specified Location. Demand Bids submitted for use in the Real-Time Energy Market are specific to Dispatchable Asset Related Demands only.

**Demand Bid Block-Hours** are the Block-Hours assigned to the submitting Customer for each Demand Bid.

**Demand Designated Entity** is the entity designated by a Market Participant to receive Dispatch Instructions for Demand Response Resources in accordance with the provisions set forth in ISO New England Operating Procedure No. 14.

**Demand Reduction Offer** is an offer by a Market Participant with a Demand Response Resource to reduce demand.

**Demand Reduction Threshold Price** is a minimum offer price calculated pursuant to Section III.1.10.1A(f).

**Demand Capacity Resource** means an Existing Demand Capacity Resource or a New Demand Capacity Resource. There are three Demand Capacity Resource types: Active Demand Capacity Resources, On-Peak Demand Resources, and Seasonal Peak Demand Resources.

**Demand Resource On-Peak Hours** are hours ending 1400 through 1700, Monday through Friday on non-Demand Response Holidays during the months of June, July, and August and hours ending 1800 through 1900, Monday through Friday on non-Demand Response Holidays during the months of December and January.

**Demand Resource Seasonal Peak Hours** are those hours in which the actual, real-time hourly load, as measured using real-time telemetry (adjusted for transmission and distribution losses, and excluding load associated with Exports and the pumping load associated with pumped storage generators) for Monday through Friday on non-Demand Response Holidays, during the months of June, July, August, December, and January, as determined by the ISO, is equal to or greater than 90% of the most recent 50/50 system peak load forecast, as determined by the ISO, for the applicable summer or winter season.

**Demand Response Asset** is an asset comprising the demand reduction capability of an individual end-use customer at a Retail Delivery Point or the aggregated demand reduction capability of multiple end use customers from multiple delivery points that meets the registration requirements in Section III.8.1.1. The demand reduction of a Demand Response Asset is the difference between the Demand Response Asset’s actual demand measured at the Retail Delivery Point, which could reflect Net Supply, at the time the Demand Response Resource to which the asset is associated is dispatched by the ISO, and its adjusted Demand Response Baseline (with the adjustment calculated as described in Section III.8.2.4).

**Demand Response Available** is the capability of the Demand Response Resource, in whole or in part, at any given time, to reduce demand in response to a Dispatch Instruction.

**Demand Response Baseline** is the expected baseline demand of an individual end-use metered customer or group of end-use metered customers or the expected output levels of the generation of an individual end-use metered customer whose asset is comprised of Distributed Generation as determined pursuant to Section III.8.2.

**Demand Response Holiday** is New Year’s Day, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving Day, and Christmas Day. If the holiday falls on a Saturday, the holiday will be observed on the preceding Friday; if the holiday falls on a Sunday, the holiday will be observed on the following Monday.

**Demand Response Resource** is an individual Demand Response Asset or aggregation of Demand Response Assets within a DRR Aggregation Zone that has been registered in accordance with Section III.8.1.2.

**Demand Response Resource Notification Time** is the period of time between the receipt of a startup Dispatch Instruction and the time the Demand Response Resource starts reducing demand.

**Demand Response Resource Ramp Rate** is the average rate, expressed in MW per minute, at which the Demand Response Resource can reduce demand.

**Demand Response Resource Start-Up Time** is the period of time between the time a Demand Response Resource starts reducing demand at the conclusion of the Demand Response Resource Notification Time and the time the resource can reach its Minimum Reduction and be ready for further dispatch by the ISO.

**Designated Agent** is any entity that performs actions or functions required under the OATT on behalf of the ISO, a Transmission Owner, a Schedule 20A Service Provider, an Eligible Customer, or a Transmission Customer.

**Designated Blackstart Resource** is a resource that meets the eligibility requirements specified in Schedule 16 of the OATT, and may be a Category A Designated Blackstart Resource or a Category B Designated Blackstart Resource.

**Designated Entity** is the entity designated by a Market Participant to receive Dispatch Instructions for generation and/or Dispatchable Asset Related Demand in accordance with the provisions set forth in ISO New England Operating Procedure No. 14.

**Designated FCM Participant** is any Lead Market Participant, including any Provisional Member that is a Lead Market Participant, transacting in any Forward Capacity Auction, reconfiguration auctions or Capacity Supply Obligation Bilateral for capacity that is otherwise required to provide additional financial assurance under the ISO New England Financial Assurance Policy.

**Designated FTR Participant** is a Market Participant, including FTR-Only Customers, transacting in the FTR Auction that is otherwise required to provide additional financial assurance under the ISO New England Financial Assurance Policy.

**Desired Dispatch Point (DDP)** is the Dispatch Rate expressed in megawatts.

**Direct Assignment Facilities** are facilities or portions of facilities that are constructed for the sole use/benefit of a particular Transmission Customer requesting service under the OATT or a Generator Owner requesting an interconnection. Direct Assignment Facilities shall be specified in a separate agreement among the ISO, Interconnection Customer and Transmission Customer, as applicable, and the Transmission Owner whose transmission system is to be modified to include and/or interconnect with the Direct Assignment Facilities, shall be subject to applicable Commission requirements, and shall be paid for by the Customer in accordance with the applicable agreement and the Tariff.

**Directly Metered Assets** are specifically measured by OP-18 compliant metering as currently described in Section IV (Metering and Recording for Settlements) of OP-18. Directly Metered Assets include all Tie-Line Assets, all Generator Assets, as well as some Load Assets. Load Assets for which the Host Participant is not the Assigned Meter Reader are considered Directly Metered Assets. In addition, the Host Participant Assigned Meter Reader determines which additional Load Assets are considered Directly Metered Assets and which ones are considered Profiled Load Assets based upon the Host Participant Assigned Meter Reader reporting systems and process by which the Host Participant Assigned Meter Reader allocates non-PTF losses.

**Disbursement Agreement** is the Rate Design and Funds Disbursement Agreement among the PTOs, as amended and restated from time to time.

**Dispatch Instruction** means directions given by the ISO to Market Participants, which may include instructions to start up, shut down, raise or lower generation, curtail or restore loads from Demand Response Resources, change External Transactions, or change the status or consumption of a Dispatchable Asset Related Demand in accordance with the Supply Offer, Demand Bid, or Demand Reduction Offer parameters. Such instructions may also require a change to the operation of a Pool Transmission Facility. Such instructions are given through either electronic or verbal means.

**Dispatch Rate** means the control signal, expressed in dollars per MWh and/or megawatts, calculated and transmitted to direct the output, consumption or demand reduction level of each generating Resource, Dispatchable Asset Related Demand and Demand Response Resource dispatched by the ISO in accordance with the Offer Data.

**Dispatch Zone** means a subset of Nodes located within a Load Zone established by the ISO for each Capacity Commitment Period pursuant to Section III.12.4A.

**Dispatchable Asset Related Demand** is any portion of an Asset Related Demand of a Market Participant that is capable of having its energy consumption modified in Real-Time in response to Dispatch Instructions has Electronic Dispatch Capability, and must be able to increase or decrease energy consumption between its Minimum Consumption Limit and Maximum Consumption Limit in accordance with Dispatch Instructions and must meet the technical requirements specified in the ISO New England Manuals. Pumped storage facilities may qualify as Dispatchable Asset Related Demand resources, however, such resources shall not qualify as a capacity resource for both the generating output and dispatchable pumping demand of the facility.

**DARD Pump** is a Dispatchable Asset Related Demand that consists of all or part of the pumping load of a pumped storage generating Resource and that meets the following criteria: (i) Minimum Run Time does not exceed one hour; (ii) Minimum Down Time does not exceed one hour; (iii) is available for dispatch and manned or has automatic remote dispatch capability, and; (iv) is capable of receiving a start-up or shutdown Dispatch Instruction electronically.

**Dispatchable Resource** is any generating unit, Dispatchable Asset Related Demand, Demand Response Resource, or Alternative Technology Regulation Resource that, during the course of normal operation, is capable of receiving and responding to electronic Dispatch Instructions in accordance with the parameters contained in the Resource’s Supply Offer, Demand Bid, Demand Reduction Offer or Regulation Service Offer. A Resource that is normally classified as a Dispatchable Resource remains a Dispatchable Resource when it is temporarily not capable of receiving and responding to electronic Dispatch Instructions.

**Dispute Representatives** are defined in 6.5.c of the ISO New England Billing Policy.

**Disputed Amount** is a Covered Entity’s disputed amount due on any fully paid monthly Invoice and/or any amount believed to be due or owed on a Remittance Advice, as defined in Section 6 of the ISO New England Billing Policy.

**Disputing Party**, for the purposes of the ISO New England Billing Policy, is any Covered Entity seeking to recover a Disputed Amount.

**Distributed Generation** means generation resources directly connected to end-use customer load and located behind the end-use customer’s meter, which reduce the amount of energy that would otherwise have been produced by other capacity resources on the electricity network in the New England Control Area provided that the aggregate nameplate capacity of the generation resource does not exceed 5 MW, or does not exceed the most recent annual non-coincident peak demand of the end-use metered customer at the location where the generation resource is directly connected, whichever is greater. Generation resources cannot participate in the Forward Capacity Market or the Energy Markets as Demand Capacity Resources or Demand Response Resources, unless they meet the definition of Distributed Generation.

**DRR Aggregation Zone** is a Dispatch Zone entirely within a single Reserve Zone or Rest of System or, where a Dispatch Zone is not entirely within a single Reserve Zone or Rest of System, each portion of the Dispatch Zone demarcated by the Reserve Zone boundary.

**Do Not Exceed (DNE) Dispatchable Generator** is any Generator Asset that is dispatched using Do Not Exceed Dispatch Points in its Dispatch Instructions and meets the criteria specified in Section III.1.11.3(e). Do Not Exceed Dispatchable Generators are Dispatchable Resources.

**Do Not Exceed Dispatch Point** is a Dispatch Instruction indicating a maximum output level that a DNE Dispatchable Generator must not exceed.

**Dynamic De-List Bid** is a bid that may be submitted by Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Capacity Resources in the Forward Capacity Auction below the Dynamic De-List Bid Threshold, as described in Section III.13.2.3.2(d) of Market Rule 1.

**Dynamic De-List Bid Threshold** is the price specified in Section III.13.1.2.3.1.A of Market Rule 1 associated with the submission of Dynamic De-List Bids in the Forward Capacity Auction.

**EA Amount** is defined in Section IV.B.2.2 of the Tariff.

**Early Amortization Charge (EAC)** is defined in Section IV.B.2 of the Tariff.

**Early Amortization Working Capital Charge (EAWCC)** is defined in Section IV.B.2 of the Tariff.

**Early Payment Shortfall Funding Amount (EPSF Amount)** is defined in Section IV.B.2.4 of the Tariff.

**Early Payment Shortfall Funding Charge (EPSFC)** is defined in Section IV.B.2 of the Tariff.

**EAWW Amount** is defined in Section IV.B.2.3 of the Tariff.

**EBITDA-to-Interest Expense Ratio** is, on any date, a Market Participant’s or Non-Market Participant Transmission Customer’s earnings before interest, taxes, depreciation and amortization in the most recent fiscal quarter divided by that Market Participant’s or Non-Market Participant Transmission Customer’s expense for interest in that fiscal quarter, in each case as shown on the most recent financial statements provided by such Market Participant or Non-Market Participant Transmission Customer to the ISO.

**Economic Dispatch Point** is the output, reduction, or consumption level to which a Resource would have been dispatched, based on the Resource’s Supply Offer, Demand Reduction Offer, or Demand Bid and the Real-Time Price, and taking account of any operating limits, had the ISO not dispatched the Resource to another Desired Dispatch Point.

**Economic Maximum Limit or Economic Max** is the maximum available output, in MW, of a resource that a Market Participant offers to supply in the Day-Ahead Energy Market or Real-Time Energy Market, as reflected in the resource’s Supply Offer. This represents the highest MW output a Market Participant has offered for a resource for economic dispatch. A Market Participant must maintain an up-to-date Economic Maximum Limit for all hours in which a resource has been offered into the Day-Ahead Energy Market or Real-Time Energy Market.

**Economic Minimum Limit or Economic Min** is(a) for Resources with an incremental heat rate, the maximum of: (i) the lowest sustainable output level as specified by physical design characteristics, environmental regulations or licensing limits; and (ii) the lowest sustainable output level at which a one MW increment increase in the output level would not decrease the incremental cost, calculated based on the incremental heat rate, of providing an additional MW of output, and (b) for Resources without an incremental heat rate, the lowest sustainable output level that is consistent with the physical design characteristics of the Resource and with meeting all environmental regulations and licensing limits, and (c) for Resources undergoing Facility and Equipment Testing or auditing, the level to which the Resource requests and is approved to operate or is directed to operate for purposes of completing the Facility and Equipment Testing or auditing, and (d) for Non-Dispatchable Resources the output level at which a Market Participant anticipates its Non-Dispatchable Resource will be available to operate based on fuel limitations, physical design characteristics, environmental regulations or licensing limits.

**Economic Study** is defined in Section 4.1(b) of Attachment K to the OATT.

**Effective Offer** is the set of Supply Offer values, Demand Bid values (in the case of DARD Pumps), or Demand Reduction Offer values that are used for NCPC calculation purposes as specified in Section III.F.1.a.

**EFT** is electronic funds transfer.

**Elective Transmission Upgrade** is defined in Section I of Schedule 25 of the OATT.

**Elective Transmission Upgrade Interconnection Customer** is defined in Schedule 25 of the OATT.

**Electric Reliability Organization (ERO)** is defined in 18 C.F.R. § 39.1.

**Electronic Dispatch Capability** is the ability to provide for the electronic transmission, receipt, and acknowledgment of data relative to the dispatch of generating units and Dispatchable Asset Related Demands and the ability to carry out the real-time dispatch processes from ISO issuance of Dispatch Instructions to the actual increase or decrease in output of Dispatchable Resources.

**Eligible Customer** is: (i) Any entity that is engaged, or proposes to engage, in the wholesale or retail electric power business is an Eligible Customer under the OATT. (ii) Any electric utility (including any power marketer), Federal power marketing agency, or any other entity generating electric energy for sale or for resale is an Eligible Customer under the OATT. Electric energy sold or produced by such entity may be electric energy produced in the United States, Canada or Mexico. However, with respect to transmission service that the Commission is prohibited from ordering by Section 212(h) of the Federal Power Act, such entity is eligible only if the service is provided pursuant to a state requirement that the Transmission Owner with which that entity is directly interconnected or the distribution company having the service territory in which that entity is located (if that entity is a retail customer) offer the unbundled transmission service or Local Delivery Service, or pursuant to a voluntary offer of such service by the Transmission Owner with which that entity is directly interconnected or the distribution company having the service territory in which that entity is located (if that entity is a retail customer). (iii) Any end user taking or eligible to take unbundled transmission service or Local Delivery Service pursuant to a state requirement that the Transmission Owner with which that end user is directly interconnected or the distribution company having the service territory in which that entity is located (if that entity is a retail customer) offer the transmission service or Local Delivery Service, or pursuant to a voluntary offer of such service by the Transmission Owner with which that end user is directly interconnected, or the distribution company having the service territory in which that entity is located (if that entity is a retail customer) is an Eligible Customer under the OATT.

**Eligible FTR Bidder** is an entity that has satisfied applicable financial assurance criteria, and shall not include the auctioneer, its Affiliates, and their officers, directors, employees, consultants and other representatives.

**Emergency** is an abnormal system condition on the bulk power systems of New England or neighboring Control Areas requiring manual or automatic action to maintain system frequency, or to prevent the involuntary loss of load, equipment damage, or tripping of system elements that could adversely affect the reliability of an electric system or the safety of persons or property; or a fuel shortage requiring departure from normal operating procedures in order to minimize the use of such scarce fuel; or a condition that requires implementation of Emergency procedures as defined in the ISO New England Manuals.

**Emergency Condition** means an Emergency has been declared by the ISO in accordance with the procedures set forth in the ISO New England Manuals and ISO New England Administrative Procedures.

**Emergency Energy** is energy transferred from one control area operator to another in an Emergency.

**Emergency Minimum Limit or Emergency Min** means the minimum generation amount, in MWs, that a generating unit can deliver for a limited period of time without exceeding specified limits of equipment stability and operating permits.

**EMS** is energy management system.

**End-of-Round Price** is the lowest price associated with a round of a Forward Capacity Auction, as described in Section III.13.2.3.1 of Market Rule 1.

**End User Participant** is defined in Section 1 of the Participants Agreement.

**Energy** is power produced in the form of electricity, measured in kilowatthours or megawatthours.

**Energy Administration Service (EAS)** is the service provided by the ISO, as described in Schedule 2 of Section IV.A of the Tariff.

**Energy Component** means the Locational Marginal Price at the reference point.

**Energy Efficiency** is installed measures (e.g., products, equipment, systems, services, practices and/or strategies) on end-use customer facilities that reduce the total amount of electrical energy needed, while delivering a comparable or improved level of end-use service. Such measures include, but are not limited to, the installation of more energy efficient lighting, motors, refrigeration, HVAC equipment and control systems, envelope measures, operations and maintenance procedures, and industrial process equipment.

**Energy Imbalance Service** is the form of Ancillary Service described in Schedule 4 of the OATT.

**Energy Market** is, collectively, the Day-Ahead Energy Market and the Real-Time Energy Market.

**Energy Non-Zero Spot Market Settlement Hours** are hours for which the Customer has a positive or negative Real-Time System Adjusted Net Interchange as determined by the ISO settlement process for the Energy Market.

**Energy Offer Cap** is $1,000/MWh.

**Energy Offer Floor** is negative $150/MWh.

**Energy Transaction Units (Energy TUs)** are the sum for the month for a Customer of Bilateral Contract Block-Hours, Demand Bid Block-Hours, Asset Related Demand Bid Block-Hours, Supply Offer Block-Hours and Energy Non-Zero Spot Market Settlement Hours.

**Equipment Damage Reimbursement** is the compensation paid to the owner of a Designated Blackstart Resource as specified in Section 5.5 of Schedule 16 to the OATT.

**Equivalent Demand Forced Outage Rate (EFORd**) means the portion of time a unit is in demand, but is unavailable due to forced outages.

**Estimated Capacity Load Obligation** is, for the purposes of the ISO New England Financial Assurance Policy, the Capacity Requirement from the latest available month, adjusted as appropriate to account for any relevant Capacity Load Obligation Bilaterals, HQICCs, and Self-Supplied FCA Resource designations for the applicable month.

**Establish Claimed Capability Audit** is the audit performed pursuant to Section III.1.5.1.2.

**Excepted Transaction** is a transaction specified in Section II.40 of the Tariff for the applicable period specified in that Section.

**Existing Capacity Qualification Deadline** is a deadline, specified in Section III.13.1.10 of Market Rule 1, for submission of certain qualification materials for the Forward Capacity Auction, as discussed in Section III.13.1 of Market Rule 1.

**Existing Capacity Qualification Package** is information submitted for certain existing resources prior to participation in the Forward Capacity Auction, as described in Section III.13.1 of Market Rule 1.

**Existing Capacity Resource** is any resource that does not meet any of the eligibility criteria to participate in the Forward Capacity Auction as a New Capacity Resource.

**Existing Capacity Retirement Deadline** is a deadline, specified in Section III.13.1.10 of Market Rule 1, for submission of certain qualification materials for the Forward Capacity Auction, as discussed in Section III.13.1 of Market Rule 1.

**Existing Capacity Retirement Package** is information submitted for certain existing resources prior to participation in the Forward Capacity Auction, as described in Section III.13.1 of Market Rule 1.

**Existing Demand Capacity Resource** is a type of Demand Capacity Resource participating in the Forward Capacity Market, as defined in Section III.13.1.4.2 of Market Rule 1.

**Existing Generating Capacity Resource** is a type of resource participating in the Forward Capacity Market, as defined in Section III.13.1.2.1 of Market Rule 1.

**Existing Import Capacity Resource** is a type of resource participating in the Forward Capacity Market, as defined in Section III.13.1.3.1 of Market Rule 1.

**Expedited Study Request** is defined in Section II.34.7 of the OATT.

**Export-Adjusted LSR** is as defined in Section III.12.4(b)(ii).

**Export Bid** is a bid that may be submitted by certain resources in the Forward Capacity Auction to export capacity to an external Control Area, as described in Section III.13.1.2.3.1.3 of Market Rule 1.

**Exports** are Real-Time External Transactions, which are limited to sales from the New England Control Area, for exporting energy out of the New England Control Area.

**External Elective Transmission Upgrade (External ETU)** is defined in Section I of Schedule 25 of the OATT.

**External Market Monitor** means the person or entity appointed by the ISO Board of Directors pursuant to Section III.A.1.2 of Appendix A of Market Rule 1 to carry out the market monitoring and mitigation functions specified in Appendix A and elsewhere in Market Rule 1.

**External Node** is a proxy bus or buses used for establishing a Locational Marginal Price for energy received by Market Participants from, or delivered by Market Participants to, a neighboring Control Area or for establishing Locational Marginal Prices associated with energy delivered through the New England Control Area by Non-Market Participants for use in calculating Non-Market Participant Congestion Costs and loss costs.

**External Resource** means a generation resource located outside the metered boundaries of the New England Control Area.

**External Transaction** is the import of external energy into the New England Control Area by a Market Participant or the export of internal energy out of the New England Control Area by a Market Participant in the Day-Ahead Energy Market and/or Real-Time Energy Market, or the wheeling of external energy through the New England Control Area by a Market Participant or a Non-Market Participant in the Real-Time Energy Market.

**External Transmission Project** is a transmission project comprising facilities located wholly outside the New England Control Area and regarding which an agreement has been reached whereby New England ratepayers will support all or a portion of the cost of the facilities.

**Facilities Study** is an engineering study conducted pursuant to the OATT by the ISO (or, in the case of Local Service or interconnections to Local Area Facilities as defined in the TOA, by one or more affected PTOs) or some other entity designated by the ISO in consultation with any affected Transmission Owner(s), to determine the required modifications to the PTF and Non-PTF, including the cost and scheduled completion date for such modifications, that will be required to provide a requested transmission service or interconnection on the PTF and Non-PTF.

**Facility and Equipment Testing** means operation of a Resource to evaluate the functionality of the facility or equipment utilized in the operation of the facility.

**Failure to Maintain Blackstart Capability** is a failure of a Blackstart Owner or Designated Blackstart Resource to meet the Blackstart Service Minimum Criteria or Blackstart Service obligations, but does not include a Failure to Perform During a System Restoration event.

**Failure to Perform During a System Restoration** is a failure of a Blackstart Owner or Designated Blackstart Resource to follow ISO or Local Control Center dispatch instructions or perform in accordance with the dispatch instructions or the Blackstart Service Minimum Criteria and Blackstart Service obligations, described within the ISO New England Operating Documents, during a restoration of the New England Transmission System.

**Fast Start Demand Response Resource** is a Demand Response Resource that meets the following criteria: (i) Minimum Reduction Time does not exceed one hour; (ii) Minimum Time Between Reductions does not exceed one hour; (iii) Demand Response Resource Start-Up Time plus Demand Response Resource Notification Time does not exceed 30 minutes; (iv) has personnel available to respond to Dispatch Instructions or has automatic remote response capability; and (v) is capable of receiving and acknowledging a Dispatch Instruction electronically.

**Fast Start Generator** means a generating unit that the ISO may dispatch within the hour through electronic dispatch and that meets the following criteria: (i) Minimum Run Time does not exceed one hour; (ii) Minimum Down Time does not exceed one hour; (iii) cold Notification Time plus cold Start-Up Time does not exceed 30 minutes; (iv) available for dispatch and manned or has automatic remote dispatch capability; and (v) capable of receiving and acknowledging a start-up or shut-down Dispatch Instruction electronically.

**FCA Cleared Export Transaction** is defined in Section III.1.10.7(f)(ii) of Market Rule 1.

**FCA Qualified Capacity** is the Qualified Capacity that is used in a Forward Capacity Auction.

**FCM Capacity Charge Requirements** are calculated in accordance with Section VII.C of the ISO New England Financial Assurance Policy.

**FCM Charge Rate** is calculated in accordance with Section VII.C of the ISO New England Financial Assurance Policy.

**FCM Commercial Operation** is defined in Section III.13.3.8 of Market Rule 1.

**FCM Deposit** is calculated in accordance with Section VII.B.1 of the ISO New England Financial Assurance Policy.

**FCM Financial Assurance Requirements** are described in Section VII of the ISO New England Financial Assurance Policy.

**Final Forward Reserve Obligation** is calculated in accordance with Section III.9.8(a) of Market Rule 1.

**Financial Assurance Default** results from a Market Participant or Non-Market Participant Transmission Customer’s failure to comply with the ISO New England Financial Assurance Policy.

**Financial Assurance Obligations** relative to the ISO New England Financial Assurance Policy are determined in accordance with Section III.A(v) of the ISO New England Financial Assurance Policy.

**Financial Transmission Right (FTR)** is a financial instrument that evidences the rights and obligations specified in Sections III.5.2.2 and III.7 of the Tariff.

**Firm Point-To-Point Service** is service which is arranged for and administered between specified Points of Receipt and Delivery in accordance with Part II.C of the OATT.

**Firm Transmission Service** is Regional Network Service, Through or Out Service, service for Excepted Transactions, firm MTF Service, firm OTF Service, and firm Local Service.

**Flexible DNE Dispatchable Generator** is any DNE Dispatchable Generator that meets the following criteria: (i) Minimum Run Time does not exceed one hour; (ii) Minimum Down Time does not exceed one hour; and (iii) cold Notification Time plus cold Start-Up Time does not exceed 30 minutes.

**Force Majeure** - An event of Force Majeure means any act of God, labor disturbance, act of the public enemy or terrorists, war, invasion, insurrection, riot, fire, storm or flood, ice, explosion, breakage or accident to machinery or equipment, any curtailment, order, regulation or restriction imposed by governmental military or lawfully established civilian authorities, or any other cause beyond the control of the ISO, a Transmission Owner, a Schedule 20A Service Provider, or a Customer, including without limitation, in the case of the ISO, any action or inaction by a Customer, a Schedule 20A Service Provider, or a Transmission Owner, in the case of a Transmission Owner, any action or inaction by the ISO, any Customer, a Schedule 20A Service Provider, or any other Transmission Owner, in the case of a Schedule 20A Service Provider, any action or inaction by the ISO, any Customer, a Transmission Owner, or any other Schedule 20A Service Provider, and, in the case of a Transmission Customer, any action or inaction by the ISO, a Schedule 20A Service Provider, or any Transmission Owner.

**Formal Warning** is defined in Section III.B.4.1.1 of Appendix B of Market Rule 1.

**Formula-Based Sanctions** are defined in Section III.B.4.1.3 of Appendix B of Market Rule 1.

**Forward Capacity Auction (FCA)** is the annual descending clock auction in the Forward Capacity Market, as described in Section III.13.2 of Market Rule 1.

**Forward Capacity Auction Starting Price** is calculated in accordance with Section III.13.2.4 of Market Rule 1.

**Forward Capacity Market (FCM)** is the forward market for procuring capacity in the New England Control Area, as described in Section III.13 of Market Rule 1.

**Forward Reserve** means TMNSR and TMOR purchased by the ISO on a forward basis on behalf of Market Participants as provided for in Section III.9 of Market Rule 1.

**Forward Reserve Assigned Megawatts** is the amount of Forward Reserve, in megawatts, that a Market Participant assigns to eligible Forward Reserve Resources to meet its Forward Reserve Obligation as defined in Section III.9.4.1 of Market Rule 1.

**Forward Reserve Auction** is the periodic auction conducted by the ISO in accordance with Section III.9 of Market Rule 1 to procure Forward Reserve.

**Forward Reserve Auction Offers** are offers to provide Forward Reserve to meet system and Reserve Zone requirements as submitted by a Market Participant in accordance with Section III.9.3 of Market Rule 1.

**Forward Reserve Charge** is a Market Participant’s share of applicable system and Reserve Zone Forward Reserve costs attributable to meeting the Forward Reserve requirement as calculated in accordance with Section III.9.9 of Market Rule 1.

**Forward Reserve Clearing Price** is the clearing price for TMNSR or TMOR, as applicable, for the system and each Reserve Zone resulting from the Forward Reserve Auction as defined in Section III.9.4 of Market Rule 1.

**Forward Reserve Credit** is the credit received by a Market Participant that is associated with that Market Participant’s Final Forward Reserve Obligation as calculated in accordance with Section III.9.8 of Market Rule 1.

**Forward Reserve Delivered Megawatts** are calculated in accordance with Section III.9.6.5 of Market Rule 1.

**Forward Reserve Delivery Period** is defined in Section III.9.1 of Market Rule 1.

**Forward Reserve Failure-to-Activate Megawatts** are calculated in accordance with Section III.9.7.2(a) of Market Rule 1.

**Forward Reserve Failure-to-Activate Penalty** is the penalty associated with a Market Participant’s failure to activate Forward Reserve when requested to do so by the ISO and is defined in Section III.9.7.2 of Market Rule 1.

**Forward Reserve Failure-to-Activate Penalty Rate** is specified in Section III.9.7.2 of Market Rule 1.

**Forward Reserve Failure-to-Reserve**, as specified in Section III.9.7.1 of Market Rule 1, occurs when a Market Participant’s Forward Reserve Delivered Megawatts for a Reserve Zone in an hour is less than that Market Participant’s Forward Reserve Obligation for that Reserve Zone in that hour. Under these circumstances the Market Participant pays a penalty based upon the Forward Reserve Failure-to-Reserve Penalty Rate and that Market Participant’s Forward Reserve Failure-to-Reserve Megawatts.

**Forward Reserve Failure-to-Reserve Megawatts** are calculated in accordance with Section III.9.7.1(a) of Market Rule 1.

**Forward Reserve Failure-to-Reserve Penalty** is the penalty associated with a Market Participant’s failure to reserve Forward Reserve and is defined in Section III.9.7.1 of Market Rule 1.

**Forward Reserve Failure-to-Reserve Penalty Rate** is specified in Section III.9.7.1(b)(ii) of Market Rule 1.

**Forward Reserve Fuel Index** is the index or set of indices used to calculate the Forward Reserve Threshold Price as defined in Section III.9.6.2 of Market Rule 1.

**Forward Reserve Heat Rate** is the heat rate as defined in Section III.9.6.2 of Market Rule 1 that is used to calculate the Forward Reserve Threshold Price.

**Forward Reserve Market** is a market for forward procurement of two reserve products, Ten-Minute Non-Spinning Reserve (TMNSR) and Thirty-Minute Operating Reserve (TMOR).

**Forward Reserve MWs** are those megawatts assigned to specific eligible Forward Reserve Resources which convert a Forward Reserve Obligation into a Resource-specific obligation.

**Forward Reserve Obligation** is a Market Participant’s amount, in megawatts, of Forward Reserve that cleared in the Forward Reserve Auction and adjusted, as applicable, to account for bilateral transactions that transfer Forward Reserve Obligations.

**Forward Reserve Obligation Charge** is defined in Section III.10.4 of Market Rule 1.

**Forward Reserve Offer Cap** is $9,000/megawatt-month.

**Forward Reserve Payment** **Rate** is defined in Section III.9.8 of Market Rule 1.

**Forward Reserve Procurement Period** is defined in Section III.9.1 of Market Rule 1.

**Forward Reserve Qualifying Megawatts** refer to all or a portion of a Forward Reserve Resource’s capability offered into the Real-Time Energy Market at energy offer prices above the applicable Forward Reserve Threshold Price that are calculated in accordance with Section III.9.6.4 of Market Rule 1.

**Forward Reserve Resource** is a Resource that meets the eligibility requirements defined in Section III.9.5.2 of Market Rule 1 that has been assigned Forward Reserve Obligation by a Market Participant.

**Forward Reserve Threshold Price** is the minimum price at which assigned Forward Reserve Megawatts are required to be offered into the Real-Time Energy Market as calculated in Section III.9.6.2 of Market Rule 1.

**FTR Auction** is the periodic auction of FTRs conducted by the ISO in accordance with Section III.7 of Market Rule 1.

**FTR Auction Revenue** is the revenue collected from the sale of FTRs in FTR Auctions. FTR Auction Revenue is payable to FTR Holders who submit their FTRs for sale in the FTR Auction in accordance with Section III.7 of Market Rule 1 and to ARR Holders and Incremental ARR Holders in accordance with Appendix C of Market Rule 1.

**FTR Award Financial Assurance** is a required amount of financial assurance that must be maintained at all times from a Designated FTR Participant for each FTR awarded to the participant in any FTR Auctions. This amount is calculated pursuant to Section VI.C of the ISO New England Financial Assurance Policy.

**FTR Bid Financial Assurance** is an amount of financial assurance required from a Designated FTR Participant for each bid submission into an FTR auction. This amount is calculated pursuant to Section VI.B of the ISO New England Financial Assurance Policy.

**FTR Credit Test Percentage** is calculated in accordance with Section III.B.1(b) of the ISO New England Financial Assurance Policy.

**FTR Financial Assurance Requirements** are described in Section VI of the ISO New England Financial Assurance Policy.

**FTR Holder** is an entity that acquires an FTR through the FTR Auction to Section III.7 of Market Rule 1 and registers with the ISO as the holder of the FTR in accordance with Section III.7 of Market Rule 1 and applicable ISO New England Manuals.

**FTR-Only Customer** is a Market Participant that transacts in the FTR Auction and that does not participate in other markets or programs of the New England Markets. References in this Tariff to a “Non-Market Participant FTR Customers” and similar phrases shall be deemed references to an FTR-Only Customer.

**FTR Settlement Risk Financial Assurance** is an amount of financial assurance required by a Designated FTR Participant for each bid submission into an FTR Auction and for each bid awarded to the individual participant in an FTR Auction. This amount is calculated pursuant to Section VI.A of the ISO New England Financial Assurance Policy.

**GADS Data** means data submitted to the NERC for collection into the NERC’s Generating Availability Data System (GADS).

**Gap Request for Proposals (Gap RFP)** is defined in Section III.11 of Market Rule 1.

**Gas Day** means a period of 24 consecutive hours beginning at 0900 hrs Central Time.

**Generating Capacity Resource** means a New Generating Capacity Resource or an Existing Generating Capacity Resource.

**Generator Asset** is a generator that has been registered in accordance with the Asset Registration Process.

**Generator Imbalance Service** is the form of Ancillary Service described in Schedule 10 of the OATT.

**Generator Interconnection Related Upgrade** is an addition to or modification of the New England Transmission System (pursuant to Section II.47.1, Schedule 22 or Schedule 23 of the OATT) to effect the interconnection of a new generating unit or an existing generating unit whose energy capability or capacity capability is being materially changed and increased whether or not the interconnection is being effected to meet the Capacity Capability Interconnection Standard or the Network Capability Interconnection Standard. As to Category A Projects (as defined in Schedule 11 of the OATT), a Generator Interconnection Related Upgrade also includes an upgrade beyond that required to satisfy the Network Capability Interconnection Standard (or its predecessor) for which the Generator Owner has committed to pay prior to October 29, 1998.

**Generator Owner** is the owner, in whole or part, of a generating unit whether located within or outside the New England Control Area.

**Good Utility Practice** means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather includes all acceptable practices, methods, or acts generally accepted in the region, including those practices required by Federal Power Act Section 215(a)(4).

**Governance Only Member** is defined in Section 1 of the Participants Agreement.

**Governance Participant** is defined in the Participants Agreement.

**Governing Documents**, for the purposes of the ISO New England Billing Policy, are the Transmission, Markets and Services Tariff and ISO Participants Agreement.

**Governing Rating** is the lowest corporate rating from any Rating Agency for that Market Participant, or, if the Market Participant has no corporate rating, then the lowest rating from any Rating Agency for that Market Participant’s senior unsecured debt.

**Grandfathered Agreements (GAs)** is a transaction specified in Section II.45 for the applicable period specified in that Section.

**Grandfathered Intertie Agreement (GIA)** is defined pursuant to the TOA.

**Handy-Whitman Index of Public Utility** **Construction Costs** is the Total Other Production Plant index shown in the Cost Trends of Electric Utility Construction for the North Atlantic Region as published in the Handy-Whitman Index of Public Utility Construction Costs.

**Highgate Transmission Facilities (HTF)** are existing U. S.-based transmission facilities covered under the Agreement for Joint Ownership, Construction and Operation of the Highgate Transmission Interconnection dated as of August 1, 1984 including (1) the whole of a 200 megawatt high-voltage, back-to-back, direct-current converter facility located in Highgate, Vermont and (2) a 345 kilovolt transmission line within Highgate and Franklin, Vermont (which connects the converter facility at the U.S.-Canadian border to a Hydro-Quebec 120 kilovolt line in Bedford, Quebec). The HTF include any upgrades associated with increasing the capacity or changing the physical characteristics of these facilities as defined in the above stated agreement dated August 1, 1984 until the Operations Date, as defined in the TOA. The current HTF rating is a nominal 225 MW. The HTF are not defined as PTF. Coincident with the Operations Date and except as stipulated in Schedules, 9, 12, and Attachment F to the OATT, HTF shall be treated in the same manner as PTF for purposes of the OATT and all references to PTF in the OATT shall be deemed to apply to HTF as well. The treatment of the HTF is not intended to establish any binding precedent or presumption with regard to the treatment for other transmission facilities within the New England Transmission System (including HVDC, MTF, or Control Area Interties) for purposes of the OATT.

**Host Participant or Host Utility** is a Market Participant or a Governance Participant transmission or distribution provider that reconciles the loads within the metering domain with OP-18 compliant metering.

**Hourly Charges** are defined in Section 1.3 of the ISO New England Billing Policy.

**Hourly PER** is calculated in accordance with Section III.13.7.1.2.1 of Market Rule 1.

**Hourly Requirements** are determined in accordance with Section III.A(i) of the ISO New England Financial Assurance Policy.

**Hourly Shortfall NCPC Credit** is an NCPC Credit calculated pursuant to Appendix F to Market Rule 1.

**Hub** is a specific set of pre-defined Nodes for which a Locational Marginal Price will be calculated for the Day-Ahead Energy Market and Real-Time Energy Market and which can be used to establish a reference price for energy purchases and the transfer of Day-Ahead Adjusted Load Obligations and Real-Time Adjusted Load Obligations and for the designation of FTRs.

**Hub Price** is calculated in accordance with Section III.2.8 of Market Rule 1.

**HQ Interconnection Capability Credit (HQICC)** is a monthly value reflective of the annual installed capacity benefits of the Phase I/II HVDC-TF, as determined by the ISO, using a standard methodology on file with the Commission, in conjunction with the setting of the Installed Capacity Requirement. An appropriate share of the HQICC shall be assigned to an IRH if the Phase I/II HVDC-TF support costs are paid by that IRH and such costs are not included in the calculation of the Regional Network Service rate. The share of HQICC allocated to such an eligible IRH for a month is the sum in kilowatts of (1)(a) the IRH’s percentage share, if any, of the Phase I Transfer Capability times (b) the Phase I Transfer Credit, plus (2)(a) the IRH’s percentage share, if any, of the Phase II Transfer Capability, times (b) the Phase II Transfer Credit. The ISO shall establish appropriate HQICCs to apply for an IRH which has such a percentage share.

**Import Capacity Resource** means an Existing Import Capacity Resource or a New Import Capacity Resource offered to provide capacity in the New England Control Area from an external Control Area.

**Inadvertent Energy Revenue** is defined in Section III.3.2.1(o) of Market Rule 1.

**Inadvertent Energy Revenue Charges or Credits** is defined in Section III.3.2.1(p) of Market Rule 1.

**Inadvertent Interchange** means the difference between net actual energy flow and net scheduled energy flow into or out of the New England Control Area.

**Increment Offer** means an offer to sell energy at a specified Location in the Day-Ahead Energy Market which is not associated with a physical supply. An accepted Increment Offer results in scheduled generation at the specified Location in the Day-Ahead Energy Market.

**Incremental ARR** is an ARR provided in recognition of a participant-funded transmission system upgrade pursuant to Appendix C of this Market Rule.

**Incremental ARR Holder** is an entity which is the record holder of an Incremental Auction Revenue Right in the register maintained by the ISO.

**Incremental Cost of Reliability Service** is described in Section III.13.2.5.2.5.2 of Market Rule 1.

**Independent Transmission Company (ITC)** is a transmission entity that assumes certain responsibilities in accordance with Section 10.05 of the Transmission Operating Agreement and Attachment M to the OATT, subject to the acceptance or approval of the Commission and a finding of the Commission that the transmission entity satisfies applicable independence requirements.

**Information Request** is a request from a potential Disputing Party submitted in writing to the ISO for access to Confidential Information.

**Initial Market Participant Financial Assurance Requirement** is calculated for new Market Participants and Returning Market Participants, other than an FTR-Only Customer or a Governance Only Member, according to Section IV of the ISO New England Financial Assurance Policy.

**Installed Capacity Requirement** means the level of capacity required to meet the reliability requirements defined for the New England Control Area, as described in Section III.12 of Market Rule 1.

**Interchange Transactions** are transactions deemed to be effected under Market Rule 1.

**Interconnecting Transmission Owner** has the meaning specified in Section I of Schedule 22, Attachment 1 to Schedule 23, and Section I of Schedule 25 of the OATT.

**Interconnection Agreement** is the “Large Generator Interconnection Agreement”, the “Small Generator Interconnection Agreement”, or the “Elective Transmission Upgrade Interconnection Agreement” pursuant to Schedules 22, 23 or 25 of the ISO OATT or an interconnection agreement approved by the Commission prior to the adoption of the Interconnection Procedures.

**Interconnection Customer** has the meaning specified in Section I of Schedule 22, Attachment 1 to Schedule 23, and Section I of Schedule 25 of the OATT.

**Interconnection Feasibility Study Agreement** has the meaning specified in Section I of Schedule 22, Attachment 1 to Schedule 23, or Section I of Schedule 25 of the OATT.

**Interconnection Procedure** is the “Large Generator Interconnection Procedures”, the “Small Generator Interconnection Procedures”, or the “Elective Transmission Upgrade Interconnection Procedures” pursuant to Schedules 22, 23, and 25 of the ISO OATT.

**Interconnection Request** has the meaning specified in Section I of Schedule 22, Attachment 1 to Schedule 23, or Section I of Schedule 25 of the OATT.

**Interconnection Rights Holder(s) (IRH)** has the meaning given to it in Schedule 20A to Section II of this Tariff.

**Interconnection System Impact Study Agreement** has the meaning specified in Section I of Schedule 22, Attachment 1 to Schedule 23 and Section I of Schedule 25 of the OATT.

**Interest** is interest calculated in the manner specified in Section II.8.3.

**Interface Bid** is a unified real-time bid to simultaneously purchase and sell energy on each side of an external interface for which the enhanced scheduling procedures in Section III.1.10.7.A are implemented.

**Intermittent Power Resource** is a wind, solar, run of river hydro or other renewable resource that does not have control over its net power output.

**Internal Bilateral for Load** is an internal bilateral transaction under which the buyer receives a reduction in Real-Time Load Obligation and the seller receives a corresponding increase in Real-Time Load Obligation in the amount of the sale, in MWs. An Internal Bilateral for Load transaction is only applicable in the Real-Time Energy Market.

**Internal Bilateral for Market for Energy** is an internal bilateral transaction for Energy which applies in the Day-Ahead Energy Market and Real-Time Energy Market or just the Real-Time Energy Market under which the buyer receives a reduction in Day-Ahead Adjusted Load Obligation and Real-Time Adjusted Load Obligation and the seller receives a corresponding increase in Day-Ahead Adjusted Load Obligation and Real-Time Adjusted Load Obligation in the amount of the sale, in MWs.

**Internal Elective Transmission Upgrade (Internal ETU)** is defined in Section I of Schedule 25 of the OATT.

**Internal Market Monitor** means the department of the ISO responsible for carrying out the market monitoring and mitigation functions specified in Appendix A and elsewhere in Market Rule 1.

**Interregional Planning Stakeholder Advisory Committee (IPSAC)** is the committee described as such in the Northeast Planning Protocol.

**Interregional Transmission Project** is a transmission project located within the New England Control Area and one or more of the neighboring transmission planning regions.

**Interruption Cost** is the amount, in dollars, that must be paid to a Market Participant each time the Market Participant’s Demand Response Resource is scheduled or dispatched in the New England Markets to reduce demand.

**Investment Grade Rating,** for a Market (other than an FTR-Only Customer) or Non-Market Participant Transmission Customer, is either (a) a corporate investment grade rating from one or more of the Rating Agencies, or (b) if the Market Participant or Non-Market Participant Transmission Customer does not have a corporate rating from one of the Rating Agencies, then an investment grade rating for the Market Participant’s or Non-Market Participant Transmission Customer’s senior unsecured debt from one or more of the Rating Agencies.

**Invoice** is a statement issued by the ISO for the net Charge owed by a Covered Entity pursuant to the ISO New England Billing Policy.

**Invoice Date** is the day on which the ISO issues an Invoice.

**ISO** means ISO New England Inc.

**ISO Charges**, for the purposes of the ISO New England Billing Policy, are both Non-Hourly Charges and Hourly Charges.

**ISO Control Center** is the primary control center established by the ISO for the exercise of its Operating Authority and the performance of functions as an RTO.

**ISO-Initiated Claimed Capability Audit** is the audit performed pursuant to Section III.1.5.1.4.

**ISO New England Administrative Procedures** means procedures adopted by the ISO to fulfill its responsibilities to apply and implement ISO New England System Rules.

**ISO New England Billing Policy** is Exhibit ID to Section I of the Transmission, Markets and Services Tariff.

**ISO New England Filed Documents** means the Transmission, Markets and Services Tariff, including but not limited to Market Rule 1, the Participants Agreement, the Transmission Operating Agreement or other documents that affect the rates, terms and conditions of service.

**ISO New England Financial Assurance Policy** is Exhibit IA to Section I of the Transmission, Markets and Services Tariff.

**ISO New England Information Policy** is the policy establishing guidelines regarding the information received, created and distributed by Market Participants and the ISO in connection with the settlement, operation and planning of the System, as the same may be amended from time to time in accordance with the provisions of this Tariff. The ISO New England Information Policy is Attachment D to the Transmission, Markets and Services Tariff.

**ISO New England Manuals** are the manuals implementing Market Rule 1, as amended from time to time in accordance with the Participants Agreement. Any elements of the ISO New England Manuals that substantially affect rates, terms, and/or conditions of service shall be filed with the Commission under Section 205 of the Federal Power Act.

**ISO New England Operating Documents** are the Tariff and the ISO New England Operating Procedures.

**ISO New England Operating Procedures** are the ISO New England Planning Procedures and the operating guides, manuals, procedures and protocols developed and utilized by the ISO for operating the ISO bulk power system and the New England Markets.

**ISO New England Planning Procedures** are the procedures developed and utilized by the ISO for planning the ISO bulk power system.

**ISO New England System Rules** are Market Rule 1, the ISO New England Information Policy, the ISO New England Administrative Procedures, the ISO New England Manuals and any other system rules, procedures or criteria for the operation of the New England Transmission System and administration of the New England Markets and the Transmission, Markets and Services Tariff.

**ITC Agreement** is defined in Attachment M to the OATT.

**ITC Rate Schedule** is defined in Section 3.1 of Attachment M to the OATT.

**ITC System** is defined in Section 2.2 of Attachment M to the OATT.

**ITC System Planning Procedures** is defined in Section 15.4 of Attachment M to the OATT.

**Joint ISO/RTO Planning Committee (JIPC)** is the committee described as such in the Northeastern Planning Protocol.

**Late Payment Account** is a segregated interest-bearing account into which the ISO deposits Late Payment Charges due from ISO Charges and interest owed from participants for late payments that are collected and not distributed to the Covered Entities, until the Late Payment Account Limit is reached, under the ISO New England Billing Policy and penalties collected under the ISO New England Financial Assurance Policy.

**Late Payment Account Limit** is defined in Section 4.2 of the ISO New England Billing Policy.

**Late Payment Charge** is defined in Section 4.1 of the ISO New England Billing Policy.

**Lead Market Participant,** for purposes other than the Forward Capacity Market, is the entity authorized to submit Supply Offers, Demand Bids or Demand Reduction Offers for a Resource and to whom certain Energy TUs are assessed under Schedule 2 of Section IV.A of the Tariff. For purposes of the Forward Capacity Market, the Lead Market Participant is the entity designated to participate in that market on behalf of an Existing Capacity Resource or a New Capacity Resource.

**Limited Energy Resource** means generating resources that, due to design considerations, environmental restriction on operations, cyclical requirements, such as the need to recharge or refill or manage water flow, or fuel limitations, are unable to operate continuously at full output on a daily basis.

**Load Asset** means a physical load that has been registered in accordance with the Asset Registration Process.

**Load Management** means installed measures (e.g., products, equipment, systems, services, practices and/or strategies) on end-use customer facilities that curtail electrical usage or shift electrical usage while delivering a comparable or acceptable level of end-use service. Such measures include, but are not limited to, energy management systems, load control end-use cycling, load curtailment strategies, chilled water storage, and other forms of electricity storage.

**Load Shedding** is the systematic reduction of system demand by temporarily decreasing load.

**Load Zone** is a Reliability Region, except as otherwise provided for in Section III.2.7 of Market Rule 1.

**Local Area Facilities** are defined in the TOA**.**

**Local Benefit Upgrade(s) (LBU)** is an upgrade, modification or addition to the transmission system that is: (i) rated below 115kV or (ii) rated 115kV or above and does not meet all of the non-voltage criteria for PTF classification specified in the OATT.

**Local Control Centers** are those control centers in existence as of the effective date of the OATT (including the CONVEX, REMVEC, Maine and New Hampshire control centers) or established by the PTOs in accordance with the TOA that are separate from the ISO Control Center and perform certain functions in accordance with the OATT and the TOA.

**Local Delivery Service** is the service of delivering electric energy to end users. This service is subject to state jurisdiction regardless of whether such service is provided over local distribution or transmission facilities. An entity that is an Eligible Customer under the OATT is not excused from any requirements of state law, or any order or regulation issued pursuant to state law, to arrange for Local Delivery Service with the Participating Transmission Owner and/or distribution company providing such service and to pay all applicable charges associated with such service, including charges for stranded costs and benefits.

**Local Network** is defined as the transmission facilities constituting a local network as identified in Attachment E, as such Attachment may be modified from time to time in accordance with the Transmission Operating Agreement.

**Local Network Load** is the load that a Network Customer designates for Local Network Service under Schedule 21 to the OATT.

**Local Network RNS Rate** is the rate applicable to Regional Network Service to effect a delivery to load in a particular Local Network, as determined in accordance with Schedule 9 to the OATT.

**Local Network Service (LNS)** is the network service provided under Schedule 21 and the Local Service Schedules to permit the Transmission Customer to efficiently and economically utilize its resources to serve its load.

**Local Point-To-Point Service (LPTP)** is Point-to-Point Service provided under Schedule 21 of the OATT and the Local Service Schedules to permit deliveries to or from an interconnection point on the PTF.

**Local Public Policy Transmission Upgrade** is any addition and/or upgrade to the New England Transmission System with a voltage level below 115kV that is required in connection with the construction of a Public Policy Transmission Upgrade approved for inclusion in the Regional System Plan pursuant to Attachment K to the ISO OATT or included in a Local System Plan in accordance with Appendix 1 to Attachment K.

**Local Resource Adequacy Requirement** is calculated pursuant to Section III.12.2.1.1.

**Local Second Contingency Protection Resources** are those Resources identified by the ISO on a daily basis as necessary for the provision of Operating Reserve requirements and adherence to NERC, NPCC and ISO reliability criteria over and above those Resources required to meet first contingency reliability criteria within a Reliability Region.

**Local Service** is transmission service provided under Schedule 21 and the Local Service Schedules thereto.

**Local Service Schedule** is a PTO-specific schedule to the OATT setting forth the rates, charges, terms and conditions applicable to Local Service.

**Local Sourcing Requirement (LSR)** is a value calculated as described in Section III.12.2.1 of Market Rule 1.

**Local System Planning (LSP)** is the process defined in Appendix 1 of Attachment K to the OATT.

**Localized Costs** are the incremental costs resulting from a RTEP02 Upgrade or a Regional Benefit Upgrade or a Public Policy Transmission Upgrade that exceeds those requirements that the ISO deems reasonable and consistent with Good Utility Practice and the current engineering design and construction practices in the area in which the Transmission Upgrade is built. In making its determination of whether Localized Costs exist, the ISO will consider, in accordance with Schedule 12C of the OATT, the reasonableness of the proposed engineering design and construction method with respect to alternate feasible Transmission Upgrades and the relative costs, operation, timing of implementation, efficiency and reliability of the proposed Transmission Upgrade. The ISO, with advisory input from the Reliability Committee, as appropriate, shall review such Transmission Upgrade, and determine whether there are any Localized Costs resulting from such Transmission Upgrade. If there are any such costs, the ISO shall identify them in the Regional System Plan.

**Location** is a Node, External Node, Load Zone, DRR Aggregation Zone, or Hub.

**Locational Marginal Price (LMP)** is defined in Section III.2 of Market Rule 1. The Locational Marginal Price for a Node is the nodal price at that Node; the Locational Marginal Price for an External Node is the nodal price at that External Node; the Locational Marginal Price for a Load Zone, DRR Aggregation Zone or Reliability Region is the Zonal Price for that Load Zone, DRR Aggregation Zone or Reliability Region, respectively; and the Locational Marginal Price for a Hub is the Hub Price for that Hub.

**Long Lead Time Facility (Long Lead Facility)** has the meaning specified in Section I of Schedule 22 and Schedule 25 of the OATT.

**Long-Term** is a term of one year or more.

**Long-Term Transmission Outage** is a long-term transmission outage scheduled in accordance with ISO New England Operating Procedure No. 3.

**Loss Component** is the component of the nodal LMP at a given Node or External Node on the PTF that reflects the cost of losses at that Node or External Node relative to the reference point. The Loss Component of the nodal LMP at a given Node on the non-PTF system reflects the relative cost of losses at that Node adjusted as required to account for losses on the non-PTF system already accounted for through tariffs associated with the non-PTF. When used in connection with Hub Price or Zonal Price, the term Loss Component refers to the Loss Components of the nodal LMPs that comprise the Hub Price or Zonal Price, which Loss Components are averaged or weighted in the same way that nodal LMPs are averaged to determine Hub Price or weighted to determine Zonal Price.

**Loss of Load Expectation (LOLE)** is the probability of disconnecting non-interruptible customers due to a resource deficiency.

**Lost Opportunity Cost (LOC)** is one of four forms of compensation that may be paid to resources providing VAR Service under Schedule 2 of the OATT.

**LSE** means load serving entity.

**Lump Sum Blackstart Payment** is defined and calculated as specified in Section 5.4 of Schedule 16 to the OATT.

**Lump Sum Blackstart Capital Payment** is defined and calculated as specified in Section 5.4 of Schedule 16 to the OATT.

**Lump Sum Blackstart CIP Capital Payment** is defined and calculated as specified in Section 5.4 of Schedule 16 to the OATT.

**Manual Response Rate** is the rate, in MW/Minute, at which the output of a Generator Asset is capable of changing.

**Marginal Loss Revenue Load Obligation** isdefined in Section III.3.2.1(b) of Market Rule 1.

**Marginal Reliability Impact** is the change, with respect to an increment of capacity supply, in expected unserved energy due to resource deficiency, as measured in hours per year.

**Market Credit Limit** is a credit limit for a Market Participant’s Financial Assurance Obligations (except FTR Financial Assurance Requirements) established for each Market Participant in accordance with Section II.C of the ISO New England Financial Assurance Policy.

**Market Credit Test Percentage** is calculated in accordance with Section III.B.1(a) of the ISO New England Financial Assurance Policy.

**Market Efficiency Transmission Upgrade** is defined as those additions and upgrades that are not related to the interconnection of a generator, and, in the ISO’s determination, are designed to reduce bulk power system costs to load system-wide, where the net present value of the reduction in bulk power system costs to load system-wide exceeds the net present value of the cost of the transmission addition or upgrade. For purposes of this definition, the term “bulk power system costs to load system-wide” includes, but is not limited to, the costs of energy, capacity, reserves, losses and impacts on bilateral prices for electricity.

**Market Participant** is a participant in the New England Markets (including a FTR-Only Customer) that has executed a Market Participant Service Agreement, or on whose behalf an unexecuted Market Participant Service Agreement has been filed with the Commission.

**Market Participant Financial Assurance Requirement** is defined in Section III of the ISO New England Financial Assurance Policy.

**Market Participant Obligations** is defined in Section III.B.1.1 of Appendix B of Market Rule 1.

**Market Participant Service Agreement (MPSA)** is an agreement between the ISO and a Market Participant, in the form specified in Attachment A or Attachment A-1 to the Tariff, as applicable.

**Market Rule 1** is ISO Market Rule 1 and appendices set forth in Section III of this ISO New England Inc. Transmission, Markets and Services Tariff, as it may be amended from time to time.

**Market Violation** is a tariff violation, violation of a Commission-approved order, rule or regulation, market manipulation, or inappropriate dispatch that creates substantial concerns regarding unnecessary market inefficiencies.

**Material Adverse Change** is any change in financial status including, but not limited to a downgrade to below an Investment Grade Rating by any Rating Agency, being placed on credit watch with negative implication by any Rating Agency if the Market Participant or Non-Market Participant Transmission Customer does not have an Investment Grade Rating, a bankruptcy filing or other insolvency, a report of a significant quarterly loss or decline of earnings, the resignation of key officer(s), the sanctioning of the Market Participant or Non-Market Participant Transmission Customer or any of its Principles imposed by the Federal Energy Regulatory Commission, the Securities Exchange Commission, any exchange monitored by the National Futures Association, or any state entity responsible for regulating activity in energy markets; the filing of a material lawsuit that could materially adversely impact current or future financial results; a significant change in the Market Participant’s or Non-Market Participant Transmission Customer’s credit default spreads; or a significant change in market capitalization.

**Material Adverse Impact** is defined, for purposes of review of ITC-proposed plans, as a proposed facility or project will be deemed to cause a “material adverse impact” on facilities outside of the ITC System if: (i) the proposed facility or project causes non-ITC facilities to exceed their capabilities or exceed their thermal, voltage or stability limits, consistent with all applicable reliability criteria, or (ii) the proposed facility or project would not satisfy the standards set forth in Section I.3.9 of the Transmission, Markets and Services Tariff. This standard is intended to assure the continued service of all non-ITC firm load customers and the ability of the non-ITC systems to meet outstanding transmission service obligations.

**Maximum Capacity Limit** is a value calculated as described in Section III.12.2.2 of Market Rule 1.

**Maximum Consumption Limit** is the maximum amount, in MW, available from the Dispatchable Asset Related Demand for economic dispatch and is based on the physical characteristics as submitted as part of a Resource’s Offer Data.

**Maximum Daily Consumption Limit** is the maximum amount of megawatt-hours that a DARD Pump is expected to be able to consume in the next Operating Day.

**Maximum Facility Load** is the most recent annual non-coincident peak demand or, if unavailable, an estimate of the annual non-coincident peak demand of a Demand Response Asset, where the demand evaluated is established by adding actual metered demand and the output of all generators located behind the asset’s end-use customer meter in the same time intervals.

**Maximum Generation** is the maximum generation output of a Demand Response Asset comprised of Distributed Generation.

**Maximum Interruptible Capacity** is an estimate of the maximum hourly demand reduction amount that a Demand Response Asset can deliver. For assets that deliver demand reduction, the Maximum Interruptible Capacity is the asset’s peak load less its uninterruptible load. For assets that deliver reductions through the use of generation, the Maximum Interruptible Capacity is the difference between the generator’s maximum possible output and its expected output when not providing demand reduction. For assets that deliver demand reduction and Net Supply, the Maximum Interruptible Capacity is the asset’s peak load plus Maximum Net Supply as measured at the Retail Delivery Point.

**Maximum Load** is the most recent annual non-coincident peak demand or, if unavailable, an estimate of the annual non-coincident peak demand, of a Demand Response Asset.

**Maximum Net Supply** is an estimate of the maximum hourly Net Supply for a Demand Response Asset as measured from the Demand Response Asset’s Retail Delivery Point.

**Maximum Number of Daily Starts** is the maximum number of times that a DARD Pump or a generating Resource can be started or that a Demand Response Resource can be interrupted in the next Operating Day under normal operating conditions.

**Maximum Reduction** is the maximum available demand reduction, in MW, of a Demand Response Resource that a Market Participant offers to deliver in the Day-Ahead Energy Market or Real-Time Energy Market, as reflected in the Demand Response Resource’s Demand Reduction Offer.

**Measure Life** is the estimated time an On-Peak Demand Resource or Seasonal Peak Demand Resource measure will remain in place, or the estimated time period over which the facility, structure, equipment or system in which a measure is installed continues to exist, whichever is shorter. Suppliers of On-Peak Demand Resources or Seasonal Peak Demand Resources comprised of an aggregation of measures with varied Measures Lives shall determine and document the Measure Life either: (i) for each type of measure with a different Measure Life and adjust the aggregate performance based on the individual measure life calculation in the portfolio; or (ii) as the average Measure Life for the aggregated measures as long as the demand reduction capability of the resource is greater than or equal to the amount that cleared in the Forward Capacity Auction or reconfiguration auction for the entire Capacity Commitment Period, and the demand reduction capability for an Existing On-Peak Demand Resource or Existing Seasonal Peak Demand Resource is not over-stated in a subsequent Capacity Commitment Period. Measure Life shall be determined consistent with the resource’s Measurement and Verification Plan, which shall be reviewed by the ISO to ensure consistency with the measurement and verification requirements of Market Rule 1 and the ISO New England Manuals.

**Measurement and Verification Documents** mean the measurement and verification documents described in Section 13.1.4.3.1 of Market Rule 1 that are submitted by On-Peak Demand Resources and Seasonal Peak Demand Resources, which include Measurement and Verification Plans, Updated Measurement and Verification Plans, Measurement and Verification Summary Reports, and Measurement and Verification Reference Reports.

**Measurement and Verification Plan** means the measurement and verification plan submitted by an On-Peak Demand Resource or Seasonal Peak Demand Resource as part of the qualification process for the Forward Capacity Auction pursuant to the requirements of Section III.13.1.4.3 of Market Rule 1 and the ISO New England Manuals.

**Measurement and Verification Reference Reports** are optional reports submitted by On-Peak Demand Resources or Seasonal Peak Demand Resources during the Capacity Commitment Period subject to the schedule in the Measurement and Verification Plan and consistent with the schedule and reporting standards set forth in the ISO New England Manuals. Measurement and Verification Reference Reports update the prospective demand reduction capability of the On-Peak Demand Resource or Seasonal Peak Demand Resource project based on measurement and verification studies performed during the Capacity Commitment Period.

**Measurement and Verification Summary Report** is the monthly report submitted by an On-Peak Demand Resource or Seasonal Peak Demand Resource with the monthly settlement report for the Forward Capacity Market, which documents the total demand reduction capability for all On-Peak Demand Resources and Seasonal Peak Demand Resources in operation as of the end of the previous month.

**MEPCO Grandfathered Transmission Service Agreement (MGTSA)** is a MEPCO long-term firm point-to-point transmission service agreement with a POR or POD at the New Brunswick border and a start date prior to June 1, 2007 where the holder has elected, by written notice delivered to MEPCO within five (5) days following the filing of the settlement agreement in Docket Nos. ER07-1289 and EL08-56 or by September 1, 2008 (whichever is later), MGTSA treatment as further described in Section II.45.1.

**Merchant Transmission Facilities (MTF)** are the transmission facilities owned by MTOs, defined and classified as MTF pursuant to Schedule 18 of the OATT, over which the ISO shall exercise Operating Authority in accordance with the terms set forth in a MTOA or Attachment K to the OATT, rated 69 kV or above and required to allow energy from significant power sources to move freely on the New England Transmission System.

**Merchant Transmission Facilities Provider (MTF Provider)** is an entity as defined in Schedule 18 of the OATT.

**Merchant Transmission Facilities Service (MTF Service)** is transmission service over MTF as provided for in Schedule 18 of the OATT.

**Merchant Transmission Operating Agreement (MTOA)** is an agreement between the ISO and an MTO with respect to its MTF.

**Merchant Transmission Owner (MTO)** is an owner of MTF.

**Meter Data Error** means an error in meter data, including an error in Coincident Peak Contribution values, on an Invoice issued by the ISO after the completion of the data reconciliation process as described in the ISO New England Manuals and in Section III.3.8 of Market Rule 1.

**Meter Data Error RBA Submission Limit** means the date thirty 30 calendar days after the issuance of the Invoice containing the results of the data reconciliation process as described in the ISO New England Manuals and in Section III.3.6 of Market Rule 1.

**Metered Quantity For Settlement** is defined in Section III.3.2.1.1 of Market Rule 1.

**Minimum Consumption Limit** is the minimum amount, in MW, available from a Dispatchable Asset Related Demand that is not available for economic dispatch and is based on the physical characteristics as submitted as part of a Resource’s Offer Data.

**Minimum Down Time** is the number of hours that must elapse after a Generator Asset or DARD Pump has been released for shutdown at or below its Economic Minimum Limit or Minimum Consumption Limit before the Generator Asset or DARD Pump can be brought online and be released for dispatch at its Economic Minimum Limit or Minimum Consumption Limit.

**Minimum Generation Emergency** means an Emergency declared by the ISO in which the ISO anticipates requesting one or more generating Resources to operate at or below Economic Minimum Limit, in order to manage, alleviate, or end the Emergency.

**Minimum Generation Emergency Credits** are those Real-Time Dispatch NCPC Credits calculated pursuant to Appendix F of Market Rule 1 for resources within a reliability region that are dispatched during a period for which a Minimum Generation Emergency has been declared.

**Minimum Reduction** is the minimum available demand reduction, in MW, of a Demand Response Resource that a Market Participant offers to deliver in the Day-Ahead Energy Market or Real-Time Energy Market, as reflected in the Demand Response Resource’s Demand Reduction Offer.

**Minimum Reduction Time** is the minimum number of hours of demand reduction at or above the Minimum Reduction for which the ISO must dispatch a Demand Response Resource to reduce demand.

**Minimum Run Time** is the number of hours that a Generator Asset must remain online after it has been scheduled to reach its Economic Minimum Limit before it can be released for shutdown from its Economic Minimum Limit or the number of hours that must elapse after a DARD Pump has been scheduled to consume at its Minimum Consumption Limit before it can be released for shutdown.

**Minimum Time Between Reductions** is the number of hours that must elapse after a Demand Response Resource has received a Dispatch Instruction to stop reducing demand before the Demand Response Resource can achieve its Minimum Reduction after receiving a Dispatch Instruction to start reducing demand.

**Monthly Blackstart Service Charge** is the charge made to Transmission Customers pursuant to Section 6 of Schedule 16 to the OATT.

**Monthly Capacity Payment** is the Forward Capacity Market payment described in Section III.13.7.3 of Market Rule 1.

**Monthly Peak** is defined in Section II.21.2 of the OATT.

**Monthly PER** is calculated in accordance with Section III.13.7.1.2.2 of Market Rule 1.

**Monthly Real-Time Generation Obligation** is the sum, for all hours in a month, at all Locations, of a Customer’s Real-Time Generation Obligation, in MWhs.

**Monthly Real-Time Load Obligation** is the absolute value of a Customer’s hourly Real-Time Load Obligation summed for all hours in a month, in MWhs.

**Monthly Regional Network Load** is defined in Section II.21.2 of the OATT.

**Monthly Statement** is the first weekly Statement issued on a Monday after the tenth of a calendar month that includes both the Hourly Charges for the relevant billing period and Non-Hourly Charges for the immediately preceding calendar month.

**MRI Transition Period** is the period specified in Section III.13.2.2.1.

**MUI** is the market user interface.

**Municipal Market Participant** is defined in Section II of the ISO New England Financial Assurance Policy.

**MW** is megawatt.

**MWh** is megawatt-hour.

**Native Load Customers** are the wholesale and retail power customers of a Transmission Owner on whose behalf the Transmission Owner, by statute, franchise, regulatory requirement, or contract, has undertaken an obligation to construct and operate its system to meet the reliable electric needs of such customers.

**NCPC Charge** means the charges to Market Participants calculated pursuant to Appendix F to Market Rule 1.

**NCPC Credit** means the credits to Market Participants calculated pursuant to Appendix F to Market Rule 1.

**Needs Assessment** is defined in Section 4.1 of Attachment K to the OATT.

**NEMA**, for purposes of Section III of the Tariff, is the Northeast Massachusetts Reliability Region.

**NEMA Contract** is a contract described in Appendix C of Market Rule 1 and listed in Exhibit 1

of Appendix C of Market Rule 1.

**NEMA Load Serving Entity (NEMA LSE)** is a Transmission Customer or Congestion Paying LSE Entity that serves load within NEMA.

**NEMA or Northeast Massachusetts Upgrade**, for purposes of Section II of the Tariff, is an addition to or modification of the PTF into or within the Northeast Massachusetts Reliability Region that was not, as of December 31, 1999, the subject of a System Impact Study or application filed pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff; that is not related to generation interconnections; and that will be completed and placed in service by June 30, 2004. Such upgrades include, but are not limited to, new transmission facilities and related equipment and/or modifications to existing transmission facilities and related equipment. The list of NEMA Upgrades is contained in Schedule 12A of the OATT.

**NEPOOL** is the New England Power Pool, and the entities that collectively participated in the New England Power Pool.

**NEPOOL Agreement** is the agreement among the participants in NEPOOL.

**NEPOOL GIS** is the generation information system.

**NEPOOL GIS Administrator** is the entity or entities that develop, administer, operate and maintain the NEPOOL GIS.

**NEPOOL GIS API Fees** are the one-time on-boarding fees and annual maintenance fees charged to NEPOOL by the NEPOOL GIS Administrator for each NEPOOL Participant or Market Participant that accesses the NEPOOL GIS through an application programming interface pursuant to Rule 3.9(b) of the operating rules of the NEPOOL GIS.

**NEPOOL Participant** is a party to the NEPOOL Agreement.

**NERC** is the North American Electric Reliability Corporation or its successor organization.

**NESCOE** is the New England States Committee on Electricity, recognized by the Commission as the regional state committee for the New England Control Area.

**Net Commitment Period Compensation (NCPC)** is the compensation methodology for Resources that is described in Appendix F to Market Rule 1.

**Net CONE** is an estimate of the Cost of New Entry, net of the first-year non-capacity market revenues, for a reference technology resource type and is intended to equal the amount of capacity revenue the reference technology resource would require, in its first year of operation, to be economically viable given reasonable expectations of the first year energy and ancillary services revenues, and projected revenue for subsequent years.

**Net Regional Clearing Price** is described in Section III.13.7.5 of Market Rule 1.

**Net Supply** is energy injected at the Retail Delivery Point by a Demand Response Asset with Distributed Generation.

**Network Capability Interconnection Standard** has the meaning specified in Section I of Schedule 22, Attachment 1 to Schedule 23, and Section I of Schedule 25 of the OATT.

**Network Customer** is a Transmission Customer receiving RNS or LNS.

**Network Import Capability (NI Capability)** is defined in Section I of Schedule 25 of the OATT.

**Network Import Interconnection Service (NI Interconnection Service)** is defined in Section I of Schedule 25 of the OATT.

**Network Resource** is defined as follows: (1) With respect to Market Participants, (a) any generating resource located in the New England Control Area which has been placed in service prior to the Compliance Effective Date (including a unit that has lost its capacity value when its capacity value is restored and a deactivated unit which may be reactivated without satisfying the requirements of Section II.46 of the OATT in accordance with the provisions thereof) until retired; (b) any generating resource located in the New England Control Area which is placed in service after the Compliance Effective Date until retired, provided that (i) the Generator Owner has complied with the requirements of Sections II.46 and II.47 and Schedules 22 and 23 of the OATT, and (ii) the output of the unit shall be limited in accordance with Sections II.46 and II.47 and Schedules 22 and 23, if required; and (c) any generating resource or combination of resources (including bilateral purchases) located outside the New England Control Area for so long as any Market Participant has an Ownership Share in the resource or resources which is being delivered to it in the New England Control Area to serve Regional Network Load located in the New England Control Area or other designated Regional Network Loads contemplated by Section II.18.3 of the OATT taking Regional Network Service. (2) With respect to Non-Market Participant Transmission Customers, any generating resource owned, purchased or leased by the Non-Market Participant Transmission Customer which it designates to serve Regional Network Load.

**New Brunswick Security Energy** is defined in Section III.3.2.6A of Market Rule 1.

**New Capacity Offer** is an offer in the Forward Capacity Auction to provide capacity from a New Generating Capacity Resource, New Import Capacity Resource or New Demand Capacity Resource.

**New Capacity Qualification Deadline** is a deadline, specified in Section III.13.1.10 of Market Rule 1, for submission of certain qualification materials for the Forward Capacity Auction, as discussed in Section III.13.1 of Market Rule 1.

**New Capacity Qualification Package** is information submitted by certain new resources prior to participation in the Forward Capacity Auction, as described in Section III.13.1 of Market Rule

1.

**New Capacity Resource** is a resource (i) that never previously received any payment as a capacity resource including any capacity payment pursuant to the market rules in effect prior to June 1, 2010 and that has not cleared in any previous Forward Capacity Auction; or (ii) that is otherwise eligible to participate in the Forward Capacity Auction as a New Capacity Resource.

**New Capacity Show of Interest Form** is described in Section III.13.1.1.2.1 of Market Rule 1.

**New Capacity Show of Interest Submission Window** is the period of time during which a Project Sponsor may submit a New Capacity Show of Interest Form or a New Demand Capacity Resource Show of Interest Form, as described in Section III.13.1.10 of Market Rule 1.

**New Demand Capacity Resource** is a type of Demand Capacity Resource participating in the Forward Capacity Market, as defined in Section III.13.1.4.1 of Market Rule 1.

**New Demand Capacity Resource Qualification Package** is the information that a Project Sponsor must submit, in accordance with Section III13.1.4.1.12 of Market Rule 1, for each resource that it seeks to offer in the Forward Capacity Auction as a New Demand Capacity Resource.

**New Demand Capacity Resource Show of Interest Form** is described in Section III.13.1.4.1.1.1 of Market Rule 1.

**New England Control Area** is the Control Area for New England, which includes PTF, Non-PTF, MTF and OTF. The New England Control Area covers Connecticut, Rhode Island, Massachusetts, New Hampshire, Vermont, and part of Maine (i.e., excluding the portions of Northern Maine and the northern portion of Eastern Maine which are in the Maritimes Control Area).

**New England Markets** are markets or programs for the purchase of energy, capacity, ancillary services, demand response services or other related products or services (including Financial Transmission Rights) that are delivered through or useful to the operation of the New England Transmission System and that are administered by the ISO pursuant to rules, rates, or agreements on file from time to time with the Federal Energy Regulatory Commission.

**New England System Restoration Plan** is the plan that is developed by ISO, in accordance with NERC Reliability Standards, NPCC regional criteria and standards, ISO New England Operating Documents and ISO operating agreements, to facilitate the restoration of the New England Transmission System following a partial or complete shutdown of the New England Transmission System.

**New England Transmission System** is the system of transmission facilities, including PTF, Non-PTF, OTF and MTF, within the New England Control Area under the ISO’s operational jurisdiction.

**New Generating Capacity Resource** is a type of resource participating in the Forward Capacity Market, as described in Section III.13.1.1.1 of Market Rule 1.

**New Import Capacity Resource** is a type of resource participating in the Forward Capacity Market, as defined in Section III.13.1.3.4 of Market Rule 1.

**New Resource Offer Floor Price** is defined in Section III.A.21.2.

**NMPTC** means Non-Market Participant Transmission Customer.

**NMPTC Credit Threshold** is described in Section V.A.2 of the ISO New England Financial Assurance Policy.

**NMPTC Financial Assurance Requirement** is an amount of additional financial assurance for Non-Market Participant Transmission Customers described in Section V.D of the ISO New England Financial Assurance Policy.

**Nodal Amount** is node(s)-specific on-peak and off-peak proxy value to which an FTR bid or awarded FTR bid relates.

**Node** is a point on the New England Transmission System at which LMPs are calculated.

**No-Load Fee** is the amount, in dollars per hour, for a generating unit that must be paid to Market Participants with an Ownership Share in the unit for being scheduled in the New England Markets, in addition to the Start-Up Fee and price offered to supply energy, for each hour that the generating unit is scheduled in the New England Markets.

**Nominated Consumption Limit** is the consumption level specified by the Market Participant for a Dispatchable Asset Related Demand as adjusted in accordance with the provisions of Section III.13.7.5.1.3.

**Non-Commercial Capacity** is the capacity of a New Capacity Resource or an Existing Capacity Resource, or portion thereof, that has not achieved FCM Commercial Operation.

**Non-Commercial Capacity Cure Period** is the time period described in Section VII.D of the ISO New England Financial Assurance Policy.

**Non-Commercial Capacity Financial Assurance Amount (Non-Commercial Capacity FA Amount**) is the financial assurance amount held on Non-Commercial Capacity cleared in a Forward Capacity Auction as calculated in accordance with Section VII.B.2 of the ISO New England Financial Assurance Policy.

**Non-Designated Blackstart Resource Study Cost Payments** are the study costs reimbursed under Section 5.3 of Schedule 16 of the OATT.

**Non-Dispatchable Resource** is any Resource that does not meet the requirements to be a Dispatchable Resource .

**Non-Hourly Charges** are defined in Section 1.3 of the ISO New England Billing Policy.

**Non-Hourly Requirements** are determined in accordance with Section III.A(ii) of the ISO New England Financial Assurance Policy, which is Exhibit 1A of Section I of the Tariff.

**Non-Incumbent Transmission Developer** is a Qualified Transmission Project Sponsor that: (i) is not currently a PTO; (ii) has a transmission project listed in the RSP Project List; and (iii) has executed a Non-Incumbent Transmission Developer Operating Agreement. “Non-Incumbent Transmission Developer” also includes a PTO that proposes the development of a transmission facility not located within or connected to its existing electric system; however, because such a PTO is a party to the TOA, it is not required to enter into a Non-Incumbent Transmission Developer Operating Agreement.

**Non-Incumbent Transmission Developer Operating Agreement (or NTDOA)** is an agreement between the ISO and a Non-Incumbent Transmission Developer in the form specified in Attachment O to the OATT that sets forth their respective rights and responsibilities to each other with regard to proposals for and construction of certain transmission facilities.

**Non-Market Participant** is any entity that is not a Market Participant.

**Non-Market Participant Transmission Customer** is any entity which is not a Market Participant but is a Transmission Customer.

**Non-Municipal Market Participant** is defined in Section II of the ISO New England Financial Assurance Policy.

**Non-PTF Transmission Facilities (Non-PTF)** are the transmission facilities owned by the PTOs that do not constitute PTF, OTF or MTF.

**Non-Qualifying** means a Market Participant that is not a Credit Qualifying Market Participant.

**Notice of RBA** is defined in Section 6.3.2 of the ISO New England Billing Policy.

**Notification Time** is the time required for a Generator Asset to synchronize to the system from the time a startup Dispatch Instruction is received from the ISO.

**Northeastern Planning Protocol** is the Amended and Restated Northeastern ISO/RTO Planning Coordination Protocol on file with the Commission and posted on the ISO website at the following URL: [www.iso-ne.com/static-assets/documents/2015/07/northeastern\_protocol\_dmeast.doc](http://www.iso-ne.com/static-assets/documents/2015/07/northeastern_protocol_dmeast.doc).

**NPCC** is the Northeast Power Coordinating Council.

**Obligation Month** means a time period of one calendar month for which capacity payments are issued and the costs associated with capacity payments are allocated.

**Offer Data** means the scheduling, operations planning, dispatch, new Resource, and other data, including generating unit and Dispatchable Asset Related Demand, and Demand Response Resource operating limits based on physical characteristics, and information necessary to schedule and dispatch generating and Dispatchable Asset Related Demand Resources, and Demand Response Resources for the provision of energy and other services and the maintenance of the reliability and security of the transmission system in the New England Control Area, and specified for submission to the New England Markets for such purposes by the ISO.

**Offered CLAIM10** is, for a generating Resource, a Supply Offer value between 0 and the CLAIM10 of the Resource that represents the amount of TMNSR available from the Resource from an off-line state, and, for a Dispatchable Asset Related Demand or Demand Response Resource that has not been dispatched, is a Demand Bid or Demand Reduction Offer value between 0 and the CLAIM10 of the Resource that represents the amount of TMNSR or TMSR available from the Resource.

**Offered CLAIM30** is a Supply Offer, Demand Bid or Demand Reduction Offer value between 0 and the CLAIM30 of a Resource that represents the amount of TMOR available from an off-line generating Resource, or Dispatchable Asset Related Demand or Demand Response Resource that has not been dispatched.

**On-Peak Demand Resource** is a type of Demand Capacity Resource and means installed measures (e.g., products, equipment, systems, services, practices and/or strategies) on end-use customer facilities that reduce the total amount of electrical energy consumed during Demand Resource On-Peak Hours, while delivering a comparable or acceptable level of end-use service. Such measures include Energy Efficiency, Load Management, and Distributed Generation.

**Open Access Same-Time Information System (OASIS)** is the ISO information system and standards of conduct responding to requirements of 18 C.F.R. §37 of the Commission’s regulations and all additional requirements implemented by subsequent Commission orders dealing with OASIS.

**Open Access Transmission Tariff (OATT)** is Section II of the ISO New England Inc. Transmission, Markets and Services Tariff.

**Operating Authority** is defined pursuant to a MTOA, an OTOA, the TOA or the OATT, as applicable.

**Operating Data** means GADS Data, data equivalent to GADS Data, CARL Data, metered load data, or actual system failure occurrences data, all as described in the ISO New England Operating Procedures.

**Operating Day** means the calendar day period beginning at midnight for which transactions on the New England Markets are scheduled.

**Operating Reserve** means Ten-Minute Spinning Reserve (TMSR), Ten-Minute Non-Spinning Reserve (TMNSR) and Thirty-Minute Operating Reserve (TMOR).

**Operations Date** is February 1, 2005.

**OTF Service** is transmission service over OTF as provided for in Schedule 20.

**Other Transmission Facility (OTF)** are the transmission facilities owned by Transmission Owners, defined and classified as OTF pursuant to Schedule 20, over which the ISO shall exercise Operating Authority in accordance with the terms set forth in the OTOA, rated 69 kV or above, and required to allow energy from significant power sources to move freely on the New England Transmission System. OTF classification shall be limited to the Phase I/II HVDC-TF.

**Other Transmission Operating Agreements (OTOA)** is the agreement(s) between the ISO, an OTO and/or the associated service provider(s) with respect to an OTF, which includes the HVDC Transmission Operating Agreement and the Phase I/II HVDC-TF Transmission Service Administration Agreement. With respect to the Phase I/II HVDC-TF, the HVDC Transmission Operating Agreement covers the rights and responsibilities for the operation of the facility and the Phase I/II HVDC-TF Transmission Service Administration Agreement covers the rights and responsibilities for the administration of transmission service.

**Other Transmission Owner (OTO)** is an owner of OTF.

**Ownership Share** is a right or obligation, for purposes of settlement, to a percentage share of all credits or charges associated with a generating unit asset or Load Asset, where such unit or load is interconnected to the New England Transmission System.

**Participant Expenses** are defined in Section 1 of the Participants Agreement.

**Participant Required Balance** is defined in Section 5.3 of the ISO New England Billing Policy.

**Participant Vote** is defined in Section 1 of the Participants Agreement.

**Participants Agreement** is the agreement among the ISO, the New England Power Pool and Individual Participants, as amended from time to time, on file with the Commission.

**Participants Committee** is the principal committee referred to in the Participants Agreement.

**Participating Transmission Owner (PTO)** is a transmission owner that is a party to the TOA.

**Passive DR Audit** is the audit performed pursuant to Section III.13.6.1.5.4.

**Passive DR Auditing Period** is the summer Passive DR Auditing Period (June 1 to August 31) or winter Passive DR Auditing Period (December 1 to January 31) applicable to On-Peak Demand Resources and Seasonal Peak Demand Resources.

**Payment** is a sum of money due to a Covered Entity from the ISO.

**Payment Default Shortfall Fund** is defined in Section 5.1 of the ISO New England Billing Policy.

**Peak Energy Rent (PER)** is described in Section III.13.7.1.2 of Market Rule 1.

**PER Proxy Unit** is described in Section III.13.7.1.2.1 of Market Rule 1.

**Permanent De-list Bid** is a bid that may be submitted by an Existing Generating Capacity Resource, Existing Import Capacity Resource, or Existing Demand Capacity Resource in the Forward Capacity Auction to permanently remove itself from the capacity market, as described in Section III.13.1.2.3.1.5 of Market Rule 1.

**Phase I Transfer Credit** is 40% of the HQICC, or such other fraction of the HQICC as the ISO may establish.

**Phase I/II HVDC-TF** is defined in Schedule 20A to Section II of this Tariff.

**Phase I/II HVDC-TF Transfer Capability** is the transfer capacity of the Phase I/II HVDC-TF under normal operating conditions, as determined in accordance with Good Utility Practice. The “Phase I Transfer Capability” is the transfer capacity under normal operating conditions, as determined in accordance with Good Utility Practice, of the Phase I terminal facilities as determined initially as of the time immediately prior to Phase II of the Phase I/II HVDC-TF first being placed in service, and as adjusted thereafter only to take into account changes in the transfer capacity which are independent of any effect of Phase II on the operation of Phase I. The “Phase II Transfer Capability” is the difference between the Phase I/II HVDC-TF Transfer Capability and the Phase I Transfer Capability. Determinations of, and any adjustment in, Phase I/II HVDC-TF Transfer Capability shall be made by the ISO, and the basis for any such adjustment shall be explained in writing and posted on the ISO website.

**Phase One Proposal** is a first round submission, as defined in Section 4.3 of Attachment K of the OATT, of a proposal for a Reliability Transmission Upgrade or Market Efficiency Transmission Upgrade, as applicable, by a Qualified Transmission Project Sponsor.

**Phase II Transfer Credit** is 60% of the HQICC, or such other fraction of the HQICC as the ISO may establish.

**Phase Two Solution** is a second round submission, as defined in Section 4.3 of Attachment K of the OATT, of a proposal for a Reliability Transmission Upgrade or Market Efficiency Transmission Upgrade by a Qualified Transmission Project Sponsor.

**Planning Advisory Committee** is the committee described in Attachment K of the OATT.

**Planning and Reliability Criteria** is defined in Section 3.3 of Attachment K to the OATT.

**Planning Authority** is an entity defined as such by the North American Electric Reliability Corporation.

**Point(s) of Delivery (POD)** is point(s) of interconnection where capacity and/or energy transmitted by a Transmission Customer will be made available to the Receiving Party under the OATT.

**Point of Interconnection** shall have the same meaning as that used for purposes of Schedules 22, 23 and 25 of the OATT.

**Point(s) of Receipt (POR)** is point(s) of interconnection where capacity and/or energy transmitted by a Transmission Customer will be made available by the Delivering Party under the OATT.

**Point-To-Point Service** is the transmission of capacity and/or energy on either a firm or non-firm basis from the Point(s) of Receipt to the Point(s) of Delivery under the OATT pursuant to Local Point-To-Point Service or OTF Service or MTF Service; and the transmission of capacity and/or energy from the Point(s) of Receipt to the Point(s) of Delivery under the OATT pursuant to Through or Out Service.

**Pool-Planned Unit** is one of the following units: New Haven Harbor Unit 1 (Coke Works), Mystic Unit 7, Canal Unit 2, Potter Unit 2, Wyman Unit 4, Stony Brook Units 1, 1A, 1B, 1C, 2A and 2B, Millstone Unit 3, Seabrook Unit 1 and Waters River Unit 2 (to the extent of 7 megawatts of its Summer capability and 12 megawatts of its Winter capability).

**Pool PTF Rate** is the transmission rate determined in accordance with Schedule 8 to the OATT.

**Pool RNS Rate** is the transmission rate determined in accordance with paragraph (2) of Schedule 9 of Section II of the Tariff.

**Pool-Scheduled Resources** are described in Section III.1.10.2 of Market Rule 1.

**Pool Supported PTF** is defined as: (i) PTF first placed in service prior to January 1, 2000; (ii) Generator Interconnection Related Upgrades with respect to Category A and B projects (as defined in Schedule 11), but only to the extent not paid for by the interconnecting Generator Owner; and (iii) other PTF upgrades, but only to the extent the costs therefore are determined to be Pool Supported PTF in accordance with Schedule 12.

**Pool Transmission Facility (PTF)** means the transmission facilities owned by PTOs which meet the criteria specified in Section II.49 of the OATT.

**Posting Entity** is any Market Participant or Non-Market Participant Transmission Customer providing financial security under the provisions of the ISO New England Financial Assurance Policy.

**Posture** means an action of the ISO to deviate from the jointly optimized security constrained economic dispatch for Energy and Operating Reserves solution for a Resource produced by the ISO’s technical software for the purpose of maintaining sufficient Operating Reserve (both on­line and off-line) or for the provision of voltage or VAR support.

**Posturing Credits** are the Real-Time Posturing NCPC Credits for Generators (Other Than Limited Energy Resources) Postured for Reliability and the Real-Time Posturing NCPC Credit for Limited Energy Resources Postured for Reliability.

**Power Purchaser** is the entity that is purchasing the capacity and/or energy to be transmitted under the OATT.

**Principal** is (i) the sole proprietor of a sole proprietorship; (ii) a general partner of a partnership; (iii) a president, chief executive officer, chief operating officer or chief financial officer (or equivalent position) of an organization; (iv) a manager, managing member or a member vested with the management authority for a limited liability company or limited liability partnership; (v) any person or entity that has the power to exercise a controlling influence over an organization’s activities that are subject to regulation by the Federal Energy Regulatory Commission, the Securities and Exchange Commission, the Commodity Futures Trading Commission, any exchange monitored by the National Futures Association, or any state entity responsible for regulating activity in energy markets; or (vi) any person or entity that: (a) is the direct owner of 10% or more of any class of an organization’s equity securities; or (b) has directly contributed 10% or more of an organization’s capital.

**Profiled Load Assets** include all Load Assets that are not directly metered by OP-18 compliant metering as currently described in Section IV (Metering and Recording for Settlements) of OP­18, and some Load Assets that are measured by OP-18 compliant metering (as currently described in Section IV of OP-18) to which the Host Participant Assigned Meter Reader allocates non-PTF losses.

**Project Sponsor** is an entity seeking to have a New Generating Capacity Resource, New Import Capacity Resource or New Demand Capacity Resource participate in the Forward Capacity Market, as described in Section III.13.

**Proxy De-List Bid** is a type of bid used in the Forward Capacity Market.

**Provisional Member** is defined in Section I.68A of the Restated NEPOOL Agreement.

**PTO Administrative Committee** is the committee referred to in Section 11.04 of the TOA.

**Public Policy Requirement** is a requirement reflected in a statute enacted by, or a regulation promulgated by, the federal government or a state or local (e.g., municipal or county) government.

**Public Policy Transmission Study** is a study conducted by the ISO pursuant to the process set out in Section 4A.3 of Attachment K of the OATT, and consists of two phases: (i) an initial phase to produce a rough estimate of the costs and benefits of concepts that could meet transmission needs driven by public policy requirements; and (ii) a follow-on phase designed to produce more detailed analysis and engineering work on transmission concepts identified in the first phase.

**Public Policy Local Transmission Study** is a study conducted by a PTO pursuant to the process set out in Section 1.6 of Attachment K Appendix 1 of the OATT, and consists of two phases: (i) an initial phase to produce an estimate of the costs and benefits of concepts that could meet transmission needs driven by public policy requirements; and (ii) a follow-on phase designed to produce more detailed analysis and engineering work on transmission concepts identified in the first phase.

**Public Policy Transmission Upgrade** is an addition and/or upgrade to the New England Transmission System that meets the voltage and non-voltage criteria for Public Policy Transmission Upgrade PTF classification specified in the OATT, and has been included in the Regional System Plan and RSP Project List as a Public Policy Transmission Upgrade pursuant to the procedures described in Section 4A of Attachment K of the OATT.

**Publicly Owned Entity** is defined in Section I of the Restated NEPOOL Agreement.

**Qualification Process Cost Reimbursement Deposit** is described in Section III.13.1.9.3 of Market Rule 1.

**Qualified Capacity** is the amount of capacity a resource may provide in the summer or winter in a Capacity Commitment Period, as determined in the Forward Capacity Market qualification processes.

**Qualified Generator Reactive Resource(s)** is any generator source of dynamic reactive power that meets the criteria specified in Schedule 2 of the OATT.

**Qualified Non-Generator Reactive Resource(s)** is any non-generator source of dynamic reactive power that meets the criteria specified in Schedule 2 of the OATT.

**Qualified Reactive Resource(s)** is any Qualified Generator Reactive Resource and/or Qualified Non-Generator Reactive Resource that meets the criteria specified in Schedule 2 of the OATT.

**Qualified Transmission Project Sponsor** is defined in Sections 4B.2 and 4B.3 of Attachment K of the OATT.

**Queue Position** has the meaning specified in Section I of Schedule 22, Attachment 1 to Schedule 23, and Section I of Schedule 25 of the OATT.

**Rapid Response Pricing Asset** is a Fast Start Generator, a Flexible DNE Dispatchable Generator, or a Dispatchable Asset Related Demand for which the Market Participant’s Offer Data meets the following criteria: (i) Minimum Run Time does not exceed one hour; and (ii) cold Notification Time plus cold Start-Up Time does not exceed 30 minutes. A Rapid Response Pricing Asset shall also include a Fast Start Demand Response Resource for which the Market Participant’s Offer Data meets the following criteria: (i) Minimum Reduction Time does not exceed one hour; and (ii) Demand Response Resource Notification Time plus Demand Response Resource Start-Up Time does not exceed 30 minutes.

**Rapid Response Pricing Opportunity** **Cost** is the NCPC Credit described in Section III.F.2.3.10.

**Rated** means a Market Participant that receives a credit rating from one or more of the Rating Agencies, or, if such Market Participant is not rated by one of the Rating Agencies, then a Market Participant that has outstanding unsecured debt rated by one or more of the Rating Agencies.

**Rating Agencies** are Standard and Poor’s (S&P), Moody’s, and Fitch.

**RBA Decision** is a written decision provided by the ISO to a Disputing Party and to the Chair of the NEPOOL Budget and Finance Subcommittee accepting or denying a Requested Billing Adjustment within twenty Business Days of the date the ISO distributes a Notice of RBA, unless some later date is agreed upon by the Disputing Party and the ISO.

**Reactive Supply and Voltage Control Service** is the form of Ancillary Service described in Schedule 2 of the OATT.

**Real-Time** is a period in the current Operating Day for which the ISO dispatches Resources for energy and Regulation, designates Resources for Regulation and Operating Reserve and, if necessary, commits additional Resources.

**Real-Time Adjusted Load Obligation** is defined in Section III.3.2.1(b) of Market Rule 1.

**Real-Time Adjusted Load Obligation Deviation** is defined in Section III.3.2.1(d) of Market Rule 1.

**Real-Time Commitment NCPC Credit** is an NCPC Credit calculated pursuant to Appendix F to Market Rule 1.

**Real-Time Congestion Revenue** is defined in Section III.3.2.1(i) of Market Rule 1.

**Real-Time Demand Reduction Obligation** is defined in Section III.3.2.1(c) of Market Rule 1.

**Real-Time Demand Reduction Obligation Deviation** is defined in Section III.3.2.1(e) of Market Rule 1.

**Real-Time Dispatch NCPC Credit** is an NCPC Credit calculated pursuant to Appendix F to Market Rule 1.

**Real-Time Energy Market** means the purchase or sale of energy, purchase of demand reductions, payment of Congestion Costs, and payment for losses for quantity deviations from the Day-Ahead Energy Market in the Operating Day and designation of and payment for provision of Operating Reserve in Real-Time.

**Real-Time Energy Market Deviation Congestion Charge/Credit** is defined in Section III.3.2.1(g) of Market Rule 1.

**Real-Time Energy Market Deviation Energy Charge/Credit** is defined in Section III.3.2.1(g) of Market Rule 1.

**Real-Time Energy Market Deviation Loss Charge/Credit** is defined in Section III.3.2.1(g) of Market Rule 1.

**Real-Time Energy Market NCPC Credits** are the Real-Time Commitment NCPC Credit and the Real-Time Dispatch NCPC Credit.

**Real-Time External Transaction NCPC Credit** is an NCPC Credit calculated pursuant to Appendix F to Market Rule 1.

**Real-Time Generation Obligation** is defined in Section III.3.2.1(b) of Market Rule 1.

**Real-Time Generation Obligation Deviation** is defined in Section III.3.2.1(d) of Market Rule 1.

**Real-Time High Operating Limit** is the maximum output, in MW, of a resource that could be achieved, consistent with Good Utility Practice, in response to an ISO request for Energy under Section III.13.6.4 of Market Rule 1, for each hour of the Operating Day, as reflected in the resource’s Offer Data. This value is based on real-time operating conditions and the physical operating characteristics and operating permits of the unit.

**Real-Time Load Obligation** is defined in Section III.3.2.1(b) of Market Rule 1.

**Real-Time Load Obligation Deviation** is defined in Section III.3.2.1(d) of Market Rule 1.

**Real-Time Locational Adjusted Net Interchange** is defined in Section III.3.2.1(b) of Market Rule 1.

**Real-Time Locational Adjusted Net Interchange Deviation** is defined in Section III.3.2.1(d) of Market Rule 1.

**Real-Time Loss Revenue** is defined in Section III.3.2.1(l) of Market Rule 1.

**Real-Time Loss Revenue Charges or Credits** are defined in Section III.3.2.1(m) of Market Rule 1.

**Real-Time NCP Load Obligation** is the maximum hourly value, during a month, of a Market Participant’s Real-Time Load Obligation summed over all Locations, excluding exports, in kilowatts.

**Real-Time Offer Change** is a modification to a Supply Offer pursuant to Section III.1.10.9(b).

**Real-Time Posturing NCPC Credit for Generators (Other Than Limited Energy Resources) Postured for Reliability** is an NCPC Credit calculated pursuant to Appendix F to Market Rule 1.

**Real-Time Posturing NCPC Credit for Limited Energy Resources Postured for Reliability** is an NCPC Credit calculated pursuant to Appendix F to Market Rule 1.

**Real-Time Prices** means the Locational Marginal Prices resulting from the ISO’s dispatch of the New England Markets in the Operating Day.

**Real-Time Reserve Charge** is a Market Participant’s share of applicable system and Reserve Zone Real-Time Operating Reserve costs attributable to meeting the Real-Time Operating Reserve requirement as calculated in accordance with Section III.10 of Market Rule 1.

**Real-Time Reserve Clearing Price** is the Real-Time TMSR, TMNSR or TMOR clearing price, as applicable, for the system and each Reserve Zone that is calculated in accordance with Section

III.2.7A of Market Rule 1.

**Real-Time Reserve Credit** is a Market Participant’s compensation associated with that Market Participant’s Resources’ Real-Time Reserve Designation as calculated in accordance with Section III.10 of Market Rule 1.

**Real-Time Reserve Designation** is the amount, in MW, of Operating Reserve designated to a Resource in Real-Time by the ISO as adjusted after-the-fact utilizing revenue quality meter data as described under Section III.10 of Market Rule 1.

**Real-Time Reserve Opportunity Cost** is defined in Section III.2.7A(b) of Market Rule 1.

**Real-Time Synchronous Condensing NCPC Credit** is an NCPC Credit calculated pursuant to Appendix F to Market Rule 1.

**Real-Time System Adjusted Net Interchange** means, for each hour, the sum of Real-Time Locational Adjusted Net Interchange for a Market Participant over all Locations, in kilowatts.

**Receiving Party** is the entity receiving the capacity and/or energy transmitted to Point(s) of Delivery under the OATT.

**Reference Level** is defined in Section III.A.5.7 of Appendix A of Market Rule 1.

**Regional Benefit Upgrade(s) (RBU)** means a Transmission Upgrade that: (i) is rated 115kV or above; (ii) meets all of the non-voltage criteria for PTF classification specified in the OATT; and

(iii) is included in the Regional System Plan as either a Reliability Transmission Upgrade or a Market Efficiency Transmission Upgrade identified as needed pursuant to Attachment K of the OATT. The category of RBU shall not include any Transmission Upgrade that has been categorized under any of the other categories specified in Schedule 12 of the OATT (e.g., an Elective Transmission Upgrade shall not also be categorized as an RBU). Any upgrades to transmission facilities rated below 115kV that were PTF prior to January 1, 2004 shall remain classified as PTF and be categorized as an RBU if, and for so long as, such upgrades meet the criteria for PTF specified in the OATT.

**Regional Network Load** is the load that a Network Customer designates for Regional Network Service under Part II.B of the OATT. The Network Customer’s Regional Network Load shall include all load designated by the Network Customer (including losses) and shall not be credited or reduced for any behind-the-meter generation. A Network Customer may elect to designate less than its total load as Regional Network Load but may not designate only part of the load at a discrete Point of Delivery. Where a Transmission Customer has elected not to designate a particular load at discrete Points of Delivery as Regional Network Load, the Transmission Customer is responsible for making separate arrangements under Part II.C of the OATT for any Point-To-Point Service that may be necessary for such non-designated load.

**Regional Network Service (RNS)** is the transmission service over the PTF described in Part II.B of the OATT, including such service which is used with respect to Network Resources or Regional Network Load that is not physically interconnected with the PTF.

**Regional Planning Dispute Resolution Process** is described in Section 12 of Attachment K to the OATT.

**Regional System Plan (RSP)** is the plan developed under the process specified in Attachment K of the OATT.

**Regional Transmission Service (RTS)** is Regional Network Service and Through or Out Service as provided over the PTF in accordance with Section II.B, Section II.C, Schedule 8 and Schedule 9 of the OATT.

**Regulation** is the capability of a specific Resource with appropriate telecommunications, control and response capability to respond to an AGC SetPoint.

**Regulation and Frequency Response Service** is the form of Ancillary Service described in Schedule 3 of the OATT. The capability of performing Regulation and Frequency Response Service is referred to as automatic generation control (AGC).

**Regulation Capacity** is the lesser of five times the Automatic Response Rate and one-half of the difference between the Regulation High Limit and the Regulation Low Limit of a Resource capable of providing Regulation.

**Regulation Capacity Requirement** is the amount of Regulation Capacity required to maintain system control and reliability in the New England Control Area as calculated and posted on the ISO website.

**Regulation Capacity Offer** is an offer by a Market Participant to provide Regulation Capacity.

**Regulation High Limit** is an offer parameter that establishes the upper bound for AGC SetPoints and is used in the determination of a Resource’s Regulation Capacity.

**Regulation Low Limit** is an offer parameter that establishes the lower bound for AGC SetPoints and is used in the determination of a Resource’s Regulation Capacity.

**Regulation Market** is the market described in Section III.14 of Market Rule 1.

**Regulation Service** is the change in output or consumption made in response to changing AGC SetPoints.

**Regulation Service Requirement** is the estimated amount of Regulation Service required to maintain system control and reliability in the New England Control Area as calculated and posted on the ISO website.

**Regulation Service** **Offer** is an offer by a Market Participant to provide Regulation Service.

**Related Person** is defined pursuant to Section 1.1 of the Participants Agreement.

**Related Transaction** is defined in Section III.1.4.3 of Market Rule 1.

**Reliability Administration Service (RAS)** is the service provided by the ISO, as described in Schedule 3 of Section IV.A of the Tariff, in order to administer the Reliability Markets and provide other reliability-related and informational functions.

**Reliability Committee** is the committee whose responsibilities are specified in Section 8.2.3 of the Participants Agreement.

**Reliability Markets** are, collectively, the ISO’s administration of Regulation, the Forward Capacity Market, and Operating Reserve.

**Reliability Region** means any one of the regions identified on the ISO’s website. Reliability Regions are intended to reflect the operating characteristics of, and the major transmission constraints on, the New England Transmission System.

**Reliability Transmission Upgrade** means those additions and upgrades not required by the interconnection of a generator that are nonetheless necessary to ensure the continued reliability of the New England Transmission System, taking into account load growth and known resource changes, and include those upgrades necessary to provide acceptable stability response, short circuit capability and system voltage levels, and those facilities required to provide adequate thermal capability and local voltage levels that cannot otherwise be achieved with reasonable assumptions for certain amounts of generation being unavailable (due to maintenance or forced outages) for purposes of long-term planning studies. Good Utility Practice, applicable reliability principles, guidelines, criteria, rules, procedures and standards of ERO and NPCC and any of their successors, applicable publicly available local reliability criteria, and the ISO System Rules, as they may be amended from time to time, will be used to define the system facilities required to maintain reliability in evaluating proposed Reliability Transmission Upgrades. A Reliability Transmission Upgrade may provide market efficiency benefits as well as reliability benefits to the New England Transmission System.

**Remittance Advice** is an issuance from the ISO for the net Payment owed to a Covered Entity where a Covered Entity’s total Payments exceed its total Charges in a billing period.

**Remittance Advice Date** is the day on which the ISO issues a Remittance Advice.

**Renewable Technology Resource** is a Generating Capacity Resource or an On-Peak Demand Resource that satisfies the requirements specified in Section III.13.1.1.1.7.

**Re-Offer Period** is the period that normally occurs between the posting of the of the Day-Ahead Energy Market results and 2:00 p.m. on the day before the Operating Day during which a Market Participant may submit revised Supply Offers, revised External Transactions, or revised Demand Bids associated with Dispatchable Asset Related Demands or, revised Demand Reduction Offers associated with Demand Response Resources.

**Replacement Reserve** is described in Part III, Section VII of ISO New England Operating Procedure No. 8.

**Request for Alternative Proposals (RFAP)** is the request described in Attachment K of the OATT.

**Requested Billing Adjustment (RBA)** is defined in Section 6.1 of the ISO New England Billing Policy.

**Required Balance** is an amount as defined in Section 5.3 of the Billing Policy.

**Reseller** is a MGTSA holder that sells, assigns or transfers its rights under its MGTSA, as described in Section II.45.1(a) of the OATT.

**Reserve Adequacy Analysis** is the analysis performed by the ISO to determine if adequate Resources are committed to meet forecasted load, Operating Reserve, and security constraint requirements for the current and next Operating Day.

**Reserve Constraint Penalty Factors (RCPFs)** are rates, in $/MWh, that are used within the Real-Time dispatch and pricing algorithm to reflect the value of Operating Reserve shortages and are defined in Section III.2.7A(c) of Market Rule 1.

**Reserve Zone** is defined in Section III.2.7 of Market Rule 1.

**Reserved Capacity** is the maximum amount of capacity and energy that is committed to the Transmission Customer for transmission over the New England Transmission System between the Point(s) of Receipt and the Point(s) of Delivery under Part II.C or Schedule 18, 20 or 21 of the OATT, as applicable. Reserved Capacity shall be expressed in terms of whole kilowatts on a sixty-minute interval (commencing on the clock hour) basis, or, in the case of Reserved Capacity for Local Point-to-Point Service, in terms of whole megawatts on a sixty-minute interval basis.

**Resource** means a generating unit, a Dispatchable Asset Related Demand, an External Resource,

an External Transaction or Demand Response Resource. For purposes of providing Regulation, Resource means a generating unit, a Dispatchable Asset Related Demand or an Alternative Technology Regulation Resource.

**Restated New England Power Pool Agreement (RNA)** is the Second Restated New England Power Pool Agreement, which restated for a second time by an amendment dated as of August 16, 2004 the New England Power Pool Agreement dated September 1, 1971, as the same may be amended and restated from time to time, governing the relationship among the NEPOOL members.

**Rest-of-Pool Capacity Zone** is a single Capacity Zone made up of the adjacent Load Zones that are neither export-constrained nor import-constrained.

**Rest of System** is an area established under Section III.2.7(d) of Market Rule 1.

**Retail Delivery Point** is the point on the transmission or distribution system at which the load of an end-use facility, which is metered and assigned a unique account number by the Host Participant, is measured to determine the amount of energy delivered to the facility from the transmission and distribution system. If an end-use facility is connected to the transmission or distribution system at more than one location, the Retail Delivery Point shall consist of the metered load at each connection point, summed to measure the net energy delivered to the facility in each interval.

**Retirement De-List Bid** is a bid to retire an Existing Generating Capacity Resource, Existing Import Capacity Resource, or Existing Demand Capacity Resource from all New England Markets, as described in Section III.13.1.2.3.1.5.

**Returning Market Participant** is a Market Participant, other than an FTR-Only Customer or a Governance Only Member, whose previous membership as a Market Participant was involuntarily terminated due to a Financial Assurance Default or a payment default and, since returning, has been a Market Participant for less than six consecutive months.

**Revenue Requirement** is defined in Section IV.A.2.1 of the Tariff.

**Reviewable Action** is defined in Section III.D.1.1 of Appendix D of Market Rule 1.

**Reviewable Determination** is defined in Section 12.4(a) of Attachment K to the OATT.

**RSP Project List** is defined in Section 1 of Attachment K to the OATT.

**RTEP02 Upgrade(s)** means a Transmission Upgrade that was included in the annual NEPOOL Transmission Plan (also known as the “Regional Transmission Expansion Plan” or “RTEP”) for the year 2002, as approved by ISO New England Inc.’s Board of Directors, or the functional equivalent of such Transmission Upgrade, as determined by ISO New England Inc. The RTEP02 Upgrades are listed in Schedule 12B of the OATT.

**RTO** is a regional transmission organization or comparable independent transmission organization that complies with Order No. 2000 and the Commission’s corresponding regulation.

**Same Reserve Zone Export Transaction** is defined in Section III.1.10.7(f)(iii) of Market Rule 1.

**Sanctionable Behavior** is defined in Section III.B.3 of Appendix B of Market Rule 1.

**Schedule, Schedules, Schedule 1, 2, 3, 4 and 5** are references to the individual or collective schedules to Section IV.A. of the Tariff.

**Schedule 20A Service Provider (SSP)** is defined in Schedule 20A to Section II of this Tariff.

**Scheduling Service**, for purposes of Section IV.A and Section IV.B of the Tariff, is the service described in Schedule 1 to Section IV.A of the Tariff.

**Scheduling, System Control and Dispatch Service**, for purposes of Section II of the Tariff, is the form of Ancillary Service described in Schedule 1 of the OATT.

**Seasonal Claimed Capability** is the summer or winter claimed capability of a generating unit or ISO-approved combination of units, and represent the maximum dependable load carrying ability of such unit or units, excluding capacity required for station use.

**Seasonal Claimed Capability Audit** is the Generator Asset audit performed pursuant to Section III.1.5.1.3.

**Seasonal DR Audit** is the Demand Response Resource audit performed pursuant to Section III.1.5.1.3.1.

**Seasonal Peak Demand Resource** is a type of Demand Capacity Resource and shall mean installed measures (e.g., products, equipment, systems, services, practices and/or strategies) on end-use customer facilities that reduce the total amount of electrical energy consumed during Demand Resource Seasonal Peak Hours, while delivering a comparable or acceptable level of end-use service. Such measures include Energy Efficiency, Load Management, and Distributed Generation.

**Section III.1.4 Transactions** are defined in Section III.1.4.2 of Market Rule 1.

**Section III.1.4 Conforming Transactions** are defined in Section III.1.4.2 of Market Rule 1.

**Security Agreement** is Attachment 1 to the ISO New England Financial Assurance Policy.

**Self-Schedule** is the action of a Market Participant in committing or scheduling its Resource, in accordance with applicable ISO New England Manuals, to provide service in an hour, whether or not in the absence of that action the Resource would have been scheduled or dispatched by the ISO to provide the service. For a Generator Asset, Self-Schedule is the action of a Market Participant in committing or scheduling a Generator Asset to provide Energy in an hour at its Economic Minimum Limit, whether or not in the absence of that action the Generator Asset would have been scheduled or dispatched by the ISO to provide the Energy. For a Dispatchable Asset Related Demand, Self-Schedule is the action of a Market Participant in committing or scheduling a Dispatchable Asset Related Demand to consume Energy in an hour at its Minimum Consumption Limit, whether or not in the absence of that action the Dispatchable Asset Related Demand would have been scheduled or dispatched by the ISO to consume Energy. Demand Response Resources are not permitted to Self-Schedule.

**Self-Scheduled MW** is an amount, in megawatts, that is Self-Scheduled and is equal to: (i) a Generator Asset’s Economic Minimum Limit; (ii) a Dispatchable Asset Related Demand’s Minimum Consumption Limit.

**Self-Supplied FCA Resource** is described in Section III.13.1.6 of Market Rule 1.

**Senior Officer** means an officer of the subject entity with the title of vice president (or similar office) or higher, or another officer designated in writing to the ISO by that office.

**Service Agreement** is a Transmission Service Agreement or an MPSA.

**Service Commencement Date** is the date service is to begin pursuant to the terms of an executed Service Agreement, or the date service begins in accordance with the sections of the OATT addressing the filing of unexecuted Service Agreements.

**Services** means, collectively, the Scheduling Service, EAS and RAS; individually, a Service.

**Settlement Financial Assurance** is an amount of financial assurance required from a Designated FTR Participant awarded a bid in an FTR Auction. This amount is calculated pursuant to Section VI.D of the ISO New England Financial Assurance Policy.

**Settlement Only Resources** are generators of less than 5 MW or otherwise eligible for Settlement Only Resource treatment as described in ISO New England Operating Procedure No. 14 and that have elected Settlement Only Resource treatment as described in the ISO New England Manual for Registration and Performance Auditing.

**Shortfall Funding Arrangement**, as specified in Section 5.1 of the ISO New England Billing Policy, is a separate financing arrangement that can be used to make up any non-congestion related differences between amounts received on Invoices and amounts due for ISO Charges in any bill issued.

**Short-Term** is a period of less than one year.

**Significantly Reduced Congestion Costs** are defined in Section III.G.2.2 of Appendix G to Market Rule 1.

**SMD Effective Date** is March 1, 2003.

**Solutions Study** is described in Section 4.2(b) of Attachment K to the OATT.

**Special Constraint Resource (SCR)** is a Resource that provides Special Constraint Resource Service under Schedule 19 of the OATT.

**Special Constraint Resource Service** is the form of Ancillary Service described in Schedule 19 of the OATT.

**Specified-Term Blackstart Capital Payment** is the annual compensation level, as calculated pursuant to Section 5.1 of Schedule 16 of the OATT, for a Designated Blackstart Resource’s capital Blackstart Equipment costs associated with the provision of Blackstart Service (except for capital costs associated with adhering to NERC Critical Infrastructure Protection Reliability Standards as part of Blackstart Service).

**Stage One Proposal** is a first round submission, as defined in Sections 4A.5 of Attachment K of the OATT, of a proposal for a Public Policy Transmission Upgrade by a Qualified Transmission Project Sponsor.

**Stage Two Solution** is a second round submission, as defined in Section 4A.5 of Attachment K of the OATT, of a proposal for a Public Policy Transmission Upgrade by a Qualified Transmission Project Sponsor.

**Standard Blackstart Capital Payment** is the annual compensation level, as calculated pursuant to Section 5.1 of Schedule 16 of the OATT, for a Designated Blackstart Resource’s capital Blackstart Equipment costs associated with the provision of Blackstart Service (except for capital costs associated with adhering to NERC Critical Infrastructure Protection Reliability Standards as part of Blackstart Service).

**Start-of-Round Price** is the highest price associated with a round of a Forward Capacity Auction as described in Section III.13.2.3.1 of Market Rule 1.

**Start-Up Fee** is the amount, in dollars, that must be paid for a generating unit to Market Participants with an Ownership Share in the unit each time the unit is scheduled in the New England Markets to start-up.

**Start-Up Time** is the time it takes the Generator Asset, after synchronizing to the system, to reach its Economic Minimum Limit and, for dispatchable Generator Assets, be ready for further dispatch by the ISO.

**State Estimator** means the computer model of power flows specified in Section III.2.3 of Market Rule 1.

**Statements**, for the purpose of the ISO New England Billing Policy, refer to both Invoices and Remittance Advices.

**Static De-List Bid** is a bid that may be submitted by an Existing Generating Capacity Resource, Existing Import Capacity Resource, or Existing Demand Capacity Resource in the Forward Capacity Auction to remove itself from the capacity market for a one year period, as described in Section III.13.1.2.3.1.1 of Market Rule 1.

**Station** is one or more Existing Generating Capacity Resources consisting of one or more assets located within a common property boundary.

**Station Going Forward Common Costs** are the net costs associated with a Station that are avoided only by the clearing of the Static De-List Bids, the Permanent De-List Bids or the Retirement De-List Bids of all the Existing Generating Capacity Resources comprising the Station.

**Station-level Blackstart O&M Payment** is defined and calculated as specified in Section 5.1.2 of Schedule 16 to the OATT.

**Station-level Specified-Term Blackstart Capital Payment** is defined and calculated as specified in Section 5.1.2 of Schedule 16 to the OATT.

**Station-level Standard Blackstart Capital Payment** is defined and calculated as specified in Section 5.1.2 of Schedule 16 to the OATT.

**Summer ARA Qualified Capacity** is described in Section III.13.4.2.1.2.1.1.1 of Market Rule 1.

**Summer Capability Period** means one of two time periods defined by the ISO for the purposes of rating and auditing resources pursuant to Section III.9. The time period associated with the Summer Capability Period is the period of June 1 through September 30.

**Summer Intermittent Reliability Hours** are defined in Section III.13.1.2.2.2.1(c) of Market Rule 1.

**Supply Offer** is a proposal to furnish energy at a Node or Regulation from a Resource that meets the applicable requirements set forth in the ISO New England Manuals submitted to the ISO by a Market Participant with authority to submit a Supply Offer for the Resource. The Supply Offer will be submitted pursuant to Market Rule 1 and applicable ISO New England Manuals, and include a price and information with respect to the quantity proposed to be furnished, technical parameters for the Resource, timing and other matters. A Supply Offer is a subset of the information required in a Market Participant’s Offer Data.

**Supply Offer Block-Hours** are Block-Hours assigned to the Lead Market Participant for each Supply Offer. Blocks of the Supply Offer in effect for each hour will be totaled to determine the quantity of Supply Offer Block-Hours for a given day. In the case that a Resource has a Real-Time unit status of “unavailable” for the entire day, that day will not contribute to the quantity of Supply Offer Block-Hours. However, if the Resource has at least one hour of the day with a unit status of “available,” the entire day will contribute to the quantity of Supply Offer Block-Hours.

**Synchronous Condenser** is a generator that is synchronized to the grid but supplying no energy for the purpose of providing Operating Reserve or VAR or voltage support.

**System Condition** is a specified condition on the New England Transmission System or on a neighboring system, such as a constrained transmission element or flowgate, that may trigger Curtailment of Long-Term Firm MTF or OTF Service on the MTF or the OTF using the curtailment priority pursuant to Section II.44 of the Tariff or Curtailment of Local Long-Term Firm Point-to-Point Transmission Service on the non-PTF using the curtailment priority pursuant to Schedule 21 of the Tariff. Such conditions must be identified in the Transmission Customer’s Service Agreement.

**System Impact Study** is an assessment pursuant to Part II.B, II.C, II.G, Schedule 21, Schedule 22, Schedule 23, or Schedule 25 of the OATT of (i) the adequacy of the PTF or Non-PTF to accommodate a request for the interconnection of a new or materially changed generating unit or a new or materially changed interconnection to another Control Area or new Regional Network Service or new Local Service or an Elective Transmission Upgrade, and (ii) whether any additional costs may be required to be incurred in order to provide the interconnection or transmission service.

**System Operator** shall mean ISO New England Inc. or a successor organization.

**System-Wide Capacity Demand Curve** is the demand curve used in the Forward Capacity Market as specified in Section III.13.2.2.

**TADO** is the total amount due and owing (not including any amounts due under Section 14.1 of the RNA) at such time to the ISO, NEPOOL, the PTOs, the Market Participants and the Non-Market Participant Transmission Customers, by all PTOs, Market Participants and Non-Market Participant Transmission Customers.

**Tangible Net Worth** is the value, determined in accordance with international accounting standards or generally accepted accounting principles in the United States, of all of that entity’s assets less the following: (i) assets the ISO reasonably believes to be restricted or potentially unavailable to settle a claim in the event of a default (e.g., regulatory assets, restricted assets, and Affiliate assets), net of any matching liabilities, to the extent that the result of that netting is a positive value; (ii) derivative assets, net of any matching liabilities, to the extent that the result of that netting is a positive value; (iii) the amount at which the liabilities of the entity would be shown on a balance sheet in accordance with international accounting standards or generally accepted accounting principles in the United States; (iv) preferred stock: (v) non-controlling interest; and (vi) all of that entity’s intangible assets (e.g., patents, trademarks, franchises, intellectual property, goodwill and any other assets not having a physical existence), in each case as shown on the most recent financial statements provided by such entity to the ISO.

**Technical Committee** is defined in Section 8.2 of the Participants Agreement.

**Ten-Minute Non-Spinning Reserve (TMNSR)** is the reserve capability of (1) a generating Resource that can be converted fully into energy within ten minutes from the request of the ISO (2) a Dispatchable Asset Related Demand that can be fully utilized within ten minutes from the request of the ISO to reduce consumption; or (3) a Demand Response Resource that can provide demand reduction within ten minutes from the request of the ISO.

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**Ten-Minute Non-Spinning Reserve Service** is the form of Ancillary Service described in Schedule 6 of the OATT.

**Ten-Minute Spinning Reserve (TMSR)** is the reserve capability of (1) a generating Resource that is electrically synchronized to the New England Transmission System that can be converted fully into energy within ten minutes from the request of the ISO; (2) a Dispatchable Asset Related Demand pump that is electrically synchronized to the New England Transmission System that can reduce energy consumption to provide reserve capability within ten minutes from the request of the ISO; or (3) a Demand Response Resource that has been dispatched that can provide demand reduction within ten minutes from the request of the ISO for which none of the associated Demand Response Assets have a generator whose output can be controlled located behind the Retail Delivery Point other than emergency generators that cannot operate electrically synchronized to the New England Transmission System.

**Ten-Minute Spinning Reserve Service** is the form of Ancillary Service described in Schedule 5 of the OATT.

**Third-Party Sale** is any sale for resale in interstate commerce to a Power Purchaser that is not designated as part of Regional Network Load or Local Network Load under the Regional Network Service or Local Network Service, as applicable.

**Thirty-Minute Operating Reserve (TMOR)** means the reserve capability of (1) a generating Resource that can be converted fully into energy within thirty minutes from the request of the ISO (2) a Dispatchable Asset Related Demand that can be fully utilized within thirty minutes from the request of the ISO to reduce consumption; or (3) a Demand Response Resource that can provide demand reduction within thirty minutes from the request of the ISO.

**Thirty-Minute Operating Reserve Service** is the form of Ancillary Service described in Schedule 7 of the OATT.

**Through or Out Rate (TOUT Rate)** is the rate per hour for Through or Out Service, as defined in Section II.25.2 of the OATT.

**Through or Out Service (TOUT Service)** means Point-To-Point Service over the PTF provided by the ISO with respect to a transaction that goes through the New England Control Area, as, for example, a single transaction where energy or capacity is transmitted into the New England Control Area from New Brunswick and subsequently out of the New England Control Area to New York, or a single transaction where energy or capacity is transmitted into the New England Control Area from New York through one point on the PTF and subsequently flows over the PTF prior to passing out of the New England Control Area to New York, or with respect to a transaction which originates at a point on the PTF and flows over the PTF prior to passing out of the New England Control Area, as, for example, from Boston to New York.

**Tie-Line Asset** is a physical transmission tie-line, or an inter-state or intra-state border arrangement created according to the ISO New England Manuals and registered in accordance with the Asset Registration Process.

**Total Available Amount** is the sum of the available amount of the Shortfall Funding Arrangement and the balance in the Payment Default Shortfall Fund.

**Total Blackstart Capital Payment** is the annual compensation calculated under either Section 5.1 or Section 5.2 of Schedule 16 of the OATT, as applicable.

**Total Blackstart O&M Payment** is the annual compensation calculated under either Section 5.1 or 5.2 of Schedule 16 of the OATT, as applicable.

**Total Blackstart Service Payments** is monthly compensation to Blackstart Owners or Market Participants, as applicable, and as calculated pursuant to Section 5.6 of Schedule 16 to the OATT.

**Total System Capacity** is the aggregate capacity supply curve for the New England Control Area as determined in accordance with Section III.13.2.3.3 of Market Rule 1.

**Transaction Unit (TU)** is a type of billing determinant under Schedule 2 of Section IV.A of the Tariff used to assess charges to Customers.

**Transition Period**: The six-year period commencing on March 1, 1997.

**Transmission Charges**, for the purposes of the ISO New England Financial Assurance Policy and the ISO New England Billing Policy, are all charges and payments under Schedules 1, 8 and 9 of the OATT.

**Transmission Congestion Credit** means the allocated share of total Transmission Congestion Revenue credited to each holder of Financial Transmission Rights, calculated and allocated as specified in Section III.5.2 of Market Rule 1.

**Transmission Congestion Revenue** is defined in Section III.5.2.5(a) of Market Rule 1.

**Transmission Credit Limit** is a credit limit, not to be used to meet FTR Requirements, established for each Market Participant in accordance with Section II.D and each Non-Market Participant Transmission Customer in accordance with Section V.B.2 of the ISO New England Financial Assurance Policy.

**Transmission Credit Test Percentage** is calculated in accordance with Section III.B.1(c) of the ISO New England Financial Assurance Policy.

**Transmission Customer** is any Eligible Customer that (i) executes, on its own behalf or through its Designated Agent, an MPSA or TSA, or (ii) requests in writing, on its own behalf or through its Designated Agent, that the ISO, the Transmission Owner, or the Schedule 20A Service Provider, as applicable, file with the Commission, a proposed unexecuted MPSA or TSA containing terms and conditions deemed appropriate by the ISO (in consultation with the applicable PTO, OTO or Schedule 20A Service Provider) in order that the Eligible Customer may receive transmission service under Section II of this Tariff. A Transmission Customer under Section II of this Tariff includes a Market Participant or a Non-Market Participant taking Regional Network Service, Through or Out Service, MTF Service, OTF Service, Ancillary Services, or Local Service.

**Transmission Default Amount** is all or any part of any amount of Transmission Charges due to be paid by any Covered Entity that the ISO, in its reasonable opinion, believes will not or has not been paid when due.

**Transmission Default Period** is defined in Section 3.4.f of the ISO New England Billing Policy.

**Transmission Late Payment Account** is defined in Section 4.2 of the ISO New England Billing Policy.

**Transmission Late Payment Account Limit** is defined in Section 4.2 of the ISO New England Billing Policy.

**Transmission Late Payment Charge** is defined in Section 4.1 of the ISO New England Billing Policy.

**Transmission, Markets and Services Tariff (Tariff)** is the ISO New England Inc. Transmission, Markets and Services Tariff, as amended from time to time.

**Transmission Obligations** are determined in accordance with Section III.A(vi) of the ISO New England Financial Assurance Policy.

**Transmission Operating Agreement (TOA)** is the Transmission Operating Agreement between and among the ISO and the PTOs, as amended and restated from time to time.

**Transmission Owner** means a PTO, MTO or OTO.

**Transmission Provider** is the ISO for Regional Network Service and Through or Out Service as provided under Section II.B and II.C of the OATT; Cross-Sound Cable, LLC for Merchant Transmission Service as provided under Schedule 18 of the OATT; the Schedule 20A Service Providers for Phase I/II HVDC-TF Service as provided under Schedule 20A of the OATT; and the Participating Transmission Owners for Local Service as provided under Schedule 21 of the OATT.

**Transmission Requirements** are determined in accordance with Section III.A(iii) of the ISO New England Financial Assurance Policy.

**Transmission Security Analysis Requirement** shall be determined pursuant to Section III.12.2.1.2.

**Transmission Service Agreement (TSA)** is the initial agreement and any amendments or supplements thereto: (A) in the form specified in either Attachment A or B to the OATT, entered into by the Transmission Customer and the ISO for Regional Network Service or Through or Out Service; (B) entered into by the Transmission Customer with the ISO and PTO in the form specified in Attachment A to Schedule 21 of the OATT; (C) entered into by the Transmission Customer with an OTO or Schedule 20A Service Provider in the appropriate form specified under Schedule 20 of the OATT; or (D) entered into by the Transmission Customer with a MTO in the appropriate form specified under Schedule 18 of the OATT. A Transmission Service Agreement shall be required for Local Service, MTF Service and OTF Service, and shall be required for Regional Network Service and Through or Out Service if the Transmission Customer has not executed a MPSA.

**Transmission Upgrade(s)** means an upgrade, modification or addition to the PTF that becomes subject to the terms and conditions of the OATT governing rates and service on the PTF on or after January 1,

2004. This categorization and cost allocation of Transmission Upgrades shall be as provided for in Schedule 12 of the OATT.

**UDS** is unit dispatch system software.

**Unconstrained Export Transaction** is defined in Section III.1.10.7(f)(iv) of Market Rule 1.

**Uncovered Default Amount** is defined in Section 3.3(i) of the ISO New England Billing Policy.

**Uncovered Transmission Default Amounts** are defined in Section 3.4.f of the ISO New England Billing Policy.

**Unrated** means a Market Participant that is not a Rated Market Participant.

**Unsecured Covered Entity** is, collectively, an Unsecured Municipal Market Participant and an Unsecured Non-Municipal Covered Entity.

**Unsecured Municipal Default Amount** is defined in Section 3.3(i) of the ISO New England Billing Policy.

**Unsecured Municipal Market Participant** is defined in Section 3.3(h) of the ISO New England Billing Policy.

**Unsecured Municipal Transmission Default Amount** is defined in Section 3.4.f of the ISO New England Billing Policy.

**Unsecured Non-Municipal Covered Entity** is a Covered Entity that is not a Municipal Market Participant or a Non-Market Participant Transmission Customer and has a Market Credit Limit or Transmission Credit Limit of greater than $0 under the ISO New England Financial Assurance Policy.

**Unsecured Non-Municipal Default Amount** is defined in Section 3.3(i) of the ISO New England Billing Policy.

**Unsecured Non-Municipal Transmission Default Amount** is defined in Section 3.3(i) of the ISO New England Billing Policy.

**Unsecured Transmission Default Amounts** are, collectively, the Unsecured Municipal Transmission Default Amount and the Unsecured Non-Municipal Transmission Default Amount.

**Updated Measurement and Verification Plan** is an optional Measurement and Verification Plan that may be submitted as part of a subsequent qualification process for a Forward Capacity Auction prior to the beginning of the Capacity Commitment Period of the On-Peak Demand Resource or Seasonal Peak Demand Response project. The Updated Measurement and Verification Plan may include updated project specifications, measurement and verification protocols, and performance data as described in Section III.13.1.4.3.1.2 of Market Rule 1 and the ISO New England Manuals.

**VAR CC Rate** is the CC rate paid to Qualified Reactive Resources for VAR Service capability under Section IV.A of Schedule 2 of the OATT.

**VAR Payment** is the payment made to Qualified Reactive Resources for VAR Service capability under Section IV.A of Schedule 2 of the OATT.

**VAR Service** is the provision of reactive power voltage support to the New England Transmission System by a Qualified Reactive Resource or by other generators that are dispatched by the ISO to provide dynamic reactive power as described in Schedule 2 of the OATT.

**Virtual Requirements** are determined in accordance with Section III.A(iv) of the ISO New England Financial Assurance Policy.

**Volt Ampere Reactive (VAR)** is a measurement of reactive power.

**Volumetric Measure (VM)** is a type of billing determinant under Schedule 2 of Section IV.A of the Tariff used to assess charges to Customers under Section IV.A of the Tariff.

**Winter ARA Qualified Capacity** is described in Section III.13.4.2.1.2.1.1.2 of Market Rule 1.

**Winter Capability Period** means one of two time periods defined by the ISO for the purposes of rating and auditing resources pursuant to Section III.9. The time period associated with the Winter Capability Period is the period October 1 through May 31.

**Winter Intermittent Reliability Hours** are defined in Section III.13.1.2.2.2.2(c) of Market Rule 1.

**Year** means a period of 365 or 366 days, whichever is appropriate, commencing on, or on the anniversary of March 1, 1997. Year One is the Year commencing on March 1, 1997, and Years Two and higher follow it in sequence.

**Zonal Price** is calculated in accordance with Section III.2.7 of Market Rule 1.

**I.3 Obligations of Market Participants and Other Customers**

The ISO acts as Counterparty for sales to its Customers of Regional Transmission Service, and for agreements and transactions with its Customers, including but not limited to assignments involving Customers, and agreements and transactions with Customers involving sale to the ISO and/or purchase from the ISO of energy, capacity, reserves, regulation, Ancillary Services, FTRs and involving other products, service and transactions, all as specified in Sections II and III of the Tariff (collectively, the “Products”).

To the extent permitted by applicable law, any warranties provided by the sellers or assignors to the ISO of the Products which cover the Products, whether express or implied, are hereby passed to the Customers on a “pass through basis” and to the extent not passed through, any such warranties are hereby assigned by ISO to Customers. Sellers and assignors to the ISO and Customers acknowledge that warranties on such Products are limited to that offered by the seller or assignor to the ISO and will exist, if at all, solely between the seller or assignor to the ISO and the Customer. AS BETWEEN CUSTOMER AND ISO AS COUNTERPARTY, NO EXPRESS OR IMPLIED WARRANTIES ARE MADE BY THE ISO REGARDING THE PRODUCTS SOLD BY THE ISO AS COUNTERPARTY, AND ANY SUCH PRODUCTS ARE PROVIDED ON AN “AS IS” AND “AS AVAILABLE” BASIS. THE ISO MAKES NO WARRANTY OR REPRESENTATION THAT THE PRODUCTS WILL BE UNINTERRUPTED OR ERROR FREE. THE CUSTOMER HEREBY WAIVES, AND THE ISO HEREBY DISCLAIMS, ALL OTHER WARRANTIES, EXPRESSED OR IMPLIED, INLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE AND NON-INFRINGEMENT. THE ISO DOES NOT WARRANT THAT THE PRODUCTS OFFERED WILL MEET CUSTOMER’S REQUIREMENTS. NO ORAL OR WRITTEN INFORMATION OR ADVICE GIVEN BY THE ISO OR ANY AUTHORIZED REPRESENTATIVE OF THE ISO SHALL CREATE A WARRANTY OR IN ANY WAY INCREASE THE SCOPE OF ANY PASS THROUGH OR ASSIGNED WARRANTY. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF IMPLIED WARRANTIES IN CERTAIN CIRCUMSTANCES, SO THE ABOVE EXCLUSION APPLIES ONLY TO THE EXTENT PERMITTED BY APPLICABLE LAW.

**I.3.1. Service Agreement**:

Receipt of service under this Tariff requires the execution of a Market Participant Service Agreement in the form specified in Attachment A or Attachment A-1, as applicable, to this Tariff unless the Customer seeks transmission service only and does not participate in the New England Markets (in which case the Customer must execute a Transmission Service Agreement). Receipt of Local Service under Section II of this Tariff requires the execution of a Transmission Service Agreement in the form specified in Attachment A to Schedule 21 of Section II of this Tariff for Local Service and shall be subject to the requirements of Schedule 21. Receipt of OTF Service under Section II of this Tariff requires the execution of a Transmission Service Agreement in the appropriate form specified under Schedule 20 of Section II of this Tariff and shall be subject to the requirements of Schedule 20.

**I.3.2. Assets**:

Each Market Participant shall, to the fullest extent practicable, cause all of the Assets it owns or operates to be designed, constructed, maintained and operated in accordance with Good Utility Practice and the provisions of this Tariff, the ISO New England Operating Procedures, and the ISO New England Planning Procedures.

**I.3.3. Maintenance and Repair:**

Each Market Participant shall, to the fullest extent practicable: (a) cause Assets owned or operated by it to be withdrawn from operation for maintenance and repair only in accordance with maintenance schedules reported to, and approved and published by the ISO in accordance with the ISO New England Operating Procedures, (b) restore such Assets to good operating condition with reasonable promptness, and (c) in emergency situations, accelerate maintenance and repair at the reasonable request of the ISO in accordance with the ISO New England Planning Procedures.

**I.3.4. Central Dispatch:**

Each Market Participant shall, to the fullest extent practicable, subject each of the Assets it owns or operates to central dispatch by the ISO; provided, however, that each Market Participant shall at all times be the sole judge as to whether or not and to what extent safety requires that at any time any of such facilities will be operated at less than their full capacity.

**I.3.5. Provision of Information:**

The Customers shall provide the ISO with any and all information within their custody or control that the ISO deems necessary to perform its obligations under this Tariff, subject to applicable confidentiality limitations contained in the ISO New England Information Policy. Each Customer shall ensure that the ISO has an accurate list of the Customer’s Affiliates. The ISO will compile a list that shall be considered definitive. It will be the Customer’s responsibility to regularly review the list and to promptly (and in advance of Affiliate changes, where possible) provide the ISO with additions and/or corrections to the list and, when requested, relevant supporting documentation.

**I.3.6. Records and Information:**

Each Customer shall keep such records as may reasonably be required by the ISO, and shall furnish to the ISO such records, reports and information (including forecasts) as it may reasonably require, provided that confidentiality thereof is protected in accordance with the ISO New England Information Policy.

**I.3.7. Payment of Invoices; Compliance with Policies:**

Each Customer is obligated to pay when due in accordance with this Tariff, the ISO New England Financial Assurance Policy and the ISO New England Billing Policy all amounts invoiced to it pursuant to this Tariff, and to comply with those terms, conditions and policies in all respects. If a Customer fails to meet the requirements specified in the ISO New England Financial Assurance Policy and ISO New England Billing Policy, the ISO may take such actions as are specified in those policies.

**I.3.8. Protective Devices for Transmission Facilities:**

Each Market Participant shall install, maintain and operate such protective equipment and switching, voltage control, load shedding and emergency facilities as the ISO and the applicable Transmission Owner may determine to be required in order to assure continuity of service and the stability of the New England Transmission System.

**I.3.9. Review of Market Participant’s Proposed Plans:**

**I.3.9.1 Submission and Review of Proposed Plan Applications:**

Each Market Participant and Transmission Owner shall submit to the ISO, in such form, manner and detail as the ISO may reasonably prescribe, (i) any new or materially changed plan for additions to or changes to any generating and demand resources or transmission facilities rated 69 kV or above subject to control of such Market Participant or Transmission Owner, and (ii) any new or materially changed plan for any other action to be taken by the Market Participant or Transmission Owner, except for retirements of or reductions in the capacity of a generating resource or a demand resource, which may have a significant effect on the stability, reliability or operating characteristics of the Transmission Owner’s transmission facilities, the transmission facilities of another Transmission Owner, or the system of a Market Participant. No significant action (other than preliminary engineering action) leading toward implementation of any such new or changed plan shall be taken earlier than sixty days (or ninety days, if the ISO determines that it requires additional time to consider the plan and so notifies the Market Participant in writing within the sixty days) after the plan has been submitted to the ISO. Unless prior to the expiration of the sixty or ninety days, whichever is applicable, the ISO notifies the Market Participant or Transmission Owner in writing that it has determined that implementation of the plan will have a significant adverse effect upon the reliability or operating characteristics of the Transmission Owner’s transmission facilities, the transmission facilities of another Transmission Owner, or the system of a Market Participant, the Market Participant or Transmission Owner shall be free to proceed. The ISO shall maintain on its website a list of such applications that are currently under review and the status of each such application. The ISO shall provide notice of any action taken with respect to any such applications, including an explanation of its reasons for such action, to each Market Participant or Transmission Owner as soon as reasonably practicable after such action is taken. The time limits provided by this section may be changed with respect to any such submission by agreement between the ISO and the Market Participant or Transmission Owner.

**I.3.9.2 Additional Review of Additions of or Changes to Generating Resources:**

Proposals for new generating resources or modifications to existing generating resources are also subject to the terms set out in Schedule 22, the Large Generator Interconnection Procedures and Agreement, and Schedule 23, the Small Generator Interconnection Procedures and Agreement, to Section II of the Tariff.

**I.3.9.3 Reliability Review of Retirements of or Reductions in Capacity of an Existing Demand Capacity Resource or Existing Generating Capacity Resource:**

Proposals for the reduction of capacity from an Existing Demand Capacity Resource or an Existing Generating Capacity Resource below its Qualified Capacity amount for the relevant Capacity Commitment Period, including unit retirement, are reviewed for reliability impact pursuant to the terms set out in Section III.13.2.5.2.5 of the Tariff. Once a demand resource or generating resource has a cleared de-list bid pursuant to Section III of the Tariff it may reduce its capacity consistent with the terms of its de-list bid for all or any part of the Capacity Commitment Period of the approved de-list without further reliability review. However, any proposed physical modification to a de-listed generating facility must comply with the requirements, including the reliability review process, set out in Schedules 22 or 23, as applicable.

**I.3.10. Market Participant to Avoid Adverse Effect:**

If the ISO notifies a Market Participant pursuant to Section I.3.9.1 that implementation of the Market Participant’s or Transmission Owner’s plan has been determined to have a significant adverse effect upon the reliability or operating characteristics of the Transmission Owner’s transmission facilities, the transmission facilities of another Transmission Owner, or the system of one or more Market Participants, the Market Participant or Transmission Owner shall not proceed to implement such plan unless the Market Participant (or the Non-Market Participant on whose behalf the Market Participant has submitted its plan) or Transmission Owner takes such action or constructs at its expense such facilities as the ISO determines to be reasonably necessary to avoid such adverse effect.

**Table of Contents**

III.1 Market Operations.

III.1.1 Introduction.

III.1.2 [Reserved.]

III.1.3 Definitions.

III.1.3.1 [Reserved.]

III.1.3.2 [Reserved.]

III.1.3.3 [Reserved.]

III.1.4 Requirements for Certain Transactions.

III.1.4.1 ISO Settlement of Certain Transactions.

III.1.4.2 Transactions Subject to Requirements of Section III.1.4.

III.1.4.3 Requirements for Section III.1.4 Conforming Transactions.

III.1.5 Resource Auditing.

III.1.5.1. Claimed Capability Audits.

III.1.5.1.1. General Audit Requirements.

III.1.5.1.2. Establish Claimed Capability Audit.

III.1.5.1.3. Seasonal Claimed Capability Audits.

III.1.5.1.3.1 Seasonal DR Audits.

III.1.5.1.4. ISO-Initiated Claimed Capability Audits.

III.1.5.2. ISO-Initiated Parameter Auditing.

III.1.6 [Reserved.]

III.1.6.1 [Reserved.]

III.1.6.2 [Reserved.]

III.1.6.3 [Reserved.]

III.1.6.4 ISO New England Manuals and ISO New England Administrative Procedures.

III.1.7 General.

III.1.7.1 Provision of Market Data to the Commission.

III.1.7.2 [Reserved.]

III.1.7.3 Agents.

III.1.7.4 [Reserved.]

III.1.7.5 [Reserved.]

III.1.7.6 Scheduling and Dispatching.

III.1.7.7 Energy Pricing.

III.1.7.8 Market Participant Resources.

III.1.7.9 Real-Time Reserve Prices.

III.1.7.10 Other Transactions.

III.1.7.11 Seasonal Claimed Capability of a Generating Capacity Resource.

III.1.7.12 Seasonal DR Audit Value of an Active Demand Capacity Resource.

III.1.7.13 [Reserved.]

III.1.7.14 [Reserved.]

III.1.7.15 [Reserved.]

III.1.7.16 [Reserved.]

III.1.7.17 Operating Reserve.

III.1.7.18 [Reserved.]

III.1.7.19 Ramping.

III.1.7.19A Real-Time Reserve.

III.1.7.20 Information and Operating Requirements.

III.1.8 [Reserved.]

III.1.9 Pre-scheduling.

III.1.9.1 [Reserved.]

III.1.9.2 [Reserved.]

III.1.9.3 [Reserved.]

III.1.9.4 [Reserved.]

III.1.9.5 [Reserved.]

III.1.9.6 [Reserved.]

III.1.9.7 Market Participant Responsibilities.

III.1.9.8 [Reserved.]

III.1.10 Scheduling.

III.1.10.1 General.

III.1.10.1A Day Ahead Energy Market Scheduling.

III.1.10.2 Pool-Scheduled Resources.

III.1.10.3 Self-Scheduled Resources.

III.1.10.4 [Reserved.]

III.1.10.5 External Resources.

III.1.10.6 Dispatchable Asset Related Demand.

III.1.10.7 External Transactions.

III.1.10.7.A Coordinated External Transactions.

III.1.10.7.B Coordinated Transactions Scheduling Threshold Trigger to Tie Optimization.

III.1.10.8 ISO Responsibilities.

III.1.10.9 Hourly Scheduling.

III.1.11 Dispatch.

III.1.11.1 Resource Output or Consumption and Demand Reduction.

III.1.11.2 Operating Basis.

III.1.11.3 Pool-dispatched Resources.

III.1.11.4 Emergency Condition.

III.1.11.5 Non-Dispatchable Intermittent Power Resources.

III.1.11.6 [Reserved.]

III.1.12 Dynamic Scheduling.

III.2 LMPs and Real-Time Reserve Clearing Prices Calculation.

III.2.1 Introduction.

III.2.2 General.

III.2.3 Determination of System Conditions Using the State Estimator.

III.2.4 Adjustment for Rapid Response Pricing Assets.

III.2.5 Calculation of Nodal Real-Time Prices.

III.2.6 Calculation of Nodal Day-Ahead Prices.

III.2.7 Reliability Regions, Load Zones, Reserve Zones, Zonal Prices and External Nodes.

III.2.7A Calculation of Real-Time Reserve Clearing Prices.

III.2.8 Hubs and Hub Prices.

III.2.9A Final Real-Time Prices, Real-Time Reserve Clearing and Regulation Clearing Prices.

III.2.9B Final Day-Ahead Energy Market Results.

III.3 Accounting And Billing.

III.3.1 Introduction.

III.3.2 Market Participants.

III.3.2.1 ISO Energy Market.

III.3.2.1.1 Metered Quantity For Settlement.

III.3.2.2 Metering and Communications.

III.3.2.3 NCPC Credits.

III.3.2.4 Transmission Congestion.

III.3.2.5 [Reserved.]

III.3.2.6 Emergency Energy.

III.3.2.6A New Brunswick Security Energy.

III.3.2.7 Billing.

III.3.3 [Reserved.]

III.3.4 Non-Market Participant Transmission Customers.

III.3.4.1 Transmission Congestion.

III.3.4.2 Transmission Losses.

III.3.4.3 Billing.

III.3.5 [Reserved.]

III.3.6 Data Reconciliation.

III.3.6.1 Data Correction Billing.

III.3.6.2 Eligible Data.

III.3.6.3 Data Revisions.

III.3.6.4 Meter Corrections Between Control Areas.

III.3.6.5 Meter Correction Data.

III.3.7 Eligibility for Billing Adjustments.

III.3.8 Correction of Meter Data Errors.

III.4 Rate Table.

III.4.1 Offered Price Rates.

III.4.2 [Reserved.]

III.4.3 Emergency Energy Transaction.

III.5 Transmission Congestion Revenue & Credits Calculation.

III.5.1 Non-Market Participant Transmission Congestion Cost Calculation.

III.5.1.1 Calculation by ISO.

III.5.1.2 General.

III.5.1.3 [Reserved.]

III.5.1.4 Non-Market Participant Transmission Customer Calculation.

III.5.2 Transmission Congestion Credit Calculation.

III.5.2.1 Eligibility.

III.5.2.2 Financial Transmission Rights.

III.5.2.3 [Reserved.]

III.5.2.4 Target Allocation to FTR Holders.

III.5.2.5 Calculation of Transmission Congestion Credits.

III.5.2.6 Distribution of Excess Congestion Revenue.

III.6 Local Second Contingency Protection Resources.

III.6.1 [Reserved.]

III.6.2 Day-Ahead and Real-Time Energy Market.

III.6.2.1 Special Constraint Resources.

III.6.3 [Reserved.]

III.6.4 Local Second Contingency Protection Resource NCPC Charges.

III.6.4.1 [Reserved.]

III.6.4.2 [Reserved.]

III.6.4.3 Calculation of Local Second Contingency Protection Resource NCPC Payments.

III.7 Financial Transmission Rights Auctions.

III.7.1 Auctions of Financial Transmission Rights.

III.7.1.1 Auction Period and Scope of Auctions.

III.7.1.2 FTR Auctions Assumptions.

III.7.2 Financial Transmission Rights Characteristics.

III.7.2.1 Reconfiguration of Financial Transmission Rights.

III.7.2.2 Specified Locations.

III.7.2.3 Transmission Congestion Revenues.

III.7.2.4 [Reserved.]

III.7.3 Auction Procedures.

III.7.3.1 Role of the ISO.

III.7.3.2 [Reserved.]

III.7.3.3 [Reserved.]

III.7.3.4 On-Peak and Off-Peak Periods.

III.7.3.5 Offers and Bids.

III.7.3.6 Determination of Winning Bids and Clearing Price.

III.7.3.7 Announcement of Winners and Prices.

III.7.3.8 Auction Settlements.

III.7.3.9 Allocation of Auction Revenues.

III.7.3.10 Simultaneous Feasibility.

III.7.3.11 [Reserved.]

III.7.3.12 Financial Transmission Rights in the Form of Options.

III.8 Additional Requirements for Demand Response Assets and Demand Response Resources.

III.8.1 Registration and Aggregation.

III.8.1.1 Demand Response Asset Registration and Aggregation.

III.8.1.2 Demand Response Resource Registration and Aggregation.

III.8.2 Demand Response Baselines.

III.8.2.1 Determining the Weekday Non-Holiday Demand Response Baseline.

III.8.2.2 Determining the Saturday Demand Response Baseline.

III.8.2.3 Determining the Sunday and Demand Response Holiday Demand Response Baseline.

III.8.2.4 Demand Response Baseline Adjustment.

III.8.3 Demand Response Asset Forced and Scheduled Curtailments.

III.8.4 Demand Response Asset Energy Market Performance Calculations.

III.9 Forward Reserve Market.

III.9.1 Forward Reserve Market Timing.

III.9.2 Forward Reserve Market Reserve Requirements.

III.9.2.1 Forward Reserve Market Minimum Reserve Requirements.

III.9.2.2 Locational Reserve Requirements for Reserve Zones.

III.9.3 Forward Reserve Auction Offers.

III.9.4 Forward Reserve Auction Clearing and Forward Reserve Clearing Prices.

III.9.4.1 Forward Reserve Clearing Price and Forward Reserve Obligation Publication and Correction.

III.9.5. Forward Reserve Resources.

III.9.5.1 Assignment of Forward Reserve MWs to Forward Reserve Resources.

III.9.5.2 Forward Reserve Resource Eligibility Requirements.

III.9.5.3 Resource CLAIM10 and CLAIM30 Values.

III.9.5.3.1. Calculating Resource CLAIM10 and CLAIM30 Values.

III.9.5.3.2. CLAIM10 and CLAIM 30 Audits.

III.9.5.3.3. CLAIM10 and CLAIM30 Performance Factors.

III.9.5.3.4. Performance Factor Cure.

III.9.6 Delivery of Reserve.

III.9.6.1 Dispatch and Energy Bidding of Reserve.

III.9.6.2 Forward Reserve Threshold Prices.

III.9.6.3 Monitoring of Forward Reserve Resources.

III.9.6.4 Forward Reserve Qualifying Megawatts.

III.9.6.5 Delivery Accounting.

III.9.7 Consequences of Delivery Failure.

III.9.7.1 Real-Time Failure-to-Reserve.

III.9.7.2 Failure-to-Activate Penalties.

III.9.7.3 Known Performance Limitations.

III.9.8 Forward Reserve Credits.

III.9.9 Forward Reserve Charges.

III.9.9.1 Forward Reserve Credits Associated with System Reserve Requirements.

III.9.9.2 Adjusting Forward Reserve Credits for System Requirements.

III.9.9.3 Allocating Forward Reserve Credits for System Requirements.

III.9.9.4 Allocating Remaining Forward Reserve Credits.

III.9.9.4.1 Allocation Criteria for Remaining Forward Reserve Credits.

III.10 Real-Time Reserve

III.10.1 Provision of Operating Reserve in Real-Time.

III.10.1.1 Real-Time Reserve Designation.

III.10.2 Real-Time Reserve Credits.

III.10.3 Real-Time Reserve Charges.

III.10.4 Forward Reserve Obligation Charges.

III.10.4.1 Forward Reserve Obligation Charge Megawatts for Forward Reserve Resources.

III.10.4.2 Forward Reserve Obligation Charge Megawatts.

III.10.4.3 Forward Reserve Obligation Charge.

III.11 Gap RFPs For Reliability Purposes.

III.11.1 Request For Proposals for Load Response and Supplemental Generation Resources for Reliability Purposes.

III.12 Calculation of Capacity Requirements.

III.12.1 Installed Capacity Requirement.

III.12.1.1 System-Wide Marginal Reliability Impact Values.

III.12.2 Local Sourcing Requirements and Maximum Capacity Limits.

III.12.2.1 Calculation of Local Sourcing Requirements for Import-Constrained Capacity Zones.

III.12.2.1.1 Local Resource Adequacy Requirement.

III.12.2.1.2 Transmission Security Analysis Requirement.

III.12.2.1.3 Marginal Reliability Impact Values for Import-Constrained Capacity Zones.

III.12.2.2 Calculation of Maximum Capacity Limit for Export-Constrained Capacity Zones.

III.12.2.2.1 Marginal Reliability Impact Values for Export-Constrained Capacity Zones.

III.12.3 Consultation and Filing of Capacity Requirements.

III.12.4 Capacity Zones.

III.12.4A Dispatch Zones.

III.12.5 Transmission Interface Limits.

III.12.6 Modeling Assumptions for Determining the Network Model.

III.12.6.1 Process for Establishing the Network Model.

III.12.6.2 Initial Threshold to be Considered In-Service.

III.12.6.3 Evaluation Criteria.

III.12.7 Resource Modeling Assumptions.

III.12.7.1 Proxy Units.

III.12.7.2 Capacity.

III.12.7.2.1 [Reserved.]

III.12.7.3 Resource Availability.

III.12.7.4 Load and Capacity Relief.

III.12.8 Load Modeling Assumptions.

III.12.9 Tie Benefits.

III.12.9.1 Overview of Tie Benefits Calculation Procedure.

III.12.9.1.1. Tie Benefits Calculation for the Forward Capacity Auction and Annual Reconfiguration Auctions; Modeling Assumptions and Simulation Program.

III.12.9.1.2. Tie Benefits Calculation.

III.12.9.1.3. Adjustments to Account for Transmission Import Capability and Capacity Imports.

III.12.9.2 Modeling Assumptions and Procedures for the Tie Benefits Calculation.

III.12.9.2.1. Assumptions Regarding System Conditions.

III.12.9.2.2. Modeling Internal Transmission Constraints in New England.

III.12.9.2.3. Modeling Transmission Constraints in Neighboring Control Areas.

III.12.9.2.4. Other Modeling Assumptions.

III.12.9.2.5. Procedures for Adding or Removing Capacity from Control Areas to Meet the 0.1 Days Per Year LOLE Standard.

III.12.9.3. Calculating Total Tie Benefits.

III.12.9.4. Calculating Each Control Area’s Tie Benefits.

III.12.9.4.1. Initial Calculation of a Control Area’s Tie Benefits.

III.12.9.4.2. Pro Ration Based on Total Tie Benefits.

III.12.9.5. Calculating Tie Benefits for Individual Ties.

III.12.9.5.1. Initial Calculation of Tie Benefits for an Individual Interconnection or Group of Interconnections.

III.12.9.5.2. Pro Ration Based on Total Tie Benefits.

III.12.9.6. Accounting for Capacity Imports and Changes in External Transmission Facility Import Capability.

III.12.9.6.1. Accounting for Capacity Imports.

III.12.9.6.2. Changes in the Import Capability of Interconnections with Neighboring Control Areas.

III.12.9.7. Tie Benefits Over the HQ Phase I/II HVDC-TF.

III.12.10 Calculating the Maximum Amount of Import Capacity Resources that May be Cleared over External Interfaces in the Forward Capacity Auction and Reconfiguration Auctions.

III.13 Forward Capacity Market.

III.13.1 Forward Capacity Auction Qualification.

III.13.1.1 New Generating Capacity Resources.

III.13.1.1.1 Definition of New Generating Capacity Resource.

III.13.1.1.1.1 Resources Never Previously Counted as Capacity.

III.13.1.1.1.2 Resources Previously Counted as Capacity.

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

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

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

III.13.1.1.1.6 Treatment of Deactivated and Retired Units.

III.13.1.1.1.7 Renewable Technology Resources.

III.13.1.1.2 Qualification Process for New Generating Capacity Resources.

III.13.1.1.2.1 New Capacity Show of Interest Form.

III.13.1.1.2.2 New Capacity Qualification Package.

III.13.1.1.2.2.1 Site Control.

III.13.1.1.2.2.2 Critical Path Schedule.

III.13.1.1.2.2.3 Offer Information.

III.13.1.1.2.2.4 Capacity Commitment Period Election.

III.13.1.1.2.2.5 Additional Requirements for Resources Previously Counted as Capacity.

III.13.1.1.2.2.6 Additional Requirements for New Generating Capacity Resources that are Intermittent Power Resources.

III.13.1.1.2.3 Initial Interconnection Analysis.

III.13.1.1.2.4 Evaluation of New Capacity Qualification Package.

III.13.1.1.2.5 Qualified Capacity for New Generating Capacity Resources.

III.13.1.1.2.5.1 New Generating Capacity Resources Other Than Intermittent Power Resources.

III.13.1.1.2.5.2 [Reserved.]

III.13.1.1.2.5.3 New Generating Capacity Resources that are Intermittent Power Resources.

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

III.13.1.1.2.6 [Reserved.]

III.13.1.1.2.7 Opportunity to Consult with Project Sponsor.

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

III.13.1.1.2.9 Renewable Technology Resource Election.

III.13.1.1.2.10 Determination of Renewable Technology Resource Qualified Capacity.

III.13.1.2 Existing Generating Capacity Resources.

III.13.1.2.1 Definition of Existing Generating Capacity Resource.

III.13.1.2.1.1 Attributes of Existing Generating Capacity Resources.

III.13.1.2.2 Qualified Capacity for Existing Generating Capacity Resources.

III.13.1.2.2.1 Existing Generating Capacity Resources Other Than Intermittent Power Resources.

III.13.1.2.2.1.1 Summer Qualified Capacity.

III.13.1.2.2.1.2 Winter Qualified Capacity.

III.13.1.2.2.2 Existing Generating Capacity Resources that are Intermittent Power Resources.

III.13.1.2.2.2.1 Summer Qualified Capacity for an Intermittent Power Resource.

III.13.1.2.2.2.2 Winter Qualified Capacity for an Intermittent Power Resource.

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

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

III.13.1.2.2.5 Adjustment for Certain Significant Increases in Capacity.

III.13.1.2.2.5.1 [Reserved.]

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

III.13.1.2.3 Qualification Process for Existing Generating Capacity Resources.

III.13.1.2.3.1 Existing Capacity Retirement Package and Existing Capacity Qualification Package.

III.13.1.2.3.1.A Dynamic De-List Bid Threshold.

III.13.1.2.3.1.1 Static De-List Bids.

III.13.1.2.3.1.2 [Reserved.]

III.13.1.2.3.1.3 Export Bids.

III.13.1.2.3.1.4 Administrative Export De-List Bids.

III.13.1.2.3.1.5 Permanent De-List Bids and Retirement De-List Bids.

III.13.1.2.3.1.5.1 Reliability Review of Permanent De-List Bids and Retirement De-List Bids During the Qualification Process.

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

III.13.1.2.3.1.6.1 Submission of Cost Data.

III 13.1.2.3.1.6.2 [Reserved.]

III 13.1.2.3.1.6.3 Internal Market Monitor Review of Stations having Commission Costs.

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

III.13.1.2.3.2.1 Static De-List Bids and Export Bids, Permanent De-List Bids, and Retirement De-List Bids at or Above the Dynamic De-List Bid Threshold.

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

III.13.1.2.3.2.1.1.1 Review of Static De-List Bids and Export Bids.

III.13.1.2.3.2.1.1.2 Review of Permanent De-List Bids and Retirement De-List Bids.

III.13.1.2.3.2.1.2.A Static De-List Bid and Export Bid Net Going Forward Costs.

III.13.1.2.3.2.1.2.B Permanent De-List Bid and Retirement De-List Bid Net Present Value of Expected Cash Flows.

III.13.1.2.3.2.1.2.C Permanent De-List Bid and Retirement De-List Bid Calculation of Remaining Economic Life. III.13.1.2.3.2.1.3 Expected Capacity Performance Payments.

III.13.1.2.3.2.1.4 Risk Premium.

III.13.1.2.3.2.1.5 Opportunity Costs.

III.13.1.2.3.2.2 [Reserved.]

III.13.1.2.3.2.3 Administrative Export De-List Bids.

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

III.13.1.2.3.2.5 Static De-List Bid Incremental Capital Expenditure Recovery Schedule.

III.13.1.2.4 Retirement Determination Notification for Existing Capacity and Qualification Determination Notification for Existing Capacity.

III.13.1.2.4.1 Participant-Elected Retirement or Conditional Treatment.

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

III.13.1.3 Import Capacity.

III.13.1.3.1 Definition of Existing Import Capacity Resource.

III.13.1.3.2 Qualified Capacity for Existing Import Capacity Resources.

III.13.1.3.3.A Qualification Process for Existing Import Capacity Resources that are not associated with an Elective Transmission Upgrade with Capacity Network Import Interconnection Service.

III.13.1.3.3.B Qualification Process for Existing Import Capacity Resources that are associated with an Elective Transmission Upgrade with Capacity Import Interconnection Service.

III.13.1.3.4 Definition of New Import Capacity Resource.

III.13.1.3.5 Qualification Process for New Import Capacity Resources.

III.13.1.3.5.1 Documentation of Import.

III.13.1.3.5.2 Import Backed by Existing External Resources.

III.13.1.3.5.3 Imports Backed by an External Control Area.

III.13.1.3.5.3.1 Imports Crossing Intervening Control Areas.

III.13.1.3.5.4 Capacity Commitment Period Election.

III.13.1.3.5.5 Initial Interconnection Analysis.

III.13.1.3.5.5.A Cost Information.

III.13.1.3.5.6 Review by Internal Market Monitor of Offers from New Import Capacity Resources.

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

III.13.1.3.5.8 Rationing Election.

III.13.1.4 Demand Capacity Resources.

III.13.1.4.1 Definition of New Demand Capacity Resource.

III.13.1.4.1.1 Qualification Process for New Demand Capacity Resources.

III.13.1.4.1.1.1 New Demand Capacity Resource Show of Interest Form.

III.13.1.4.1.1.2 New Demand Capacity Resource Qualification Package.

III.13.1.4.1.1.2.1 Source of Funding.

III.13.1.4.1.1.2.2 Measurement and Verification Plan.

III.13.1.4.1.1.2.3 Customer Acquisition Plan.

III.13.1.4.1.1.2.4 Critical Patch Schedule for a Demand Capacity Resource with a Demand Reduction Value of at Least 5 MW at a Single Retail Delivery Point.

III.13.1.4.1.1.2.5 Critical Path Schedule for a Demand Capacity Resource with All Retail Delivery Points Having a Demand Reduction Value of Less Than 5 MW.

III.13.1.4.1.1.2.6 Additional Critical Path Schedule Requirement For Project Sponsors Proposing Total Demand Reduction Value of 30 Percent or Less by the Second Target Date.

III.13.1.4.1.1.2.7 Capacity Commitment Period Election.

III.13.1.4.1.1.2.8 Offer Information From New Demand Capacity Resources.

III.13.1.4.1.1.3 Initial Analysis for Active Demand Capacity Resources.

III.13.1.4.1.1.4 Consistency of New Demand Capacity Resource Qualification Package and New Demand Capacity Resource Show of Interest Form.

III.13.1.4.1.1.5 Evaluation of New Demand Capacity Resource Qualification Materials.

III.13.1.4.1.1.6 Qualification Determination Notification for New Demand Capacity Resources.

III.13.1.4.2 Definition of Existing Demand Capacity Resources.

III.13.1.4.2.1 Qualified Capacity Notification for Existing Demand Capacity Resources.

III.13.1.4.2.2 Existing Demand Capacity Resource De-List Bids.

III.13.1.4.3 Measurement and Verification Applicable to On-Peak Demand Resources and Seasonal Peak Demand Resources.

III.13.1.4.3.1 Measurement and Verification Documents.

III.13.1.4.3.1.1 Optional Measurement and Verification Reference Reports.

III.13.1.4.3.1.2 Updated Measurement and Verification Documents.

III.13.1.4.3.1.3 Annual Certification of Accuracy of Measurement and Verification Documents.

III.13.1.4.3.1.4 Record Requirement of Retail Customers Served.

III.13.1.4.3.2 ISO Review of Measurement and Verification Documents.

III.13.1.5 Offers Composed of Separate Resources.

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

III.13.1.6 Self-Supplied FCA Resources.

III.13.1.6.1 Self-Supplied FCA Resource Eligibility.

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

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

III.13.1.8 Publication of Offer and Bid Information.

III.13.1.9 Financial Assurance.

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

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

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

III.13.1.9.2.2 Release of Financial Assurance.

III.13.1.9.2.2.1 [Reserved.]

III.13.1.9.2.3 Forfeit of Financial Assurance.

III.13.1.9.2.4 Financial Assurance for New Import Capacity Resources.

III.13.1.9.3 Qualification Process Cost Reimbursement Deposit.

III.13.1.9.3.1 Partial Waiver of Deposit.

III.13.1.9.3.2 Settlement of Costs.

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

III.13.1.9.3.2.2 Settlement of Costs Associated with Resource That Withdraw From A Forward Capacity Auction Or Reconfiguration Auction.

III.13.1.9.3.2.3 Crediting Of Reimbursements.

III.13.1.10 Forward Capacity Auction Qualification Schedule.

III.13.1.11 Opt-Out for Resources Electing Multiple-Year Treatment.

III.13.2 Annual Forward Capacity Auction.

III.13.2.1 Timing of Annual Forward Capacity Auctions.

III.13.2.2 Amount of Capacity Cleared in Each Forward Capacity Auction.

III.13.2.2.1 System–Wide Capacity Demand Curve.

III.13.2.2.2 Import-Constrained Capacity Zone Demand Curves.

III.13.2.2.3 Export-Constrained Capacity Zone Demand Curves.

III.13.2.2.4 Capacity Demand Curve Scaling Factor.

III.13.2.3 Conduct of the Forward Capacity Auction.

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

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

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

III.13.2.3.4 Determination of Final Capacity Zones.

III.13.2.4 Forward Capacity Auction Starting Price and the Cost of New Entry.

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

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

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

III.13.2.5.2.1 Permanent De-List Bids and Retirement De-List Bids.

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

III.13.2.5.2.3 Dynamic De-List Bids.

III.13.2.5.2.4 Administrative Export De-List Bids.

III.13.2.5.2.5 Reliability Review.

III.13.2.5.2.5.1 Compensation for Bids Rejected for Reliability Reasons.

III.13.2.5.2.5.2 Incremental Cost of Reliability Service From Permanent De-List Bid and Retirement De-List Bid Resources.

III.13.2.5.2.5.3 Retirement and Permanent De-Listing of Resources.

III.13.2.6 Capacity Rationing Rule.

III.13.2.7 Determination of Capacity Clearing Prices.

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

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

III.13.2.7.3 Capacity Clearing Price Floor.

III.13.2.7.3A Treatment of Imports.

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

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

III.13.2.7.6 Minimum Capacity Award.

III.13.2.7.7 Tie-Breaking Rules.

III.13.3 Critical Path Schedule Monitoring.

III.13.3.1 Resources Subject to Critical Path Schedule Monitoring.

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

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

III.13.3.2 Quarterly Critical Path Schedule Reports.

III.13.3.2.1 Updated Critical Path Schedule.

III.13.3.2.2 Documentation of Milestones Achieved.

III.13.3.2.3 Additional Relevant Information.

III.13.3.2.4 Additional Information for Resources Previously Listed as Capacity.

III.13.3.3 Failure to Meet Critical Path Schedule.

III.13.3.4 Covering Capacity Supply Obligation Where Resource Will Not Achieve All Critical Path Schedule Milestones by the Capacity Commitment Period.

III.13.3.5 Termination of Interconnection Agreement.

III.13.3.6 Withdrawal from Critical Path Schedule Monitoring.

III.13.3.7 Request to Defer Capacity Supply Obligation.

III.13.3.8 FCM Commercial Operation.

III.13.4 Reconfiguration Auctions.

III.13.4.1 Capacity Zones Included in Reconfiguration Auctions.

III.13.4.2 Participation in Reconfiguration Auctions.

III.13.4.2.1 Supply Offers.

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

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

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

III.13.4.2.1.2.1.1 Generating Capacity Resources other than Intermittent Power Resources.

III.13.4.2.1.2.1.1.1 Summer ARA Qualified Capacity.

III.13.4.2.1.2.1.1.2 Winter ARA Qualified Capacity.

III.13.4.2.1.2.1.2 Intermittent Power Resources.

III.13.4.2.1.2.1.2.1 Summer ARA Qualified Capacity.

III.13.4.2.1.2.1.2.2 Winter ARA Qualified Capacity.

III.13.4.2.1.2.1.3 Import Capacity Resources.

III.13.4.2.1.2.1.4 Demand Capacity Resources.

III.13.4.2.1.2.1.4.1 Summer ARA Qualified Capacity.

III.13.4.2.1.2.1.4.2 Winter ARA Qualified Capacity.

III.13.4.2.1.2.2 Third Annual Reconfiguration Auction.

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

III.13.4.2.1.2.2.1.1 Summer ARA Qualified Capacity.

III.13.4.2.1.2.2.1.2 Winter ARA Qualified Capacity.

III.13.4.2.1.2.2.2 Intermittent Power Resources.

III.13.4.2.1.2.2.2.1 Summer ARA Qualified Capacity.

III.13.4.2.1.2.2.2.2 Winter ARA Qualified Capacity.

III.13.4.2.1.2.2.2.3 Adjustment for Certain Intermittent Power Resources.

III.13.4.2.1.2.2.3 Import Capacity Resources.

III.13.4.2.1.2.2.4 Demand Capacity Resources.

III.13.4.2.1.2.2.4.1 Summer ARA Qualified Capacity.

III.13.4.2.1.2.2.4.2 Winter ARA Qualified Capacity.

III.13.4.2.1.3 Adjustment for Significant Decreases in Capacity.

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

III.13.4.2.1.5 ISO Review of Supply Offers.

III.13.4.2.2 Demand Bids in Reconfiguration Auctions.

III.13.4.3 ISO Participation in Reconfiguration Auctions.

III.13.4.4 Clearing Offers and Bids in Reconfiguration Auctions.

III.13.4.5 Annual Reconfiguration Auctions.

III.13.4.5.1 Timing of Annual Reconfiguration Auctions.

III.13.4.5.2 Acceleration of Annual Reconfiguration Auction.

III.13.4.6 [Reserved.]

III.13.4.7 Monthly Reconfiguration Auctions.

III.13.4.8 Adjustment to Capacity Supply Obligations.

III.13.5 Bilateral Contracts in the Forward Capacity Market.

III.13.5.1 Capacity Supply Obligation Bilaterals.

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

III.13.5.1.1.1 Timing of Submission.

III.13.5.1.1.2 Application.

III.13.5.1.1.3 ISO Review.

III.13.5.1.1.4 Approval.

III.13.5.2 Capacity Load Obligations Bilaterals.

III.13.5.2.1 Process for Approval of Capacity Load Obligation Bilaterals.

III.13.5.2.1.1 Timing.

III.13.5.2.1.2 Application.

III.13.5.2.1.3 ISO Review.

III.13.5.2.1.4 Approval.

III.13.5.3 Supplemental Availability Bilaterals.

III.13.5.3.1 Designation of Supplemental Capacity Resources.

III.13.5.3.1.1 Eligibility.

III.13.5.3.1.2 Designation.

III.13.5.3.1.3 ISO Review.

III.13.5.3.1.4 Effect of Designation.

III.13.5.3.2 Submission of Supplemental Availability Bilaterals.

III.13.5.3.2.1 Timing.

III.13.5.3.2.2 Application.

III.13.5.3.2.3 ISO Review.

III.13.5.3.2.4 Effect of Supplemental Availability Bilateral.

III.13.6 Rights and Obligations.

III.13.6.1 Resources with Capacity Supply Obligations.

III.13.6.1.1 Generating Capacity Resources with Capacity Supply Obligations.

III.13.6.1.1.1 Energy Market Offer Requirements.

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

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.

III.13.6.1.2 Import Capacity Resources with Capacity Supply Obligations.

III.13.6.1.2.1 Energy Market Offer Requirements.

III.13.6.1.2.2 Additional Requirements for Import Capacity Resources.

III.13.6.1.3 Intermittent Power Resources with Capacity Supply Obligations.

III.13.6.1.3.1 Energy Market Offer Requirements.

III.13.6.1.3.2 [Reserved.]

III.13.6.1.3.3 Additional Requirements for Intermittent Power Resources.

III.13.6.1.4 [Reserved.]

III.13.6.1.5 Demand Capacity Resources with Capacity Supply Obligations.

III.13.6.1.5.1 Energy Market Offer Requirements.

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

III.13.6.1.5.3 Additional Requirements for Demand Capacity Resources.

III.13.6.1.5.4. On-Peak Demand Resource and Seasonal Peak Demand Resource Auditing Requirements.

III.13.6.1.5. 5. Additional Demand Capacity Resource Audits.

III.13.6.1.6. DNE Dispatchable Generator.

III.13.6.2 Resources Without a Capacity Supply Obligation.

III.13.6.2.1 Generating Capacity Resources without a Capacity Supply Obligation.

III.13.6.2.1.1 Energy Market Offer Requirements.

III.13.6.2.1.1.1 Day-Ahead Energy Market Participation.

III.13.6.2.1.1.2 Real-Time Energy Market Participation.

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

III.13.6.2.2 [Reserved.]

III.13.6.2.3 Intermittent Power Resources.

III.13.6.2.3.1 Energy Market Offer Requirements without a Capacity Supply Obligation.

III.13.6.2.3.2 Additional Requirements for Intermittent Power Resources.

III.13.6.2.4 [Reserved.]

III.13.6.2.5 Demand Capacity Resources without a Capacity Supply Obligation.

III.13.6.2.5.1. Energy Market Offer Requirements.

III.13.6.2.5.1.1. Day-Ahead Energy Market Participation.

III.13.6.2.5.1.2. Real-Time Energy Market Participation.

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

III.13.6.3 Exporting Resources.

III.13.6.4 ISO Requests for Energy.

III.13.6.4.1 Real-Time High Operating Limit.

III.13.7 Performance, Payments and Charges in the FCM.

III.13.7.1 Capacity Base Payments.

III.13.7.1.1 Monthly Payments and Charges Reflecting Capacity Supply Obligations.

III.13.7.1.2 Peak Energy Rents.

III.13.7.1.2.1 Hourly PER Calculations.

III.13.7.1.2.1 Monthly PER Calculations.

III.13.7.1.3 Export Capacity.

III.13.7.1.4 [Reserved.]

III.13.7.2 Capacity Performance Payments.

III.13.7.2.1 Definition of Capacity Scarcity Condition.

III.13.7.2.2 Calculation of Actual Capacity Provided During a Capacity Scarcity Condition.

III.13.7.2.3 Capacity Balancing Ratio.

III.13.7.2.4 Capacity Performance Score.

III.13.7.2.5 Capacity Performance Payment Rate.

III.13.7.2.6 Calculation of Capacity Performance Payments.

III.13.7.3 Monthly Capacity Payment and Capacity Stop-Loss Mechanism.

III.13.7.3.2 Annual Stop-Loss.

III.13.7.4 Allocation of Deficient or Excess Capacity Performance Payments.

III.13.7.5 Charges to Market Participants with Capacity Load Obligations.

III.13.7.5.1 Calculation of Capacity Requirement and Capacity Load Obligation.

III.13.7.5.1.1 HQICC Used in the Calculation of Capacity Requirements.

III.13.7.5.1.2 Charges Associated with Self-Supplied FCA Resources.

III.13.7.5.1.3 Charges Associated with Dispatchable Asset Related Demands.

III.13.7.5.2 Excess Revenues.

III.13.7.5.3 Capacity Transfer Rights.

III.13.7.5.3.1 Definition and Payments to Holders of Capacity Transfer Rights.

III.13.7.5.3.2 Allocation of Capacity Transfer Rights.

III.13.7.5.3.3 Allocations of CTRs Resulting From Revised Capacity Zones.

III.13.7.5.3.4 Specifically Allocated CTRs Associated with Transmission Upgrades.

III.13.7.5.3.5 [Reserved.]

III.13.7.5.3.6 Specifically Allocated CTRs for Pool Planned Units.

III.13.7.5.4 Forward Capacity Market Net Charge Amount.

III.13.8 Reporting and Price Finality.

III.13.8.1 Filing of Certain Determinations Made By the ISO Prior to the Forward Capacity Auction and Challenges Thereto.

III.13.8.2 Filing of Forward Capacity Auction Results and Challenges Thereto.

III.14 Regulation Market.

III.14.1 Regulation Market System Requirements.

III.14.2 Regulation Market Eligibility.

III.14.3 Regulation Market Offers.

III.14.4 Regulation Market Administration.

III.14.5 Regulation Market Resource Selection.

III.14.6 Delivery of Regulation Market Products.

III.14.7 Performance Monitoring.

III.14.8 Regulation Market Settlement and Compensation.

III.14.9 Regulation Market Testing Environment.

**STANDARD MARKET DESIGN**

**III.1 Market Operations**

**III.1.1 Introduction.**

This Market Rule 1 sets forth the scheduling, other procedures, and certain general provisions applicable to the operation of the New England Markets within the New England Control Area. The ISO shall operate the New England Markets in compliance with NERC, NPCC and ISO reliability criteria. The ISO is the Counterparty for agreements and transactions with its Customers (including assignments involving Customers), including bilateral transactions described in Market Rule 1, and sales to the ISO and/or purchases from the ISO of energy, reserves, Ancillary Services, capacity, demand/load response, FTRs and other products, paying or charging (if and as applicable) its Customers the amounts produced by the pertinent market clearing process or through the other pricing mechanisms described in Market Rule 1. The bilateral transactions to which the ISO is the Counterparty (subject to compliance with the requirements of Section III.1.4) include, but are not limited to, Internal Bilaterals for Load, Internal Bilaterals for Market for Energy, Annual Reconfiguration Transactions, Capacity Supply Obligation Bilaterals, Capacity Load Obligation Bilaterals, Capacity Performance Bilaterals, and the transactions described in Sections III.9.4.1 (internal bilateral transactions that transfer Forward Reserve Obligations), and III.13.1.6 (Self-Supplied FCA Resources). Notwithstanding the foregoing, the ISO will not act as Counterparty for the import into the New England Control Area, for the use of Publicly Owned Entities, of: (1) energy, capacity, and ancillary products associated therewith, to which the Publicly Owned Entities are given preference under Articles 407 and 408 of the project license for the New York Power Authority’s Niagara Project; and (2) energy, capacity, and ancillary products associated therewith, to which Publicly Owned Entities are entitled under Article 419 of the project license for the New York Power Authority’s Franklin D. Roosevelt – St. Lawrence Project. This Market Rule 1 addresses each of the three time frames pertinent to the daily operation of the New England Markets: “Pre-scheduling” as specified in Section III.1.9, “Scheduling” as specified in III.1.10, and “Dispatch” as specified in III.1.11. This Market Rule 1 became effective on February 1, 2005.

**III.1.2 [Reserved.]**

**III.1.3 Definitions.**

Whenever used in Market Rule 1, in either the singular or plural number, capitalized terms shall have the meanings specified in Section I of the Tariff. Terms used in Market Rule 1 that are not defined in Section I shall have the meanings customarily attributed to such terms by the electric utility industry in New England or as defined elsewhere in the ISO New England Filed Documents. Terms used in Market Rule 1 that are defined in Section I are subject to the 60% Participant Vote threshold specified in Section 11.1.2 of the Participants Agreement.

**III.1.3.1 [Reserved.]**

**III.1.3.2 [Reserved.]**

**III.1.3.3 [Reserved.]**

**III.1.4 Requirements for Certain Transactions.**

**III.1.4.1 ISO Settlement of Certain Transactions.**

The ISO will settle, and act as Counterparty to, the transactions described in Section III.1.4.2 if the transactions (and their related transactions) conform to, and the transacting Market Participants comply with, the requirements specified in Section III.1.4.3.

**III.1.4.2 Transactions Subject to Requirements of Section III.1.4.**

Transactions that must conform to the requirements of Section III.1.4 include: Internal Bilaterals for Load, Internal Bilaterals for Market for Energy, Annual Reconfiguration Transactions, Capacity Supply Obligation Bilaterals, Capacity Load Obligation Bilaterals, Capacity Performance Bilaterals, and the transactions described in Sections III.9.4.1 (internal bilateral transactions that transfer Forward Reserve Obligations), and III.13.1.6 (Self-Supplied FCA Resources). The foregoing are referred to collectively as “Section III.1.4 Transactions,” and individually as a “Section III.1.4 Transaction.” Transactions that conform to the standards are referred to collectively as “Section III.1.4 Conforming Transactions,” and individually as a “Section III.1.4 Conforming Transaction.”

**III.1.4.3 Requirements for Section III.1.4 Conforming Transactions.**

(a) To qualify as a Section III.1.4 Conforming Transaction, a Section III.1.4 Transaction must constitute an exchange for an off-market transaction (a “Related Transaction”), where the Related Transaction:

(i) is not cleared or settled by the ISO as Counterparty;

(ii) is a spot, forward or derivatives contract that contemplates the transfer of energy or a MW obligation to or from a Market Participant;

(iii) involves commercially appropriate obligations that impose a duty to transfer electricity or a MW obligation from the seller to the buyer, or from the buyer to the seller, with performance taking place within a reasonable time in accordance with prevailing cash market practices; and

(iv) is not contingent on either party to carry out the Section III.1.4 Transaction.

(b) In addition, to qualify as a Section III.1.4 Conforming Transaction:

(i) the Section III.1.4 Transaction must be executed between separate beneficial owners or separate parties trading for independently controlled accounts;

(ii) the Section III.1.4 Transaction and the Related Transaction must be separately identified in the records of the parties to the transactions; and

(iii) the Section III.1.4 Transaction must be separately identified in the records of the ISO.

(c) As further requirements:

(i) each party to the Section III.1.4 Transaction and Related Transaction must maintain, and produce upon request of the ISO, records demonstrating compliance with the requirements of Sections III.1.4.3(a) and (b) for the Section III.1.4 Transaction, the Related Transaction and any other transaction that is directly related to, or integrated in any way with, the Related Transaction, including the identity of the counterparties and the material economic terms of the transactions including their price, tenor, quantity and execution date; and

(ii) each party to the Section III.1.4 Transaction must be a Market Participant that meets all requirements of the ISO New England Financial Assurance Policy.

**III.1.5 Resource Auditing.**

**III.1.5.1 Claimed Capability Audits.**

**III.1.5.1.1 General Audit Requirements.**

1. The following types of Claimed Capability Audits may be performed:
   1. An Establish Claimed Capability Audit establishes the Generator Asset’s ability to respond to ISO dispatch instructions and to maintain performance at a specified output level for a specified duration.
   2. A Seasonal Claimed Capability Audit determines a Generator Asset’s capability to perform under specified summer and winter conditions for a specified duration
   3. A Seasonal DR Audit determines the ability of a Demand Response Resource to perform during specified months for a specified duration.
   4. An ISO-Initiated Claimed Capability Audit is conducted by the ISO to verify the Generator Asset’s Establish Claimed Capability Audit value or the Demand Response Resource’s Seasonal DR Audit value.
2. The Claimed Capability Audit value of a Generator Asset shall reflect any limitations based upon the interdependence of common elements between two or more Generator Assets such as: auxiliaries, limiting operating parameters, and the deployment of operating personnel.
3. The Claimed Capability Audit value of gas turbine, combined cycle, and pseudo-combined cycle assets shall be normalized to standard 90° (summer) and 20° (winter) temperatures.
4. The Claimed Capability Audit value for steam turbine assets with steam exports, combined cycle, or pseudo-combined cycle assets with steam exports where steam is exported for uses external to the electric power facility, shall be normalized to the facility’s Seasonal Claimed Capability steam demand.
5. A Claimed Capability Audit may be denied or rescheduled by the ISO if its performance will jeopardize the reliable operation of the electrical system.

**III.1.5.1.2 Establish Claimed Capability Audit.**

1. An Establish Claimed Capability Audit may be performed only by a Generator Asset.
2. The time and date of an Establish Claimed Capability Audit shall be unannounced.
3. For a newly commercial Generator Asset:
   1. An Establish Claimed Capability Audit will be scheduled by the ISO within five Business Days of the commercial operation date for all Generator Assets except:
      1. Non-intermittent daily cycle hydro;
      2. Non-intermittent net-metered, or special qualifying facilities that do not elect to audit as described in Section III.1.5.1.3; and
      3. Intermittent Generator Assets
   2. The Establish Claimed Capability Audit values for both summer and winter shall equal the mean net real power output demonstrated over the duration of the audit, as reflected in hourly revenue metering data, normalized for temperature and steam exports.
   3. The Establish Claimed Capability Audit values shall be effective as of the commercial operation date of the Generator Asset.
4. For Generator Assets with an Establish Claimed Capability Audit value:
   1. An Establish Claimed Capability Audit may be performed at the request of a Market Participant in order to support a change in the summer and winter Establish Claimed Capability Audit values for a Generator Asset.
   2. An Establish Claimed Capability Audit shall be performed within five Business Days of the date of the request.
   3. The Establish Claimed Capability Audit values for both summer and winter shall equal the mean net real power output demonstrated over the duration of the audit, as reflected in hourly revenue metering data, normalized for temperature and steam exports.
   4. The Establish Claimed Capability Audit values become effective one Business Day following notification of the audit results to the Market Participant by the ISO.
   5. A Market Participant may cancel an audit request prior to issuance of the audit Dispatch Instruction.
5. An Establish Claimed Capability Audit value may not exceed the maximum interconnected flow specified in the Network Resource Capability for the resource associated with the Generator Asset.
6. Establish Claimed Capability Audits shall be performed on non-NERC holiday weekdays between 0800 and 2200.
7. To conduct an Establish Claimed Capability Audit, the ISO shall:
   1. Initiate an Establish Claimed Capability Audit by issuing a Dispatch Instruction ordering the Generator Asset’s net output to increase from the current operating level to its Real-Time High Operating Limit.
   2. Indicate when issuing the Dispatch Instruction that an audit will be conducted.
   3. Begin the audit with the first full clock hour after sufficient time has been allowed for the asset to ramp, based on its offered ramp rate from its current operating point to reach its Real-Time High Operating Limit.
8. An Establish Claimed Capability Audit shall be performed for the following contiguous duration:

|  |  |
| --- | --- |
| **Duration Required for an Establish Claimed Capability Audit** | |
| **Unit Type** | **Claimed Capability Audit Duration (Hrs)** |
| Steam Turbine (Includes Nuclear) | 4 |
| Combined Cycle | 4 |
| Integrated Coal Gasification Combustion Cycle | 4 |
| Pressurized Fluidized Bed Combustion | 4 |
| Combustion Gas Turbine | 1 |
| Internal Combustion Engine | 1 |
| Hydraulic Turbine – Reversible  Hydraulic Turbine – Other | 2 |
| Hydro-Conventional Daily Pondage  Hydro-Conventional Run of River  Hydro-Conventional Weekly | 2 |
| Wind  Photovoltaic  Fuel Cell | 2 |
| Energy Storage (Excludes Pumped Storage) | 2 |

(i) The ISO, in consultation with the Market Participant, will determine the contiguous audit duration for a Generator Asset of a unit type not listed in Section III.1.5.1.2(h).

**III.1.5.1.3. Seasonal Claimed Capability Audits.**

1. A Seasonal Claimed Capability Audit may be performed only by a Generator Asset.
2. A Seasonal Claimed Capability Audit must be conducted by all Generator Assets except:
   1. Non-intermittent daily hydro; and
   2. Intermittent, net-metered, and special qualifying facilities. Non-intermittent net-metered and special qualifying facilities may elect to perform Seasonal Claimed Capability Audits pursuant to Section III.1.7.11(c)(iv).
3. An Establish Claimed Capability Audit or ISO-Initiated Claimed Capability Audit that meets the requirements of a Seasonal Claimed Capability Audit in this Section III.1.5.1.3 may be used to fulfill a Generator Asset’s Seasonal Claimed Capability Audit obligation.
4. Except as provided in Section III.1.5.1.3(n) below, a summer Seasonal Claimed Capability Audit must be conducted:
   1. At least once every Capability Demonstration Year;
   2. Either (1) at a mean ambient temperature during the audit that is greater than or equal to 80 degrees Fahrenheit at the location of the Generator Asset, or (2) during an ISO-announced summer Seasonal Claimed Capability Audit window.
5. A winter Seasonal Claimed Capability Audit must be conducted:
   1. At least once in the previous three Capability Demonstration Years, except that a newly commercial Generator Asset which becomes commercial on or after:
      1. September 1 and prior to December 31 shall perform a winter Seasonal Claimed Capability Audit prior to the end of that Capability Demonstration Year.
      2. January 1 shall perform a winter Seasonal Claimed Capability Audit prior to the end of the next Capability Demonstration Year.
   2. Either (1) at a mean ambient temperature during the audit that is less than or equal to 32 degrees Fahrenheit at the location of the Generator Asset, or (2) during an ISO-announced winter Seasonal Claimed Capability Audit window.
6. A Seasonal Claimed Capability Audit shall be performed by operating the Generator Asset for the audit time period and submitting to the ISO operational data that meets the following requirements:
   1. The Market Participant must notify the ISO of its request to use the dispatch to satisfy the Seasonal Claimed Capability Audit requirement by 5:00 p.m. on the fifth Business Day following the day on which the audit concludes.
   2. The notification must include the date and time period of the demonstration to be used for the Seasonal Claimed Capability Audit and other relevant operating data.
7. The Seasonal Claimed Capability Audit value (summer or winter) will be the mean net real power output demonstrated over the duration of the audit, as reflected in hourly revenue metering data, normalized for temperature and steam exports.
8. The Seasonal Claimed Capability Audit value (summer or winter) shall be the most recent audit data submitted to the ISO meeting the requirements of this Section III.1.5.1.3. In the event that a Market Participant fails to submit Seasonal Claimed Capability Audit data to meet the timing requirements in Section III.1.5.1.3(d) and (e), the Seasonal Claimed Capability Audit value for the season shall be set to zero.
9. The Seasonal Claimed Capability Audit value shall become effective one Business Day following notification of the audit results to the Market Participant by the ISO.
10. A Seasonal Claimed Capability Audit shall be performed for the following contiguous duration:

|  |  |
| --- | --- |
| **Duration Required for a Seasonal Claimed Capability Audit** | |
| **Unit Type** | **Claimed Capability Audit Duration (Hrs)** |
| Steam Turbine (Includes Nuclear) | 2 |
| Combined Cycle | 2 |
| Integrated Coal Gasification Combustion Cycle | 2 |
| Pressurized Fluidized Bed Combustion | 2 |
| Combustion Gas Turbine | 1 |
| Internal Combustion Engine | 1 |
| Hydraulic Turbine-Reversible  Hydraulic Turbine-Other | 2 |
| Hydro-Conventional Weekly | 2 |
| Fuel Cell | 1 |
| Energy Storage (Excludes Pumped Storage) | 2 |

1. A Generator Asset that is on a planned outage that was approved in the ISO’s annual maintenance scheduling process during all hours that meet the temperature requirements for a Seasonal Claimed Capability Audit that is to be performed by the asset during that Capability Demonstration Year shall:
   1. Submit to the ISO, prior to September 10, an explanation of the circumstances rendering it incapable of meeting these auditing requirements;
   2. Have its Seasonal Claimed Capability Audit value for the season set to zero; and
   3. Perform the required Seasonal Claimed Capability Audit on the next available day that meets the Seasonal Claimed Capability Audit temperature requirements.
2. A Generator Asset that does not meet the auditing requirements of this Section III.1.5.1.3 because (1) every time the temperature requirements were met at the Generator Asset’s location the ISO denied the request to operate to full capability, or (2) the temperature requirements were not met at the Generator Asset’s location during the Capability Demonstration Year during which the asset was required to perform a Seasonal Claimed Capability Audit during the hours 0700 to 2300 for each weekday excluding those weekdays that are defined as NERC holidays, shall:
   1. Submit to the ISO, prior to September 10, an explanation of the circumstances rendering it incapable of meeting these temperature requirements, including verifiable temperature data;
   2. Retain the current Seasonal Claimed Capability Audit value for the season; and
   3. Perform the required Seasonal Claimed Capability Audit during the next Capability Demonstration Year.
3. The ISO may issue notice of a summer or winter Seasonal Claimed Capability Audit window for some or all of the New England Control Area if the ISO determines that weather forecasts indicate that temperatures during the audit window will meet the summer or winter Seasonal Claimed Capability Audit temperature requirements. A notice shall be issued at least 48 hours prior to the opening of the audit window. Any audit performed during the announced audit window shall be deemed to meet the temperature requirement for the summer or winter audit. In the event that five or more audit windows for the summer Seasonal Claimed Capability Audit temperature requirement, each of at least a four hour duration between 0700 and 2300 and occurring on a weekday excluding those weekdays that are defined as NERC holidays, are not opened for a Generator Asset prior to August 15 during a Capability Demonstration Year, a two-week audit window shall be opened for that Generator Asset to perform a summer Seasonal Claimed Capability Audit, and any audit performed by that Generator Asset during the open audit window shall be deemed to meet the temperature requirement for the summer Seasonal Claimed Capability Audit. The open audit window shall be between 0700 and 2300 each day during August 15 through August 31.
4. A Market Participant that is required to perform testing on a Generator Asset that is in addition to a summer Seasonal Claimed Capability Audit may notify the ISO that the summer Seasonal Claimed Capability Audit was performed in conjunction with this additional testing, provided that:
   1. The notification shall be provided at the time the Seasonal Claimed Capability Audit data is submitted under Section III.1.5.1.3(f).
   2. The notification explains the nature of the additional testing and that the summer Seasonal Claimed Capability Audit was performed while the Generator Asset was online to perform this additional testing.
   3. The summer Seasonal Claimed Capability Audit and additional testing are performed during the months of June, July or August between the hours of 0700 and 2300.
   4. In the event that the summer Seasonal Claimed Capability Audit does not meet the temperature requirements of Section III.1.5.1.3(d)(ii), the summer Seasonal Claimed Capability Audit value may not exceed the summer Seasonal Claimed Capability Audit value from the prior Capability Demonstration Year.
   5. This Section III.1.5.1.3(n) may be utilized no more frequently than once every three Capability Demonstration Years for a Generator Asset.
5. The ISO, in consultation with the Market Participant, will determine the contiguous audit duration for a Generator Asset of a unit type not listed in Section III.1.5.1.3(j).

**III.1.5.1.3.1 Seasonal DR Audits.**

1. A Seasonal DR Audit may be performed only by a Demand Response Resource.
2. A Seasonal DR Audit shall be performed for 12 contiguous five-minute intervals.
3. A summer Seasonal DR Audit must be conducted by all Demand Response Resources:
   1. At least once every Capability Demonstration Year;
   2. During the months of April through November;
4. A winter Seasonal DR Audit must be conducted by all Demand Response Resources:
   1. At least once every Capability Demonstration Year;
   2. During the months of December through March.
5. A Seasonal DR Audit may be performed either:
   1. At the request of a Market Participant as described in subsection (f) below; or
   2. By the Market Participant designating a period of dispatch after the fact as described in subsection (g) below.
6. If a Market Participant requests a Seasonal DR Audit:
   1. The ISO shall perform the Seasonal DR Audit at an unannounced time between 0800 and 2200 on non-NERC holiday weekdays within five Business Days of the date of the request.
   2. The ISO shall initiate the Seasonal DR Audit by issuing a Dispatch Instruction ordering the Demand Response Resource to its Maximum Reduction.
   3. The ISO shall indicate when issuing the Dispatch Instruction that an audit will be conducted.
   4. The ISO shall begin the audit with the start of the first five-minute interval after sufficient time has been allowed for the resource to ramp, based on its Demand Reduction Offer parameters, to its Maximum Reduction.
   5. A Market Participant may cancel an audit request prior to issuance of the audit Dispatch Instruction.
7. If the Seasonal DR Audit is performed by the designation of a period of dispatch after the fact, the designated period must meet all of the requirements in this Section III.1.5.1.3.1 and:
   1. The Market Participant must notify the ISO of its request to use the dispatch to satisfy the Seasonal DR Audit requirement by 5:00 p.m. on the fifth Business Day following the day on which the audit concludes.
   2. The notification must include the date and time period of the demonstration to be used for the Seasonal DR Audit.
   3. The demonstration period may begin with the start of any five-minute interval after the completion of the Demand Response Resource Notification Time.
   4. A CLAIM10 audit or CLAIM30 audit that meets the requirements of a Seasonal DR Audit as provided in this Section III.1.5.1.3.1 may be used to fulfill the Seasonal DR Audit obligation of a Demand Response Resource.
8. An ISO-Initiated Claimed Capability Audit fulfils the Seasonal DR Audit obligation of a Demand Response Resource.
9. Each Demand Response Asset associated with a Demand Response Resource is evaluated during the Seasonal DR Audit of the Demand Response Resource.
10. Any Demand Response Asset on a forced or scheduled curtailment as defined in Section III.8.3 is assessed a zero audit value.
11. The Seasonal DR Audit value (summer or winter) of a Demand Response Resource resulting from the Seasonal DR Audit shall be the sum of the average demand reductions demonstrated during the audit by each of the Demand Response Resource’s constituent Demand Response Assets.
12. If a Demand Response Asset is added to or removed from a Demand Response Resource between audits, the Demand Response Resource’s capability shall be updated to reflect the inclusion or exclusion of the audit value of the Demand Response Asset, such that at any point in time the summer or winter Seasonal DR Audit value of a Demand Response Resource shall equal the sum of the most recent valid like-season audit values of its constituent Demand Response Assets.
13. The Seasonal DR Audit value shall become effective one Business Day following notification of the audit results to the Market Participant by the ISO.
14. The summer or winter audit value of a Demand Response Asset shall be set to zero at the end of the Capability Demonstration Year if the Demand Response Asset did not perform a Seasonal DR Audit for that season as part of a Demand Response Resource during that Capability Demonstration Year.
15. For a Demand Response Asset that was associated with a “Real-Time Demand Response Resource” or a “Real-Time Emergency Generation Resource,” as those terms were defined prior to June 1, 2018, any valid result from an audit conducted prior to June 1, 2018 shall continue to be valid on June 1, 2018, and shall retain the same expiration date.

**III.1.5.1.4. ISO-Initiated Claimed Capability Audits.**

1. An ISO-Initiated Claimed Capability Audit may be performed by the ISO at any time.
2. An ISO-Initiated Claimed Capability Audit value shall replace either the summer or winter Seasonal DR Audit value for a Demand Response Resource and shall replace both the winter and summer Establish Claimed Capability Audit values for a Generator Asset, normalized for temperature and steam exports, except:
   1. The Establish Claimed Capability Audit values for a Generator Asset may not exceed the maximum interconnected flow specified in the Network Resource Capability for that resource.
   2. An ISO-Initiated Claimed Capability Audit value for a Generator Asset shall not set the winter Establish Claimed Capability Audit value unless the ISO-Initiated Claimed Capability Audit was performed at a mean ambient temperature that is less than or equal to 32 degrees Fahrenheit at the Generator Asset location.
3. If for a Generator Asset a Market Participant submits pressure and relative humidity data for the previous Establish Claimed Capability Audit and the current ISO-Initiated Claimed Capability Audit, the Establish Claimed Capability Audit values derived from the ISO-Initiated Claimed Capability Audit will be normalized to the pressure of the previous Establish Claimed Capability Audit and a relative humidity of 64%.
4. The audit values derived from the ISO-Initiated Claimed Capability Audit shall become effective one Business Day following notification of the audit results to the Market Participant by the ISO.
5. To conduct an ISO-Initiated Claimed Capability Audit, the ISO shall:
   1. Initiate an ISO-Initiated Claimed Capability Audit by issuing a Dispatch Instruction ordering the Generator Asset to its Real-Time High Operating Limit or the Demand Response Resource to its Maximum Reduction.
   2. Indicate when issuing the Dispatch Instruction that an audit will be conducted.
   3. For Generator Assets, begin the audit with the first full clock hour after sufficient time has been allowed for the Generator Asset to ramp, based on its offered ramp rate, from its current operating point to its Real-Time High Operating Limit.
   4. For Demand Response Resources, begin the audit with the first five-minute interval after sufficient time has been allowed for the resource to ramp, based on its Demand Reduction Offer parameters, to its Maximum Reduction.
6. An ISO-Initiated Claimed Capability Audit shall be performed for the following contiguous duration:

|  |  |
| --- | --- |
| **Duration Required for an ISO-Initiated Claimed Capability Audit** | |
| **Asset or Resource Type** | **Claimed Capability Audit Duration (Hrs)** |
| Steam Turbine (Includes Nuclear) | 4 |
| Combined Cycle | 4 |
| Integrated Coal Gasification Combustion Cycle | 4 |
| Pressurized Fluidized Bed Combustion | 4 |
| Combustion Gas Turbine | 1 |
| Internal Combustion Engine | 1 |
| Hydraulic Turbine – Reversible  Hydraulic Turbine – Other | 2 |
| Hydro-Conventional Daily Pondage  Hydro-Conventional Run of River  Hydro-Conventional Weekly | 2 |
| Wind  Photovoltaic  Fuel Cell | 2 |
| Energy Storage (Excludes Pumped Storage) | 2 |
| Demand Response Resource | 1 |

1. The ISO, in consultation with the Market Participant, will determine the contiguous audit duration for an Asset or Resource type not listed in Section III.1.5.1.4(f).

**III.1.5.2 ISO-Initiated Parameter Auditing**.

1. The ISO may perform an audit of any Supply Offer, Demand Reduction Offer or other operating parameter that impacts the ability of a Generator Asset or Demand Response Resource to provide real-time energy or reserves.
2. Generator audits shall be performed using the following methods for the relevant parameter:
   1. **Economic Maximum Limit**. The Generator Asset shall be evaluated based upon its ability to achieve the current offered Economic Maximum Limit value, through a review of historical dispatch data or based on a response to a current ISO-issued Dispatch Instruction.
   2. **Manual Response Rate**. The Generator Asset shall be evaluated based upon its ability to respond to Dispatch Instructions at its offered Manual Response Rate, including hold points and changes in Manual Response Rates.
   3. **Start-Up Time**. The Generator Asset shall be evaluated based upon its ability to achieve the offered Start-Up Time.
   4. **Notification Time**. The Generator Asset shall be evaluated based upon its ability to close its output breaker within its offered Notification Time.
   5. **CLAIM10**. The Generator Asset shall be evaluated based upon its ability to reach its CLAIM10 value in accordance with Section III.9.5.
   6. **CLAIM30**. The Generator Asset shall be evaluated based upon its ability to reach its CLAIM30 value in accordance with Section III.9.5.
   7. **Automatic Response Rate**. The Generator Asset shall be analyzed, based upon a review of historical performance data, for its ability to respond to four-second electronic Dispatch Instructions.
   8. **Dual Fuel Capability**. A Generator Asset that is capable of operating on multiple fuels may be required to audit on a specific fuel, as set out in Section III.1.5.2(f).
3. Demand Response Resource audits shall be performed using the following methods:
   1. **Maximum Reduction**. The Demand Response Resource shall be evaluated based upon its ability to achieve the current offered Maximum Reduction value, through a review of historical dispatch data or based on a response to a current Dispatch Instruction.
   2. **Demand Response Resource Ramp Rate**. The Demand Response Resource shall be evaluated based upon its ability to respond to Dispatch Instructions at its offered Demand Response Resource Ramp Rate.
   3. **Demand Response Resource Start-Up Time**. The Demand Response Resource shall be evaluated based upon its ability to achieve its Minimum Reduction within the offered Demand Response Resource Start-Up Time, in response to a Dispatch Instruction and after completing its Demand Response Resource Notification Time.
   4. **Demand Response Resource Notification Time**. The Demand Response Resource shall be evaluated based upon its ability to start reducing demand within its offered Demand Response Resource Notification Time, from the receipt of a Dispatch Instruction when the Demand Response Resource was not previously reducing demand.
   5. **CLAIM10**. The Demand Response Resource shall be evaluated based upon its ability to reach its CLAIM10 value in accordance with Section III.9.5.
   6. **CLAIM30**. The Demand Response Resource shall be evaluated based upon its ability to reach its CLAIM30 value in accordance with Section III.9.5.
4. To conduct an audit based upon historical data, the ISO shall:
   1. Obtain data through random sampling of generator or Demand Response Resource performance in response to Dispatch Instructions; or
   2. Obtain data through continual monitoring of generator or Demand Response Resource performance in response to Dispatch Instructions.
5. To conduct an unannounced audit, the ISO shall initiate the audit by issuing a Dispatch Instruction ordering the Generator Asset or Demand Response Resource to change from the current operating level to a level that permits the ISO to evaluate the performance of the Generator Asset or Demand Response Resource for the parameters being audited.
6. To conduct an audit of the capability of a Generator Asset described in Section III.1.5.2(b)(viii) to run on a specific fuel:
   1. The ISO shall notify the Lead Market Participant if a Generator Asset is required to undergo an audit on a specific fuel. The ISO, in consultation with the Lead Market Participant, shall develop a plan for the audit.
   2. The Lead Market Participant will have the ability to propose the time and date of the audit within the ISO’s prescribed time frame and must notify the ISO at least five Business Days in advance of the audit, unless otherwise agreed to by the ISO and the Lead Market Participant.
7. To the extent that the audit results indicate a Market Participant is providing Supply Offer, Demand Reduction Offer or other operating parameter values that are not representative of the actual capability of the Generator Asset or Demand Response Resource, the values for the Generator Asset or Demand Response Resource shall be restricted to those values that are supported by the audit.
8. In the event that a Generator Asset or Demand Response Resource has had a parameter value restricted:
   1. The Market Participant may submit a restoration plan to the ISO to restore that parameter. The restoration plan shall:
      1. Provide an explanation of the discrepancy;
      2. Indicate the steps that the Market Participant will take to re-establish the parameter’s value;
      3. Indicate the timeline for completing the restoration; and
      4. Explain the testing that the Market Participant will undertake to verify restoration of the parameter value upon completion.
   2. The ISO shall:
      1. Accept the restoration plan if implementation of the plan, including the testing plan, is reasonably likely to support the proposed change in the parameter value restriction;
      2. Coordinate with the Market Participant to perform required testing upon completion of the restoration; and
      3. Modify the parameter value restriction following completion of the restoration plan, based upon tested values.

**III.1.5.3 Reactive Capability Audits.**

(a) Two types of Reactive Capability Audits may be performed:

(i) A Lagging Reactive Capability Audit measures the Generator Asset’s ability to provide reactive power to the transmission system at a specified real power output.

(ii) A Leading Reactive Capability Audit measures the Generator Asset’s ability to absorb reactive power from the transmission system at a specified real power output.

(b) The ISO shall develop a list of Generator Assets that must conduct Reactive Capability Audits.

(c) Unless otherwise directed by the ISO, Generator Assets that are required to perform Reactive Capability Audits must perform both a Lagging Reactive Capability Audit and a Leading Reactive Capability Audit.

(d) All Reactive Capability Audits shall meet the testing conditions specified in the ISO New England Operating Documents.

(e) The Reactive Capability Audit value of a Generator Asset shall reflect any limitations based upon the interdependence of common elements between two or more Generator Assets such as: auxiliaries, limiting operating parameters, and the deployment of operating personnel.

(f) A Reactive Capability Audit may be denied or rescheduled by the ISO if conducting the Reactive Capability Audit could jeopardize the reliable operation of the electrical system.

(g) Reactive Capability Audits must be conducted at least every five years, unless otherwise required by the ISO. The ISO may require a Generator Asset to conduct Reactive Capability Audits more often than every five years if:

(i) there is a change in the Generator Asset that may affect the reactive power capability of the Generator Asset;

(ii) there is a change in electrical system conditions that may affect the achievable reactive power output or absorption of the Generator Asset; or

(iii) historical data shows that the amount of reactive power that the Generator Asset can provide to or absorb from the transmission system is higher or lower than the latest audit data.

(h) The Lead Market Participant may request a waiver of the requirement to conduct a Reactive Capability Audit. The ISO, at its sole discretion, will determine whether and for how long a waiver can be granted.

**III.1.6 [Reserved.]**

**III.1.6.1 [Reserved.]**

**III.1.6.2 [Reserved.]**

**III.1.6.3 [Reserved.]**

**III.1.6.4 ISO New England Manuals and ISO New England Administrative Procedures.**

The ISO shall prepare, maintain and update the ISO New England Manuals and ISO New England Administrative Procedures consistent with the ISO New England Filed Documents. The ISO New England Manuals and ISO New England Administrative Procedures shall be available for inspection by the Market Participants, regulatory authorities with jurisdiction over the ISO or any Market Participant, and the public.

**III.1.7 General.**

**III.1.7.1 Provision of Market Data to the Commission.**

The ISO will electronically deliver to the Commission, on an ongoing basis and in a form and manner consistent with its collection of data and in a form and manner acceptable to the Commission, data related to the markets that it administers, in accordance with the Commission’s regulations.

**III.1.7.2 [Reserved.]**

**III.1.7.3 Agents.**

A Market Participant may participate in the New England Markets through an agent, provided that such Market Participant informs the ISO in advance in writing of the appointment of such agent. A Market Participant using an agent shall be bound by all of the acts or representations of such agent with respect to transactions in the New England Markets, and shall ensure that any such agent complies with the requirements of the ISO New England Manuals and ISO New England Administrative Procedures and the ISO New England Filed Documents.

**III.1.7.4 [Reserved.]**

**III.1.7.5 [Reserved.]**

**III.1.7.6 Scheduling and Dispatching.**

(a) The ISO shall schedule Day-Ahead and schedule and dispatch in Real-Time Resources economically on the basis of least-cost, security-constrained dispatch and the prices and operating characteristics offered by Market Participants. The ISO shall schedule and dispatch sufficient Resources of the Market Participants to serve the New England Markets energy purchase requirements under normal system conditions of the Market Participants and meet the requirements of the New England Control Area for ancillary services provided by such Resources. The ISO shall use a joint optimization process to serve Real-Time Energy Market energy requirements and meet Real-Time Operating Reserve requirements based on a least-cost, security-constrained economic dispatch.

(b) In the event that one or more Resources cannot be scheduled in the Day-Ahead Energy Market on the basis of a least-cost, security-constrained dispatch as a result of one or more Self-Schedule offers contributing to a transmission limit violation, the following scheduling protocols will apply:

(i) When a single Self-Schedule offer contributes to a transmission limit violation, the Self-Schedule offer will not be scheduled for the entire Self-Schedule period in development of Day-Ahead schedules.

(ii) When two Self-Schedule offers contribute to a transmission limit violation, parallel clearing solutions will be executed such that, for each solution, one of the Self-Schedule offers will be omitted for its entire Self-Schedule period. The least cost solution will be used for purposes of determining which Resources are scheduled in the Day-Ahead Energy Market.

(iii) When three or more Self-Schedule offers contribute to a transmission limit violation, the ISO will determine the total daily MWh for each Self-Schedule offer and will omit Self-Schedule offers in their entirety, in sequence from the offer with the least total daily MWh to the offer with the greatest total MWh, stopping when the transmission limit violation is resolved.

(c) Scheduling and dispatch shall be conducted in accordance with the ISO New England Filed Documents.

(d) The ISO shall undertake, together with Market Participants, to identify any conflict or incompatibility between the scheduling or other deadlines or specifications applicable to the New England Markets, and any relevant procedures of another Control Area, or any tariff (including the Transmission, Markets and Services Tariff). Upon determining that any such conflict or incompatibility exists, the ISO shall propose tariff or procedural changes, or undertake such other efforts as may be appropriate, to resolve any such conflict or incompatibility.

**III.1.7.7 Energy Pricing**.

The price paid for energy, including demand reductions, bought and sold by the ISO in the New England Markets will reflect the Locational Marginal Price at each Location, determined by the ISO in accordance with the ISO New England Filed Documents. Congestion Costs, which shall be determined by differences in the Congestion Component of Locational Marginal Prices caused by constraints, shall be calculated and collected, and the resulting revenues disbursed, by the ISO in accordance with this Market Rule 1. Loss costs associated with Pool Transmission Facilities, which shall be determined by the differences in Loss Components of the Locational Marginal Prices shall be calculated and collected, and the resulting revenues disbursed, by the ISO in accordance with this Market Rule 1.

**III.1.7.8 Market Participant Resources.**

A Market Participant may elect to Self-Schedule its Resources in accordance with and subject to the limitations and procedures specified in this Market Rule 1 and the ISO New England Manuals.

**III.1.7.9 Real-Time Reserve Prices.**

The price paid by the ISO for the provision of Real-Time Operating Reserve in the New England Markets will reflect Real-Time Reserve Clearing Prices determined by the ISO in accordance with the ISO New England Filed Documents for the system and each Reserve Zone.

**III.1.7.10 Other Transactions.**

(a) Market Participants may enter into internal bilateral transactions and External Transactions for the purchase or sale of energy or other products to or from each other or any other entity, subject to the

obligations of Market Participants to make resources with a Capacity Supply Obligation available for dispatch by the ISO. External Transactions that contemplate the physical transfer of energy or obligations to or from a Market Participant shall be reported to and coordinated with the ISO in accordance with this Market Rule 1 and the ISO New England Manuals.

(b) [Reserved.]

(c) [Reserved.]

**III.1.7.11 Seasonal Claimed Capability of a Generating Capacity Resource.**

1. A Seasonal Claimed Capability value must be established and maintained for all Generating Capacity Resources. A summer Seasonal Claimed Capability is established for use from June 1 through September 30 and a winter Seasonal Claimed Capability is established for use from October 1 through May 31.
2. The Seasonal Claimed Capability of a Generating Capacity Resource is the sum of the Seasonal Claimed Capabilities of the Generator Assets that are associated with the Generating Capacity Resource.
3. The Seasonal Claimed Capability of a Generator Asset is:
4. Based upon review of historical data for non-intermittent daily cycle hydro.
5. The median net real power output during reliability hours, as described in Section III.13.1.2.2.2, for (1) intermittent facilities, and (2) net-metered and special qualifying facilities that do not elect to audit, as reflected in hourly revenue metering data.
6. For non-intermittent net-metered and special qualifying facilities that elect to audit, the minimum of (1) the Generator Asset’s current Seasonal Claimed Capability Audit value, as performed pursuant to Section III.1.5.1.3; (2) the Generator Asset’s current Establish Claimed Capability Audit value; and (3) the median hourly availability during hours ending 2:00 p.m. through 6:00 p.m. each day of the preceding June through September for Summer and hours ending 6:00 p.m. and 7:00 p.m. each day of the preceding October through May for Winter. The hourly availability:
   1. For a Generator Asset that is available for commitment and following Dispatch Instructions, shall be the asset’s Economic Maximum Limit, as submitted or redeclared.
   2. For a Generator Asset that is off-line and not available for commitment shall be zero.
   3. For a Generator Asset that is on-line but not able to follow Dispatch Instructions, shall be the asset’s metered output.
7. For all other Generator Assets, the minimum of: (1) the Generator Asset’s current Establish Claimed Capability Audit value and (2) the Generator Asset’s current Seasonal Claimed Capability Audit value, as performed pursuant to Section III.1.5.1.3.

**III.1.7.12 Seasonal DR Audit Value of an Active Demand Capacity Resource.**

1. A Seasonal DR Audit value must be established and maintained for all Active Demand Capacity Resources. A summer Seasonal DR Audit value is established for use from April 1 through November 30 and a winter Seasonal DR Audit valueis established for use from December 1 through March 31.
2. The Seasonal DR Audit valueof an Active Demand Capacity Resource is the sum of the Seasonal DR Audit values of the Demand Response Resources that are associated with the Active Demand Capacity Resource.

**III.1.7.13 [Reserved.]**

**III.1.7.14 [Reserved.]**

**III.1.7.15 [Reserved.]**

**III.1.7.16 [Reserved.]**

**III.1.7.17 Operating Reserve**.

The ISO shall schedule the Operating Reserve and load-following requirements of the New England Control Area and the New England Markets in scheduling Resources pursuant to this Market Rule 1. Reserve requirements for the Forward Reserve Market are determined in accordance with the methodology specified in Section III.9.2 of Market Rule 1. Operating Reserve requirements for Real-Time dispatch within an Operating Day are determined in accordance with Market Rule 1 and ISO New England Operating Procedure No. 8, Operating Reserve and Regulation.

**III.1.7.18 [Reserved.]**

**III.1.7.19 Ramping.**

A generating unit or Demand Response Resource dispatched by the ISO pursuant to a control signal appropriate to increase or decrease the unit’s megawatt output or demand reduction level shall be able to change output or demand reduction at the ramping rate specified in the Offer Data submitted to the ISO for that unit and shall be subject to sanctions for failure to comply as described in **Appendix B**.

**III.1.7.19A Real-Time Reserve**.

(a) Real-Time TMSR, TMNSR, TMOR and Real-Time Replacement Reserve, if applicable, shall be supplied from Dispatchable Resources located within the metered boundaries of the New England Control Area subject to the condition set forth in Section III.1.7.19A(c) below. The ISO shall designate Operating Reserve in Real-Time only to Market Participant Resources that comply with the applicable standards and requirements for provision and dispatch of Operating Reserve capability as specified in Section III.10 and the ISO New England Manuals and ISO New England Administrative Procedures.

(b) The ISO shall endeavor to procure and maintain an amount of Operating Reserve in Real-Time equal to the system and locational Operating Reserve requirements as specified in the ISO New England Manuals and ISO New England Administrative Procedures.

(c) External Resources will be permitted to participate in the Real-Time reserve market when the respective Control Areas implement the technology and processes necessary to support recognition of Operating Reserves from external Resources.

**III.1.7.20 Information and Operating Requirements.**

(a) [Reserved.]

(b) Market Participants selling from Resources within the New England Control Area shall: supply to the ISO all applicable Offer Data; report to the ISO units that are Self-Scheduled; report to the ISO External Transaction sales; confirm to the ISO bilateral sales to Market Participants within the New England Control Area; respond to the ISO’s directives to start, shutdown or change output or demand reduction levels of generating units or Demand Response Resources, change scheduled voltages or reactive output levels; continuously maintain all Offer Data concurrent with on-line operating information; and ensure that, where so equipped, generating and demand reduction equipment is operated with control equipment functioning as specified in the ISO New England Manuals and ISO New England Administrative Procedures.

(c) Market Participants selling from Resources outside the New England Control Area shall: provide to the ISO all applicable Offer Data, including offers specifying amounts of energy available, hours of availability and prices of energy and other services; respond to ISO directives to schedule delivery or change delivery schedules; and communicate delivery schedules to the source Control Area and any intermediary Control Areas.

(d) Market Participants, as applicable, shall: respond or ensure a response to ISO directives for load management steps; report to the ISO all bilateral purchase transactions including External Transaction purchases; and respond or ensure a response to other ISO directives such as those required during Emergency operation.

(e) Market Participant, as applicable, shall provide to the ISO requests to purchase specified amounts of energy for each hour of the Operating Day during which it intends to purchase from the Day-Ahead Energy Market, along with Dispatch Rate levels above which it does not desire to purchase.

(f) Market Participants are responsible for reporting to the ISO anticipated availability and other information concerning generating Resources, Demand Response Resources and Dispatchable Asset Related Demand required by the ISO New England Operating Documents, including but not limited to the Market Participant’s ability to procure fuel and physical limitations that could reduce Resource output or demand reduction capability for the pertinent Operating Day.

**III.1.8 [Reserved.]**

**III.1.9 Pre-scheduling.**

**III.1.9.1 [Reserved.]**

**III.1.9.2 [Reserved.]**

**III.1.9.3 [Reserved.]**

**III.1.9.4 [Reserved.]**

**III.1.9.5 [Reserved.]**

**III.1.9.6 [Reserved.]**

**III.1.9.7 Market Participant Responsibilities.**

Market Participants authorized and intending to request market-based Start-Up Fees and No-Load Fee in their Offer Data shall submit a specification of such fees to the ISO for each generating unit as to which the Market Participant intends to request such fees. Any such specification shall identify the applicable period and be submitted on or before the applicable deadline and shall remain in effect unless otherwise modified in accordance with Section III.1.10.9. The ISO shall reject any request for Start-Up Fees and No-Load Fee in a Market Participant’s Offer Data that does not conform to the Market Participant’s specification on file with the ISO.

**III.1.9.8 [Reserved.]**

**III.1.10 Scheduling.**

**III.1.10.1 General.**

(a) The ISO shall administer scheduling processes to implement a Day-Ahead Energy Market and a Real-Time Energy Market.

(b) The Day-Ahead Energy Market shall enable Market Participants to purchase and sell energy through the New England Markets at Day-Ahead Prices and enable Market Participants to submit External Transactions conditioned upon Congestion Costs not exceeding a specified level. Market Participants whose purchases and sales and External Transactions are scheduled in the Day-Ahead Energy Market shall be obligated to purchase or sell energy or pay Congestion Costs and costs for losses, at the applicable Day-Ahead Prices for the amounts scheduled.

(c) In the Real-Time Energy Market,

(i) Market Participants that deviate from the amount of energy purchases or sales scheduled in the Day-Ahead Energy Market shall replace the energy not delivered with energy from the Real-Time Energy Market or an internal bilateral transaction and shall pay for such energy not delivered, net of any internal bilateral transactions, at the applicable Real-Time Price, unless otherwise specified by this Market Rule 1, and

(ii) Non-Market Participant Transmission Customers shall be obligated to pay Congestion Costs and costs for losses for the amount of the scheduled transmission uses in the Real-Time Energy Market at the applicable Real-Time Congestion Component and Loss Component price differences, unless otherwise specified by this Market Rule 1.

(d) The following scheduling procedures and principles shall govern the commitment of Resources to the Day-Ahead Energy Market and the Real-Time Energy Market over a period extending from one week to one hour prior to the Real-Time dispatch. Scheduling encompasses the Day-Ahead and hourly scheduling process, through which the ISO determines the Day-Ahead Energy Market schedule and determines, based on changing forecasts of conditions and actions by Market Participants and system constraints, a plan to serve the hourly energy and reserve requirements of the New England Control Area in the least costly manner, subject to maintaining the reliability of the New England Control Area. Scheduling of External Transactions in the Real-Time Energy Market is subject to Section II.44 of the OATT.

(e) If the ISO’s forecast for the next seven days projects a likelihood of Emergency Condition, the ISO may commit, for all or part of such seven day period, to the use of generating units or Demand Response Resources with Notification Time greater than 24 hours as necessary in order to alleviate or mitigate such Emergency, in accordance with the Market Participants’ binding Supply Offers or Demand Reduction Offers.

**III.1.10.1A Day-Ahead Energy Market Scheduling**.

The following actions shall occur not later than 10:00 a.m. on the day before the Operating Day for which transactions are being scheduled, or such other deadline as may be specified by the ISO in order to comply with the practical requirements and the economic and efficiency objectives of the scheduling process specified in this Market Rule 1.

(a) **Day-Ahead Locational Demand Bids –** Each Market Participant may submit to the ISO specifications of the amount and location of its customer loads and/or energy purchases to be included in the Day-Ahead Energy Market for each hour of the next Operating Day, such specifications to comply with the requirements set forth in the ISO New England Manuals and ISO New England Administrative Procedures. Each Market Participant shall inform the ISO of (i) the prices, if any, at which it desires not to include its load in the Day-Ahead Energy Market rather than pay the Day-Ahead Price, (ii) hourly schedules for Resource increments, including hydropower units, Self-Scheduled by the Market Participant; and (iii) the Decrement Bid at which each such Self-Scheduled Resource will disconnect or reduce output, or confirmation of the Market Participant’s intent not to reduce output. Price-sensitive Demand Bids and Decrement Bids must be greater than zero MW and shall not exceed the energy Supply Offer limitation specified in this Section.

(b) [Reserved.]

(c) **Day-Ahead** **External Transactions –** All Market Participants shall submit to the ISO schedules for any External Transactions involving use of generating Resources or the New England Transmission System as specified below, and shall inform the ISO whether the transaction is to be included in the Day-Ahead Energy Market. Any Market Participant that elects to include an External Transaction in the Day-Ahead Energy Market may specify the price (such price not to exceed the maximum price that may be specified in the ISO New England Manuals and ISO New England Administrative Procedures), if any, at which it will be curtailed rather than pay Congestion Costs. The foregoing price specification shall apply to the price difference between the Locational Marginal Prices for specified External Transaction source and sink points in the Day-Ahead scheduling process only. Any Market Participant that deviates from its Day-Ahead External Transaction schedule or elects not to include its External Transaction in the Day-Ahead Energy Market shall be subject to Congestion Costs in the Real-Time Energy Market in order to complete any such scheduled External Transaction. A priced External Transaction submitted under Section III.1.10.7 and that clears in the Day-Ahead Energy Market will be considered tied within economic merit with a Self-Scheduled External Transaction submitted to the Real-Time Energy Market, unless the Market Participant modifies the price component of its Real-Time offer during the Re-Offer Period. Scheduling of External Transactions shall be conducted in accordance with the specifications in the ISO New England Manuals and ISO New England Administrative Procedures and the following requirements:

(i) Market Participants shall submit schedules for all External Transaction purchases for delivery within the New England Control Area from Resources outside the New England Control Area;

(ii) Market Participants shall submit schedules for External Transaction sales to entities outside the New England Control Area from Resources within the New England Control Area;

(iii) If the sum of all submitted fixed External Transaction purchases less External Transaction sales exceeds the import capability associated with the applicable External Node, the offer prices for all fixed External Transaction purchases at the applicable External Node shall be set equal to the Energy Offer Floor;

1. If the sum of all submitted fixed External Transaction sales less External Transaction purchases exceeds the export capability associated with the applicable External Node, the offer prices for all fixed External Transaction sales at the applicable External Node shall be set equal to the Energy Offer Cap;
2. The ISO shall not consider Start-Up Fees, No-Load Fees, Notification Times or any other inter-temporal parameters in scheduling or dispatching External Transactions.

(d) **Day-Ahead Offers (Generator Assets and Dispatchable Asset Related Demand) –** Market Participants selling into the New England Markets, from either internal Resources (other than Demand Response Resources) or External Resources, shall submit Supply Offers or External Transactions for the supply of energy (including energy from hydropower units), and Demand Bids for the consumption of energy, Operating Reserve or other services as applicable, for the following Operating Day. (Coordinated External Transactions shall be submitted to the ISO in accordance with Section III.1.10.7.A of this Market Rule 1.)

Such Supply Offers and Demand Bids:

(i) Shall specify the Resource and energy for each hour of the Operating Day;

(ii) Shall specify Blocks (price and quantity of Energy) for each hour of the Operating Day for each Resource offered by the Market Participant to the ISO. The price and quantity values in a Block may each vary on an hourly basis;

(iii) If based on energy from a specific generating unit internal to the New England Control Area, may specify, for Supply Offers, Start-Up Fee and No-Load Fee for each hour of the Operating Day. Start-Up Fee and No-Load Fee values may vary on an hourly basis;

(iv) For a dual fuel Resource, shall specify, for Supply Offers, the fuel type. The fuel type value may vary on an hourly basis. A Market Participant that submits a Supply Offer using the higher cost fuel type must satisfy the consultation requirements for dual fuel Resources in Section III.A.3 of Appendix A;

(v) Shall specify, for Supply Offers, a Minimum Run Time to be used for scheduling purposes that does not exceed 24 hours for a generating Resource;

(vi) Supply Offers shall constitute an offer to submit the generating Resource increment to the ISO for scheduling and dispatch in accordance with the terms of the Supply Offer, where such Supply Offer, with regard to operating limits, shall specify changes to the Economic Maximum Limit, Economic Minimum Limit and Emergency Minimum Limit from those submitted as part of the Resource’s Offer Data to reflect the physical operating characteristics and/or availability of the Resource, except that for a Limited Energy Resource, the Economic Maximum Limit may be revised to reflect maximum energy available for the Operating Day, which offer shall remain open through the Operating Day for which the Supply Offer is submitted;

(vii) Shall constitute, for Demand Bids, an offer to submit the Dispatchable Asset Related Demand Resource increment to the ISO for scheduling and dispatch in accordance with the terms of the Demand Bid, where such Demand Bid, with regard to operating limits, shall specify changes to the Maximum Consumption Limit and Minimum Consumption Limit from those submitted as part of the Resource’s Offer Data to reflect the physical operating characteristics and/or availability of the Resource, except that, for a Self-Scheduled Resource, the Minimum Consumption Limit may vary on an hourly basis to reflect the Self-Scheduled consumption level of the Resource;

(viii) Shall be final as to the price or prices at which the Market Participant proposes to supply or consume energy or other services to the New England Markets, such price or prices for Resources or portions of Resources scheduled in the Day-Ahead Energy Market being guaranteed by the Market Participant for the period extending through the end of the following Operating Day; and

(ix) Shall not specify an energy offer or bid price below the Energy Offer Floor or above the Energy Offer Cap.

(e)  **Day-Ahead Offers (Demand Response Resources) –** Market Participants selling into the New England Markets from Demand Response Resources shall submit Demand Reduction Offers for the supply of energy, Operating Reserve or other services as applicable, for the following Operating Day. A Demand Reduction Offer shall constitute an offer to submit the Demand Response Resource increment to the ISO for scheduling and dispatch in accordance with the terms of the Demand Reduction Offer. Demand Reduction Offers:

(i) Shall specify the Demand Response Resource and Blocks (price and demand reduction quantity pairs) for each hour of the Operating Day. The price and demand reduction quantity values may vary on an hourly basis.

(ii) Shall not specify a price that is above the Energy Offer Cap, below the Energy Offer Floor, or below the Demand Reduction Threshold Price in effect for the Operating Day. For purposes of clearing the Day-Ahead and Real-Time Energy Markets and calculating Day-Ahead and Real-Time Locational Marginal Prices and Real-Time Reserve Clearing Prices, any price specified below the Demand Reduction Threshold price in effect for the Operating Day will be considered to be equal to the Demand Reduction Threshold Price for the Operating Day.

* 1. Shall not include average avoided peak transmission or distribution losses in the demand reduction quantity.
  2. May specify an Interruption Cost for each hour of the Operating Day, which may vary on an hourly basis.
  3. Shall specify a Minimum Reduction Time to be used for scheduling purposes that does not exceed 24 hours.
  4. Shall specify a Maximum Reduction amount no greater than the sum of the Maximum Interruptible Capacities of the Demand Response Resource’s operational Demand Response Assets.
  5. Shall specify changes to the Maximum Reduction and Minimum Reduction from those submitted as part of the Demand Response Resource’s Offer Data to reflect the physical operating characteristics and/or availability of the Demand Response Resource.

(f) Demand Reduction Threshold Price – The Demand Reduction Threshold Price for each month shall be determined through an analysis of a smoothed, historic supply curve for the month. The historic supply curve shall be derived from Real-Time generator and import Offer Data (excluding Coordinated External Transactions) for the same month of the previous year. The ISO may adjust the Offer Data to account for significant changes in generator and import availability or other significant changes to the historic supply curve. The historic supply curve shall be calculated as follows:

1. Each generator and import offer Block (i.e., each price-quantity pair offered in the Real-Time Energy Market) for each day of the month shall be compiled and sorted in ascending order of price to create an unsmoothed supply curve.
2. An unsmoothed supply curve for the month shall be formed from the price and cumulative quantity of each offer Block.
3. A non-linear regression shall be performed on a sampled portion of the unsmoothed supply curve to produce an increasing, convex, smooth approximation of the supply curve.
4. A historic threshold price *Pth* shall be determined as the point on the smoothed supply curve beyond which the benefit to load from the reduced LMP resulting from the demand reduction of Demand Response Resources exceeds the cost to load associated with compensating Demand Response Resources for demand reduction.
5. The Demand Reduction Threshold Price for the upcoming month shall be determined by the following formula:

where *FPIh* is the historic fuel price index for the same month of the previous year, and *FPIc*is the fuel price index for the current month.

The historic and current fuel price indices used to establish the Demand Reduction Threshold Price for a month shall be based on the lesser of the monthly natural gas or heating oil fuel indices applicable to the New England Control Area, as calculated three business days before the start of the month preceding the Demand Reduction Threshold Price’s effective date.

The ISO will post the Demand Reduction Threshold Price, along with the index-based fuel price values used in establishing the Demand Reduction Threshold Price, on its website by the 15th day of the month preceding the Demand Reduction Threshold Price’s effective date.

(g) **Subsequent Operating Days** – Each Supply Offer, Demand Reduction Offer, or Demand Bid by a Market Participant of a Resource shall remain in effect for subsequent Operating Days until superseded or canceled except in the case of an External Resource and an External Transaction purchase, in which case, the Supply Offer shall remain in effect for the applicable Operating Day and shall not remain in effect for subsequent Operating Days. Hourly overrides of a Supply Offer, a Demand Reduction Offer, or a Demand Bid shall remain in effect only for the applicable Operating Day.

(h) **Load Estimate** – The ISO shall post on the internet the total hourly loads including Decrement Bids scheduled in the Day-Ahead Energy Market, as well as the ISO’s estimate of the Control Area hourly load for the next Operating Day.

(i) **Prorated Supply** – In determining Day-Ahead schedules, in the event of multiple marginal Supply Offers, Demand Reduction Offers, Increment Offers and/or External Transaction purchases at a pricing location, the ISO shall clear the marginal Supply Offers, Demand Reduction Offers, Increment Offers and/or External Transaction purchases proportional to the amount of energy (MW) from each marginal offer and/or External Transaction at the pricing location. The Economic Maximum Limits, Economic Minimum Limits, Minimum Reductions and Maximum Reductions are not used in determining the amount of energy (MW) in each marginal Supply Offer or Demand Reduction Offer to be cleared on a pro-rated basis. However, the Day-Ahead schedules resulting from the pro-ration process will reflect Economic Maximum Limits, Economic Minimum Limits, Minimum Reductions and Maximum Reductions.

(j) **Prorated Demand** – In determining Day-Ahead schedules, in the event of multiple marginal Demand Bids, Decrement Bids and/or External Transaction sales at a pricing location, the ISO shall clear the marginal Demand Bids, Decrement Bids and/or External Transaction sales proportional to the amount of energy (MW) from each marginal bid and/or External Transaction at the pricing location.

(k) **Virtuals** – All Market Participants may submit Increment Offers and/or Decrement Bids that apply to the Day-Ahead Energy Market only. Such offers and bids must comply with the requirements set forth in the ISO New England Manuals and ISO New England Administrative Procedures and must specify amount, location and price, if any, at which the Market Participant desires to purchase or sell energy in the Day-Ahead Energy Market.

(l) **DARD Pumps** – DARD Pumps will not be scheduled below their Minimum Consumption Limits.

**III.1.10.2 Pool-Scheduled Resources.**

Pool-Scheduled Resources are those Resources for which Market Participants submitted Supply Offers or Demand Reduction Offers or, for DARDs, submitted Demand Bids to purchase, to sell energy in the Day-Ahead Energy Market and which the ISO scheduled in the Day-Ahead Energy Market as well as generators, DARD Pumps or Demand Response Resources committed by the ISO subsequent to the Day-Ahead Energy Market. Such Resources shall be committed to provide or consume energy in the Real-Time dispatch unless the schedules for such Resources are revised pursuant to Sections III.1.10.9 or III.1.11. Pool-Scheduled Resources shall be governed by the following principles and procedures.

(a) Pool-Scheduled Resources shall be selected by the ISO on the basis of the prices offered for energy supply or consumption and related services, Start-Up Fees, No-Load Fees, Interruption Cost and the specified operating characteristics, offered by Market Participants.

(b) The ISO shall optimize the dispatch of energy from Limited Energy Resources by request to minimize the as-bid production cost for the New England Control Area. In implementing the use of Limited Energy Resources, the ISO shall use its best efforts to select the most economic hours of operation for Limited Energy Resources, in order to make optimal use of such Resources in the Day-Ahead Energy Market consistent with the Supply Offers and Demand Reduction Offers of other Resources, the submitted Demand Bids and Decrement Bids and Operating Reserve and Replacement Reserve requirements.

(c) Market Participants offering energy from hydropower or other facilities with fuel or environmental limitations may submit data to the ISO that is sufficient to enable the ISO to determine the available operating hours of such facilities.

(d) The Market Participant seller whose Resource is selected as a Pool-Scheduled Resource shall receive payments or credits for energy or related services, or for Start-Up Fees, No-Load Fees or Interruption Costs, from the ISO on behalf of the Market Participant buyers in accordance with Section III.3 of this Market Rule 1.

(e) Market Participants shall make available their Pool-Scheduled Resources to the ISO for coordinated operation to supply the needs of the New England Control Area for energy and ancillary services.

**III.1.10.3 Self-Scheduled Resources.**

A Resource that is Self-Scheduled shall be governed by the following principles and procedures. Demand Response Resources shall not be Self-Scheduled.

(a) The minimum duration of a Self-Schedule for a Generator Asset or DARD Pump shall not result in the Generator Asset or DARD Pump operating for less than its Minimum Run Time. A Generator Asset that is online as a result of a Self-Schedule will be dispatched above its Economic Minimum Limit based on the economic merit of its Supply Offer. A DARD Pump that is consuming as a result of a Self-Schedule may be dispatched above its Minimum Consumption Limit based on the economic merit of its Demand Bid.

(b) The offered prices of Resources or portions of Resources that are Self-Scheduled, or otherwise not following the dispatch orders of the ISO, shall not be considered by the ISO in determining Locational Marginal Prices.

(c) A Market Participant with a Resource that does not have a Capacity Supply Obligation shall comply with the requirements in Section III.13.6.2 when Self-Scheduling that Resource.

(d) A Market Participant Self-Scheduling a Resource in the Day-Ahead Energy Market that does not deliver the energy in the Real-Time Energy Market, shall replace the energy not delivered with energy from the Real-Time Energy Market or an internal bilateral transaction and shall pay for such energy not delivered, net of any internal bilateral transactions, at the applicable Real-Time Price.

**III.1.10.4 [Reserved.]**

**III.1.10.5 External Resources**.

(a) Market Participants with External Resources that have dynamic scheduling and dispatch capability may submit Supply Offers to the New England Markets in accordance with the Day-Ahead and Real-Time scheduling processes specified above. Market Participants must submit Supply Offers for External Resources on a Resource specific basis. An External Resource with dynamic scheduling and dispatch capability selected as a Pool-Scheduled Resource shall be made available for scheduling and dispatch at the direction of the ISO and shall be compensated on the same basis as other Pool-Scheduled Resources.

(b) Supply Offers for External Resources with dynamic scheduling and dispatch capability shall specify the Resource being offered, along with the information specified in the Offer Data as applicable.

(c) For Resources external to the New England Control Area that are not capable of dynamic scheduling and dispatch, Market Participants shall submit External Transactions as detailed in Section III.1.10.7 and Section III.1.10.7.A of this Market Rule 1.

(d) A Market Participant whose External Resource is capable of dynamic scheduling and dispatch capability or whose External Transaction does not deliver the energy scheduled in the Day-Ahead Energy Market shall replace such energy not delivered as scheduled in the Day-Ahead Energy Market with energy from the Real-Time Energy Market or an internal bilateral transaction and shall pay for such energy not delivered, net of any internal bilateral transactions, at the applicable Real-Time Price.

**III.1.10.6 Dispatchable Asset Related Demand.**

External Transactions that are sales to an external Control Area are not eligible to be Dispatchable Asset Related Demand Resources.

Except as noted below with respect to a pumped storage generator that does not have a Capacity Supply Obligation, a Market Participant with a Dispatchable Asset Related Demand in the New England Control Area must:

(a) each day, either Self-Schedule or submit a Demand Bid into the Day-Ahead Energy Market as described in Section III.1.10.1A of this Market Rule 1 that specifies the prices at which the Resource is willing to consume energy, unless and to the extent that the Dispatchable Asset Related Demand is unable to do so due to an outage as defined in the ISO New England Manuals;

(b) submit Demand Bid data that specifies a Maximum Consumption Limit and Minimum Consumption Limit;

(c) submit Demand Bid data that specifies a Minimum Consumption Limit that is less than or equal to its Nominated Consumption Limit;

(d) notify the ISO of any outage (including partial outages) that may reduce the Dispatchable Asset Related Demand’s ability to respond to Dispatch Instructions and the expected return date from the outage;

(e) in accordance with the ISO New England Manuals and Operating Procedures, perform audit tests and submit the results to the ISO or provide to the ISO appropriate historical production data;

(f) abide by the ISO maintenance coordination procedures;

(g) provide information reasonably requested by the ISO, including the name and location of the Dispatchable Asset Related Demand; and

(h) comply with the ISO New England Manuals.

To schedule the dispatchable pumping demand of a pumped storage generator that does not have a Capacity Supply Obligation, a Market Participant must comply with the requirements in (b) through (h) for the applicable Operating Day and must either Self-Schedule or submit a Demand Bid into the Day-Ahead Energy Market as described in Section III.1.10.1A of this Market Rule 1.

In addition to the requirements of (a) through (h) above, a Market Participant with a DARD Pump may submit Maximum Daily Consumption Limits, Maximum Number of Daily Starts, Minimum Down Time, and a Minimum Run Time that meet the following criteria:

* Maximum Daily Consumption Limits and Maximum Number of Daily Starts are only for use in the Day-Ahead Energy Market and may be redeclared in the Re-Offer Period;
* Minimum Run Time and Minimum Down Time may not exceed one hour each and may be changed through redeclaration requests.

**III.1.10.7 External Transactions**.

The provisions of this Section III.1.10.7 do not apply to Coordinated External Transactions.

(a) Market Participants that submit an External Transaction in the Day-Ahead Energy Market must also submit a corresponding External Transaction in the Real-Time Energy Market in order to be eligible for scheduling in the Real-Time Energy Market. Priced External Transactions for the Real-Time Energy Market must be submitted by the offer submission deadline for the Day-Ahead Energy Market.

(b) Priced External Transactions submitted in both the Day-Ahead Energy Market and the Real-Time Energy Market will be treated as Self-Scheduled External Transactions in the Real-Time Energy Market for the associated megawatt amounts that cleared the Day-Ahead Energy Market, unless the Market Participant modifies the price component of its Real-Time offer during the Re-Offer Period.

(c) Any External Transaction, or portion thereof, submitted to the Real-Time Energy Market that did not clear in the Day-Ahead Energy Market will not be scheduled in Real-Time if the ISO anticipates that the External Transaction would create or worsen an Emergency. External Transactions cleared in the Day-Ahead Energy Market and associated with a Real-Time Energy Market submission will continue to be scheduled in Real-Time prior to and during an Emergency, until the applicable procedures governing the Emergency, as set forth in ISO New England Manual 11, require a change in schedule.

(d) A Market Participant submitting a priced External Transaction supporting Capacity Supply Obligation to the Real-Time Energy Market on an external interface where advance transmission reservations are required must comply with the requirements in Section III.13.6.1.2.1 with respect to linking the transaction to the associated transmission reservation and NERC E-Tag. All other External Transactions submitted to the Real-Time Energy Market must contain the associated NERC E-Tag and transmission reservation, if required, at the time the transaction is submitted to the Real-Time Energy Market.

(e) [Reserved.]

(f) External Transaction sales meeting all of the criteria for any of the transaction types described in (i) through (iv) below receive priority in the scheduling and curtailment of transactions as set forth in Section II.44 of the OATT. External Transaction sales meeting all of the criteria for any of the transaction types described in (i) through (iv) below are referred to herein and in the OATT as being supported in Real-Time.

(i) Capacity Export Through Import Constrained Zone Transactions:

(1) The External Transaction is exporting across an external interface located in an import-constrained Capacity Zone that cleared in the Forward Capacity Auction with price separation, as determined in accordance with Section III.12.4 and Section III.13.2.3.4 of Market Rule 1;

(2) The External Transaction is directly associated with an Export Bid or Administrative Export De-List Bid that cleared in the Forward Capacity Auction, and the megawatt amount of the External Transaction is less than or equal to the megawatt amount of the cleared Export Bid;

(3) The External Node associated with the cleared Export Bid or Administrative Export De-List Bid is connected to the import-constrained Capacity Zone, and is not connected to a Capacity Zone that is not import-constrained;

(4) The Resource, or portion thereof, that is associated with the cleared Export Bid or Administrative Export De-List Bid is not located in the import-constrained Capacity Zone;

(5) The External Transaction has been submitted and cleared in the Day-Ahead Energy Market;

(6) A matching External Transaction has also been submitted into the Real-Time Energy Market by the end of the Re-Offer Period for Self-Scheduled External Transactions, and, in accordance with Section III.1.10.7(a), by the offer submission deadline for the Day-Ahead Energy Market for priced External Transactions.

(ii) FCA Cleared Export Transactions:

(1) The External Transaction sale is exporting to an External Node that is connected only to an import-constrained Reserve Zone;

(2) The External Transaction sale is directly associated with an Export Bid or an Administrative Export De-List Bid that cleared in the Forward Capacity Auction, and the megawatt amount of the External Transaction is less than or equal to the megawatt amount of the cleared Export Bid;

(3) The Resource, or portion thereof, without a Capacity Supply Obligation associated with the Export Bid or Administrative Export De-List Bid is located outside the import-constrained Reserve Zone;

(4) The External Transaction sale is submitted and cleared in the Day-Ahead Energy Market;

(5) A matching External Transaction has also been submitted into the Real-Time Energy Market by the end of the Re-Offer Period for Self-Scheduled External Transactions, and, in accordance with Section III.1.10.7(a), by the offer submission deadline for the Day-Ahead Energy Market for priced External Transactions.

(iii) Same Reserve Zone Export Transactions:

(1) A Resource, or portion thereof, without a Capacity Supply Obligation is associated with the External Transaction sale, and the megawatt amount of the External Transaction is less than or equal to the portion of the Resource without a Capacity Supply Obligation;

(2) The External Node of the External Transaction sale is connected only to the same Reserve Zone in which the associated Resource, or portion thereof, without a Capacity Supply Obligation is located;

(3) The Resource, or portion thereof, without a Capacity Supply Obligation is Self-Scheduled in the Real-Time Energy Market and online at a megawatt level greater than or equal to the External Transaction sale’s megawatt amount;

(4) Neither the External Transaction sale nor the portion of the Resource without a Capacity Supply Obligation is required to offer into the Day-Ahead Energy Market.

(iv) Unconstrained Export Transactions:

(1) A Resource, or portion thereof, without a Capacity Supply Obligation is associated with the External Transaction sale, and the megawatt amount of the External Transaction is less than or equal to the portion of the Resource without a Capacity Supply Obligation;

(2) The External Node of the External Transaction sale is not connected only to an import-constrained Reserve Zone;

(3) The Resource, or portion thereof, without a Capacity Supply Obligation is not separated from the External Node by a transmission interface constraint as determined in Sections III.12.2.1(b) and III.12.2.2(b) of Market Rule 1 that was binding in the Forward Capacity Auction in the direction of the export;

(4) The Resource, or portion thereof, without a Capacity Supply Obligation is Self-Scheduled in the Real-Time Energy Market and online at a megawatt level greater than or equal to the External Transaction sale’s megawatt amount;

(5) Neither the External Transaction sale, nor the portion of the Resource without a Capacity Supply Obligation is required to offer into the Day-Ahead Energy Market.

(g) Treatment of External Transaction sales in ISO commitment for local second contingency protection.

(i) Capacity Export Through Import Constrained Zone Transactions and FCA Cleared Export Transactions: The transaction’s export demand that clears in the Day-Ahead Energy Market will be explicitly considered as load in the exporting Reserve Zone by the ISO when committing Resources to provide local second contingency protection for the associated Operating Day.

(ii) The export demand of External Transaction sales not meeting the criteria in (i) above is not considered by the ISO when planning and committing Resources to provide local second contingency protection, and is assumed to be zero.

(iii) Same Reserve Zone Export Transactions and Unconstrained Export Transactions: If a Resource, or portion thereof, without a Capacity Supply Obligation is committed to be online during the Operating Day either through clearing in the Day-Ahead Energy Market or through Self-Scheduling subsequent to the Day-Ahead Energy Market and a Same Reserve Zone Export Transaction or Unconstrained Export Transaction is submitted before the end of the Re-Offer Period designating that Resource as supporting the transaction, the ISO will not utilize the portion of the Resource without a Capacity Supply Obligation supporting the export transaction to meet local second contingency protection requirements. The eligibility of Resources not meeting the foregoing criteria to be used to meet local second contingency protection requirements shall be in accordance with the relevant provisions of the ISO New England System Rules.

(h) Allocation of costs to Capacity Export Through Import Constrained Zone Transactions and FCA Cleared Export Transactions: Market Participants with Capacity Export Through Import Constrained Zone Transactions and FCA Cleared Export Transactions shall incur a proportional share of the charges described below, which are allocated to Market Participants based on Day-Ahead Load Obligation or Real-Time Load Obligation. The share shall be determined by including the Day-Ahead Load Obligation or Real-Time Load Obligation associated with the External Transaction, as applicable, in the total Day-Ahead Load Obligation or Real-Time Load Obligation for the appropriate Reliability Region, Reserve Zone, or Load Zone used in each cost allocation calculation:

(i) NCPC for Local Second Contingency Protection Resources allocated within the exporting Reliability Region, pursuant to Section III.F.3.3.

(ii) Forward Reserve Market charges allocated within the exporting Load Zone, pursuant to Section III.9.9.

(iii) Real-Time Reserve Charges allocated within the exporting Load Zone, pursuant to Section III.10.3.

(i) When action is taken by the ISO to reduce External Transaction sales due to a system wide capacity deficient condition or the forecast of such a condition, and an External Transaction sale designates a Resource, or portion of a Resource, without a Capacity Supply Obligation, to support the transaction, the ISO will review the status of the designated Resource. If the designated Resource is Self-Scheduled and online at a megawatt level greater than or equal to the External Transaction sale, that External Transaction sale will not be reduced until such time as Regional Network Load within the New England Control Area is also being reduced. When reductions to such transactions are required, the affected transactions shall be reduced pro-rata.

(j) Market Participants shall submit External Transactions as megawatt blocks with intervals of one

hour at the relevant External Node. External Transactions will be scheduled in the Day-Ahead Energy Market as megawatt blocks for hourly durations. The ISO may dispatch External Transactions in the Real-Time Energy Market as megawatt blocks for periods of less than one hour, to the extent allowed pursuant to inter-Control Area operating protocols.

**III.1.10.7.A Coordinated External Transactions**.

The provisions of this Section III.1.10.7.A apply to Coordinated External Transactions, which are implemented at the New York Northern AC external Location.

(a) Market Participants that submit a Coordinated External Transaction in the Day-Ahead Energy Market must also submit a corresponding Coordinated External Transaction, in the form of an Interface Bid, in the Real-Time Energy Market in order to be eligible for scheduling in the Real-Time Energy Market.

(b) An Interface Bid submitted in the Real-Time Energy Market shall specify a duration consisting of one or more consecutive 15-minute increments. An Interface Bid shall include a bid price, a bid quantity, and a bid direction for each 15-minute increment. The bid price may be positive or negative. An Interface Bid may not be submitted or modified later than 75 minutes before the start of the clock hour for which it is offered.

(c) Interface Bids are cleared in economic merit order for each 15minute increment, based upon the forecasted real-time price difference across the external interface. The total quantity of Interface Bids cleared shall determine the external interface schedule between New England and the adjacent Control Area. The total quantity of Interface Bids cleared shall depend upon, among other factors, bid production costs of resources in both Control Areas, the Interface Bids of all Market Participants, transmission system conditions, and any real-time operating limits necessary to ensure reliable operation of the transmission system.

(d) All Coordinated External Transactions submitted either to the Day-Ahead Energy Market or the Real-Time Energy Market must contain the associated NERC E-Tag at the time the transaction is submitted.

(e) Any Coordinated External Transaction, or portion thereof, submitted to the Real-Time Energy Market will not be scheduled in Real-Time if the ISO anticipates that the External Transaction would create or worsen an Emergency, unless applicable procedures governing the Emergency permit the transaction to be scheduled.

**III.1.10.7.B Coordinated Transactions Scheduling Threshold Trigger to Tie Optimization**

(a) Background and Overview

This Section III.1.10.B describes the process for filing amendments to the Transmission, Markets and Services Tariff under Section 205 of the Federal Power Act in the event that the production cost savings of the ISO’s interchange on the New York – New England AC Interface, including the Northport/Norwalk Line, following the implementation of an inter-regional interchange scheduling process known as Coordinated Transaction Scheduling, are not satisfactory. The determination of whether savings are satisfactory will be based on actions, thresholds and triggers described in this Section III.1.10.7.B. If pursuant to the actions, thresholds and triggers described in this Section III.1.10.7.B, the production costs savings of Coordinated Transaction Scheduling are not satisfactory, and a superior alternative has not become known, the ISO will file tariff amendments with the Commission to implement the inter-regional interchange scheduling process described to the ISO stakeholders in 2011 as Tie Optimization.

If, pursuant to the timetables presented, the ISO determines the thresholds described herein have not triggered, the process for filing amendments to the ISO tariff as described herein ceases, the provisions of this Section III.1.10.7.B become null and void and the ISO will continue to implement Coordinated Transaction Scheduling unless and until future Section 205 filings are pursued to amend Coordinated Transaction Scheduling.

(b) The Two-Year Analysis

Within 120 days of the close of the first and second years following the date that Coordinated Transaction Scheduling as an interface scheduling tool is activated in the New England and New York wholesale electricity markets, the External Market Monitor will develop, for presentation to and comment by, New England stakeholders, an analysis, of:

(i) the Tie Optimization interchange, which will be the actual bid production cost savings of incremental interchange that would have occurred had the ISO and New York Independent System Operator received an infinite number of zero bids in the Coordinated Transaction Scheduling process, which utilizes the supply curves and forecasted prices for each market; and

(ii) an optimal interchange, which will be the actual bid production cost savings of incremental interchange that would have occurred had the two ISOs had an infinite number of zero bids in the Coordinated Transaction Scheduling process, but utilizing actual real-time prices from each market rather than the forecasted prices that were used in the Coordinated Transaction Scheduling process.

The bid production cost savings associated with the Tie Optimization interchange as developed in (i) above for the second year following the date that Coordinated Transaction Scheduling is activated in the New England and New York wholesale electricity markets will reveal the “foregone” production cost savings from implementing Coordinated Transaction Scheduling rather than Tie Optimization, represented in the Section III.1.10.7.B(b)(1) formula as the term “b.” The difference in bid production cost savings between (i) and (ii) above will reveal the “foregone” bid production cost savings of the Tie Optimization interchange as developed in (i) above rather than an optimal interchange as developed in (ii) above, represented in the Section III.1.10.7.B(b)(1) formula as the term “a.”

This analysis will be consistent with presentations made by the External Market Monitor to the New England stakeholders during 2011 on the issue of the benefits of Coordinated Transaction Scheduling.

(1) Using the above calculations, the External Market Monitor will compute the following ratio:

b/a

If, the ratio b/a is greater than 60% and b is greater than $3 Million, the External Market Monitor will advise whether in its opinion the threshold has triggered.

(c) Improving Coordinated Transaction Scheduling

(1) If the ratio, developed pursuant to Section III.1.10.7.B(b)(1), is greater than 60% and b is greater than $3 Million, the ISO will declare whether the threshold has triggered considering the input of the External Market Monitor and the New England stakeholders.

(2) If the ISO declares the threshold has not triggered the process further described in this Section III.1.10.7.B becomes null and void.

(3) If the ISO declares that the threshold has triggered, the External Market Monitor will provide recommendations of adjustments to the design or operation of Coordinated Transaction Scheduling to improve the production cost savings available from its implementation.

(4) The ISO, considering the input of the New England stakeholders and the recommendation of the External Market Monitor, will develop and implement adjustments to Coordinated Transaction Scheduling. To the extent tariff revisions are necessary to implement the adjustments to Coordinated Transaction Scheduling, the ISO will file such revisions with the Commission as a compliance filing in the Coordinated Transaction Scheduling docket. If no adjustments to Coordinated Transaction Scheduling have been identified, the ISO will proceed to develop and file the revisions necessary to amend the Transmission, Markets and Services Tariff to implement the inter-regional interchange scheduling practice known as Tie Optimization as a compliance filing.

(d) The Second Analysis

(1) Within 120 days of the close of the twelve months following the date that the adjustments to Coordinated Transaction Scheduling, developed under Section III.1.10.7.B(c), are activated in the New England and New York wholesale electricity markets, the External Market Monitor will present a second analysis to New England stakeholders. The analysis will be consistent with the analysis described in Section III.1.10.7.B(b) but will develop bid production cost savings for the twelve month period during which the adjustments developed in Section III.1.10.7.B(c) are in place.

(2) The bid production cost savings associated with the Tie Optimization interchange as developed in Section III.1.10.7.B(d)(1) will reveal the “foregone” bid production cost savings from implementing Coordinated Transaction Scheduling rather than Tie Optimization, represented in the Section III.1.10.7.B(d)(3) formula as the term “b.” The different in bid production cost savings between the Tie Optimization interchange and the optimal interchange, as developed in Section III.1.10.7.B(d)(1), will reveal the “foregone” bid production cost savings of the Tie Optimization interchange rather than the optimal interchange, represented in the Section III.1.10.7.B(d)(3) formula as the term “a.”

(3) Using the above calculations, the External Market Monitor will compute the following ratio:

b/a

If the ratio b/a is greater than 60% and b is greater than $3 Million, the External Market Monitor will advise whether in its opinion the threshold has triggered.

(4) If the ratio b/a is greater than 60% and b is greater than $3 Million, the ISO will declare whether the threshold has triggered considering the input of the External Market Monitor and the New England stakeholders.

(5) If the ISO declares the threshold has not triggered the process further described in this Section III.1.10.7.B becomes null and void.

(6) If the ISO declares the threshold has triggered, considering the input of the stakeholders and the recommendation of the External Market Monitor, the ISO will determine whether a superior alternative has been proposed. If the ISO and the New York Independent System Operator both determine a superior alternative has been proposed, the ISO will prepare tariff amendments to be filed with the Commission to implement the superior alternative, and will present those amendments to the New England stakeholders in accordance with the provisions of the Participants Agreement applicable for NEPOOL review of tariff amendments and will not pursue the balance of the actions required by this Section III.1.10.7.B.

(7) If the ISO determines a superior alternative has not been proposed, the ISO will proceed to develop and file the revisions necessary to amend the Transmission, Markets and Services Tariff to implement the inter-regional interchange scheduling practice known as Tie Optimization as a compliance filing. Tie Optimization was described for stakeholders in the *Design Basis Document* for NE/NY Inter-Regional Interchange Scheduling presented at a NEPOOL Participants Committee meeting on June 10, 2011.

(e) The Compliance Filing

The ISO will develop tariff language to implement the inter-regional interchange scheduling practice known as Tie Optimization through a compliance filing with the Commission and will present those amendments to the New England stakeholders in accordance with the provisions of the Participants Agreement applicable for NEPOOL review of tariff amendments.

**III.1.10.8 ISO Responsibilities.**

(a) The ISO shall use its best efforts to determine (i) the least-cost means of satisfying hourly purchase requests for energy, the projected hourly requirements for Operating Reserve, Replacement Reserve and other ancillary services of the Market Participants, including the reliability requirements of the New England Control Area, of the Day-Ahead Energy Market, and (ii) the least-cost means of satisfying the Operating Reserve, Replacement Reserve and other ancillary service requirements for any portion of the load forecast of the ISO for the Operating Day in excess of that scheduled in the Day-Ahead Energy Market. In making these determinations, the ISO shall take into account: (i) the ISO’s forecasts of New England Markets and New England Control Area energy requirements, giving due consideration to the energy requirement forecasts and purchase requests submitted by Market Participants for the Day-Ahead Energy Market; (ii) the offers and bids submitted by Market Participants; (iii) the availability of Limited Energy Resources; (iv) the capacity, location, and other relevant characteristics of Self-Scheduled Resources; (v) the requirements of the New England Control Area for Operating Reserve and Replacement Reserve, as specified in the ISO New England Manuals and ISO New England Administrative Procedures; (vi) the requirements of the New England Control Area for Regulation and other ancillary services, as specified in the ISO New England Manuals and ISO New England Administrative Procedures; (vii) the benefits of avoiding or minimizing transmission constraint control operations, as specified in the ISO New England Manuals and ISO New England Administrative Procedures; and (viii) such other factors as the ISO reasonably concludes are relevant to the foregoing determination. The ISO shall develop a Day-Ahead Energy schedule based on the applicable portions of the foregoing determination, and shall determine the Day-Ahead Prices resulting from such schedule.

(b) Not later than 1:30 p.m. of the day before each Operating Day, or such earlier deadline as may be specified by the ISO in the ISO New England Manuals and ISO New England Administrative Procedures or such later deadline as necessary to account for software failures or other events, the ISO shall: (i) post the aggregate Day-Ahead Energy schedule; (ii) post the Day-Ahead Prices; and (iii) inform the Market Participants of their scheduled injections and withdrawals. In the event of an Emergency, the ISO will notify Market Participants as soon as practicable if the Day-Ahead Energy Market can not be operated.

(c) Following posting of the information specified in Section III.1.10.8(b), the ISO shall revise its schedule of Resources to reflect updated projections of load, conditions affecting electric system operations in the New England Control Area, the availability of and constraints on limited energy and other Resources, transmission constraints, and other relevant factors.

(d) Market Participants shall pay and be paid for the quantities of energy scheduled in the Day-Ahead Energy Market at the Day-Ahead Prices.

**III.1.10.9 Hourly Scheduling.**

(a) Following the initial posting by the ISO of the Locational Marginal Prices resulting from the Day-Ahead Energy Market, and subject to the right of the ISO to schedule and dispatch Resources and to direct that schedules be changed to address an actual or potential Emergency, a Resource Re-Offer Period shall exist from the time of the posting specified in Section III.1.10.8(b) until 2:00 p.m. on the day before each Operating Day or such other Re-Offer Period as necessary to account for software failures or other events. During the Re-Offer Period, Market Participants may submit revisions to generation Supply Offers, revisions to Demand Reduction Offers, and revisions to Demand Bids for any Dispatchable Asset Related Demand. Resources scheduled subsequent to the closing of the Re-Offer Period shall be settled at the applicable Real-Time Prices, and shall not affect the obligation to pay or receive payment for the quantities of energy scheduled in the Day-Ahead Energy Market at the applicable Day-Ahead Prices.

(b) During the Re-Offer Period, Market Participants may submit revisions to priced External Transactions. External Transactions scheduled subsequent to the closing of the Re-Offer Period shall be settled at the applicable Real-Time Prices, and shall not affect the obligation to pay or receive payment for the quantities of energy scheduled in the Day-Ahead Energy Market at the applicable Day-Ahead Prices. A submission during the Re-Offer Period for any portion of a transaction that was cleared in the Day-Ahead Energy Market is subject to the provisions in Section III.1.10.7. A Market Participant may at any time, consistent with the provisions in Manual 11, request to Self-Schedule an External Transaction and adjust the schedule on an hour-to-hour basis. The ISO must be notified of the request not later than 60 minutes prior to the hour in which the adjustment is to take effect. The External Transaction re-offer provisions of this Section III.1.10.9(c) shall not apply to Coordinated External Transactions, which are submitted pursuant to Section III.1.10.7.A.

(c) Following the completion of the initial Reserve Adequacy Analysis and throughout the Operating Day, a Market Participant may modify certain Supply Offer or Demand Bid parameters for a Generator Asset or a Dispatchable Asset Related Demand on an hour-to-hour basis, provided that the modification is made no later than 30 minutes prior to the beginning of the hour for which the modification is to take effect:

1. For a Generator Asset, the Start-Up Fee, the No-Load Fee, the fuel type (for dual fuel Resources), the quantity and price pairs of its Blocks, and the Supply Offer for Regulation may be modified.
2. For a Dispatchable Asset Related Demand, the quantity and price pairs of its Blocks may be modified.

(d) Following the completion of the initial Reserve Adequacy Analysis and throughout the Operating Day, a Market Participant may not modify any of the following Demand Reduction Offer parameters: price and demand reduction quantity pairs, Interruption Cost, Demand Response Resource Start-Up Time, Demand Response Resource Notification Time, Minimum Reduction Time, and Minimum Time Between Reductions.

(e) During the Operating Day, a Market Participant may request to Self-Schedule a Generator Asset or Dispatchable Asset Related Demand or may request to cancel a Self-Schedule for a Generator Asset or Dispatchable Asset Related Demand. The ISO will honor the request so long as it will not cause or worsen a reliability constraint. If the ISO is able to honor a Self-Schedule request, a Generator Asset will be permitted to come online at its Economic Minimum Limit and a Dispatchable Asset Related Demand will be dispatched to its Minimum Consumption Limit.A Market Participant may not request to Self-Schedule a Demand Response Resource.

(f) During the Operating Day, in the event that in a given hour a Market Participant seeks to modify a Supply Offer or Demand Bid after the deadline for modifications specified in Section III.1.10.9(c), then:

(i) the Market Participant may request that a Generator Asset be dispatched above its Economic Minimum Limit at a specified output. The ISO will honor the request so long as it will not cause or worsen a reliability constraint. If the ISO is able to honor the request, the Generator Asset will be dispatched as though it had offered the specified output for the hour in question at the Energy Offer Floor.

(ii) the Market Participant may request that a Dispatchable Asset Related Demand be dispatched above its Minimum Consumption Limit. The ISO will honor the request so long as it will not cause or worsen a reliability constraint. If the ISO is able to honor the request, the Dispatchable Asset Related Demand will be dispatched as though it had offered for the hour in question at a Self-Scheduled MW.

(g) For each hour in the Operating Day, as soon as practicable after the deadlines specified in the foregoing subsection of this Section III.1.10, the ISO shall provide Market Participants and parties to External Transactions with any revisions to their schedules for the hour.

(h) DARD Pumps will not be scheduled in Real-Time below their Minimum Consumption Limits.

**III.1.11 Dispatch.**

The following procedures and principles shall govern the dispatch of the Resources available to the ISO.

**III.1.11.1 Resource Output or Consumption and Demand Reduction.**

The ISO shall have the authority to direct any Market Participant to adjust the output, consumption or demand reduction of any Dispatchable Resource increment within the operating characteristics specified in the Market Participant’s Offer Data, Supply Offer, Demand Reduction Offer or Demand Bid. The ISO may cancel its selection of, or otherwise release, Pool-Scheduled Resources. The ISO shall adjust the output, consumption or demand reduction of Resource increments as necessary: (a) for both Dispatchable Resources and Non-Dispatchable Resources, to maintain reliability, and subject to that constraint, for Dispatchable Resources, (b) to minimize the cost of supplying the energy, reserves, and other services required by the Market Participants and the operation of the New England Control Area; (c) to balance load and generation, maintain scheduled tie flows, and provide frequency support within the New England Control Area; and (d) to minimize unscheduled interchange that is not frequency related between the New England Control Area and other Control Areas.

**III.1.11.2 Operating Basis**.

In carrying out the foregoing objectives, the ISO shall conduct the operation of the New England Control Area and shall, in accordance with the ISO New England Manuals and ISO New England Administrative Procedures, (i) utilize available Operating Reserve and replace such Operating Reserve when utilized; and (ii) monitor the availability of adequate Operating Reserve.

**III.1.11.3 Dispatchable Resources.**

With the exception of Settlement Only Resources, External Transactions, nuclear-powered Resources and photovoltaic Resources, all Resources must be Dispatchable Resources and meet the technical specifications in ISO New England Operating Procedure No. 14 and ISO New England Operating Procedure No. 18 for dispatchability.

A Market Participant that does not meet the requirement for a Dispatchable Resource to be dispatchable because the Resource is not connected to a remote terminal unit meeting the requirements of ISO New England Operating Procedure No. 18 shall take the following steps:

1. By January 15, 2017, the Market Participant shall submit to the ISO a circuit order form for the primary and secondary communication paths for the remote terminal unit.
2. The Market Participant shall work diligently with the ISO to ensure the Resource is able to receive and respond to electronic Dispatch Instructions within twelve months of the circuit order form submission.

A Market Participant that does not meet the requirement for a Dispatchable Resource to be dispatchable by the deadline set forth above shall provide the ISO with a written plan for remedying the deficiencies, and shall identify in the plan the specific actions to be taken and a reasonable timeline for rendering the Resource dispatchable. The Market Participant shall complete the remediation in accordance with and under the timeline set forth in the written plan. Until a Resource is dispatchable, it may only be Self-Scheduled in the Real-Time Energy Market and shall otherwise be treated as a Non-Dispatchable Resource.

Dispatchable Resources are subject to the following requirements:

(a) The ISO shall optimize the dispatch of energy from Limited Energy Resources by request to minimize the as-bid production cost for the New England Control Area. In implementing the use of Limited Energy Resources, the ISO shall use its best efforts to select the most economic hours of operation for Limited Energy Resources, in order to make optimal use of such Resources consistent with the dynamic load-following requirements of the New England Control Area and the availability of other Resources to the ISO.

(b) The ISO shall implement the dispatch of energy from Dispatchable Resource increments and the designation of Real-Time Operating Reserve to Dispatchable Resource increments, including the dispatchable increments from resources which are otherwise Self-Scheduled, by sending appropriate signals and instructions to the entity controlling such Resources. Each Market Participant shall ensure that the entity controlling a Dispatchable Resource offered or made available by that Market Participant complies with the energy dispatch signals and instructions transmitted by the ISO.

(c) The ISO shall have the authority to modify a Market Participant’s operational related Offer Data for a Dispatchable Resource if the ISO observes that the Market Participant’s Resource is not operating in accordance with such Offer Data. The ISO shall modify such operational related Offer Data based on observed performance and such modified Offer Data shall remain in effect until either (i) the affected Market Participant requests a test to be performed, and coordinates the testing pursuant to the procedures specified in the ISO New England Manuals, and the results of the test justify a change to the Market Participant’s Offer Data or (ii) the ISO observes, through actual performance, that modification to the Market Participant’s Offer Data is justified.

(d) Market Participants shall exert all reasonable efforts to operate, or ensure the operation of, their Dispatchable Resources in the New England Control Area as close to dispatched output, consumption or demand reduction levels as practical, consistent with Good Utility Practice.

(e) Settlement Only Resources are not eligible to be DNE Dispatchable Generators.

Wind and hydro Intermittent Power Resources that are not Settlement Only Resources are required to receive and respond to Do Not Exceed Dispatch Points, except as follows:

(i) A wind or hydro Intermittent Power Resource not capable of receiving and responding to electronic Dispatch Instructions will be manually dispatched.

(ii) A Market Participant may elect, but is not required, to have a wind or hydro Intermittent Power Resource that is less than 5 MW and is connected through transmission facilities rated at less than 115 kV be dispatched as a DNE Dispatchable Generator.

(iii) A Market Participant with a hydro Intermittent Power Resource that is able to operate within a dispatchable range and is capable of responding to Dispatch Instructions to increase or decrease output within its dispatchable range may elect to have that resource dispatched as a DDP Dispatchable Resource.

(f) The ISO may request that dual-fueled generating Resources that normally burn natural gas voluntarily take all necessary steps (within the limitations imposed by the operating limitations of their installed equipment and their environmental and operating permits) to prepare to switch to secondary fuel in anticipation of natural gas supply shortages. The ISO may request that Market Participants with dual-fueled units that normally burn natural gas voluntarily switch to a secondary fuel in anticipation of natural gas supply shortages. The ISO may communicate with Market Participants with dual-fueled units that normally burn natural gas to verify whether the Market Participants have switched or are planning to switch to an alternate fuel.

**III.1.11.4 Emergency Condition.**

If the ISO anticipates or declares an Emergency Condition, all External Transaction sales out of the New England Control Area that are not backed by a Resource may be interrupted, in accordance with the ISO New England Manuals, in order to serve load and Operating Reserve in the New England Control Area.

**III.1.11.5 Dispatchability Requirements for Intermittent Power Resources.**

1. Intermittent Power Resources that are Dispatchable Resources with Supply Offers that do not clear in the Day-Ahead Energy Market and are not committed by the ISO prior to or during the Operating Day must be Self-Scheduled in the Real-Time Energy Market at the Resource’s Economic Minimum Limit in order to operate in Real-Time.

(b) Intermittent Power Resources that are not Settlement Only Resources, are not Dispatchable Resources, and are not committed by the ISO prior to or during the Operating Day must be Self-Scheduled in the Real-Time Energy Market with the Resource’s Economic Maximum Limit and Economic Minimum Limit redeclared to the same value in order to operate in Real-Time. Redeclarations must be updated throughout the Operating Day to reflect actual operating capabilities.

**III.1.11.6 Non-Dispatchable Resources.**

Non-Dispatchable Resources are subject to the following requirements:

(a) The ISO shall have the authority to modify a Market Participant’s operational related Offer Data for a Non-Dispatchable Resource if the ISO observes that the Market Participant’s Resource is not operating in accordance with such Offer Data. The ISO shall modify such operational related Offer Data based on observed performance and such modified Offer Data shall remain in effect until either (i) the affected Market Participant requests a test to be performed and coordinates the testing pursuant to the procedures specified in the ISO New England Manuals, and the results of the test justify a change to the Market Participant’s Offer Data or (ii) the ISO observes, through actual performance, that modification to the Market Participant’s Offer Data is justified.

(b) Market Participants with Non-Dispatchable Resources shall exert all reasonable efforts to operate or ensure the operation of their Resources in the New England Control Area as close to dispatched levels as practical when dispatched by the ISO for reliability, consistent with Good Utility Practice.

**III.1.12 Dynamic Scheduling.**

Dynamic scheduling can be requested and may be implemented in accordance with the following procedures:

(a) An entity that owns or controls a generating Resource in the New England Control Area may electrically remove all or part of the generating Resource’s output from the New England Control Area through dynamic scheduling of the output to load outside the New England Control Area. Such output shall not be available for economic dispatch by the ISO.

(b) An entity that owns or controls a generating Resource outside of the New England Control Area may electrically include all or part of the generating Resource’s output into the New England Control Area through dynamic scheduling of the output to load inside the New England Control Area. Such output shall be available for economic dispatch by the ISO.

(c) An entity requesting dynamic scheduling shall be responsible for arranging for the provision of signal processing and communication from the generating unit and other participating Control Area and complying with any other procedures established by the ISO regarding dynamic scheduling as set forth in the ISO New England Manuals. Allocation of costs associated with dynamic scheduling shall be determined and filed with the Commission following the first request.

(d) An entity requesting dynamic scheduling shall be responsible for reserving amounts of appropriate transmission service necessary to deliver the range of the dynamic transfer and any ancillary services.

**III.8 Additional Requirements for Demand Response Assets and Demand Response Resources**

**III.8.1 Registration and Aggregation**

**III.8.1.1** **Demand Response Asset Registration and Aggregation**

1. A Demand Response Asset must have a Maximum Interruptible Capacity of at least 10 kW.
2. A Demand Response Asset must have a single Retail Delivery Point and be registered at a single Node, unless it meets the conditions for aggregation in Section III.8.1(e).
3. No more than one Demand Response Asset may be registered at a Retail Delivery Point.
4. A Demand Response Asset and a Generator Asset may not be registered at the same end-use customer facility unless the Generator Asset is separately metered and reported and its output does not reduce the load reported at the Retail Delivery Point of the Demand Response Asset.
5. A Demand Response Asset may be the aggregate demand reduction capability of multiple end-use customers with multiple Retail Delivery Points within a single DRR Aggregation Zone if (i) the demand reduction from each Retail Delivery Point is less than 10 kW and (ii) the demand at all Retail Delivery Points represents a homogeneous population as determined by the ISO. A Demand Response Asset that meets these conditions for aggregation must be registered at a DRR Aggregation Zone.
6. A Demand Response Asset with a Maximum Interruptible Capacity equal to or greater than 5 MW at a single Retail Delivery Point must be registered as a single Demand Response Resource at a single Node.
7. The metering and communication equipment associated with each Demand Response Asset must meet the requirements in Section III.3.2.2 and ISO New England Operating Procedure No. 18, Metering and Telemetering Criteria.

(h) Upon request, the ISO will inform a load serving entity if (i) any of its end-use customers’ facilities are registered as Demand Response Assets and (ii) the load reduction capability of any such Demand Response Assets.

**III.8.1.2 Demand Response Resource Registration and Aggregation**

1. A Demand Response Resource must be comprised of one or more Demand Response Assets within the same DRR Aggregation Zone.
2. A Demand Response Resource must be capable of at least 0.1 MW of demand reduction.
3. A Demand Response Resource cannot be composed of: (i) the customers of Host Utilities that distributed more than 4 million MWh in the previous fiscal year, if the relevant electric retail regulatory authority prohibits such customers’ demand reduction capability to be bid into the ISO-administered markets or programs or; (ii) the customers of Host Utilities that distributed 4 million MWh or less in the previous fiscal year, unless the relevant electric retail regulatory authority permits such customers’ demand reduction capability to be bid into the ISO-administered markets or programs.

(d) Each Demand Response Resource registered by a Market Participant within a single DRR Aggregation Zone must have a demand reduction capability of at least 1 MW before the Market Participant registers a new Demand Response Resource within the same DRR Aggregation Zone,

unless either:

* 1. all the Demand Response Resources registered by the Market Participant in the DRR Aggregation Zone are associated with an Active Demand Capacity Resource and the Market Participant wishes to register a Demand Response Resource that is not; or
  2. none of the Demand Response Resources registered by the Market Participant in the DRR Aggregation Zone are associated with an Active Demand Capacity Resource and the Market Participant wishes to register a Demand Response Resource that is.

1. If the Seasonal DR Audit value of a Demand Response Resource falls below 1 MW causing a Market Participant to have more than one Demand Response Resource in a single DRR Aggregation Zone with a Seasonal DR Audit value less than 1 MW, then that Market Participant must reassign its Demand Response Assets if doing so decreases the number of that Market Participant’s Demand Response Resources within that DRR Aggregation Zone, unless either:
2. the Demand Response Resource with a Seasonal DR Audit value less than 1 MW is associated with an Active Demand Capacity Resource and the other of the Market Participant’s Demand Response Resources are not; or

(ii) the Demand Response Resource with a Seasonal DR Audit value less than 1 MW is not associated with an Active Demand Capacity Resource and the other of the Market Participant’s Demand Response Resources are.

**III.8.2 Demand Response Baselines**

(a) A Demand Response Baseline is calculated for each Demand Response Asset for the following three day types:

(i) weekdays (excluding Demand Response Holidays);

(ii) Saturdays; and

(iii) Sundays and Demand Response Holidays.

1. A Market Participant shall not take any action to create or maintain a Demand Response Baseline that exceeds the typical electricity consumption levels of its end-use metered customers expected in the normal course of business.
2. If a Demand Response Asset produces Net Supply in an interval, that Net Supply will be used in the Demand Response Baseline calculations for that interval.

**III.8.2.1 Determining the Weekday Non-Holiday Demand Response Baseline**

A Demand Response Asset’s weekday (non-Demand Response Holiday) Demand Response Baseline in each five-minute interval is equal to the average of the asset’s meter data for the same five-minute interval from 10 prior non-Demand Response Holiday weekdays, as follows:

1. For a Demand Response Asset without a weekday Demand Response Baseline, the initial weekday Demand Response Baseline will be created using meter data from the first 10 consecutive non-Demand Response Holiday weekdays with a complete set of five-minute interval meter data.
2. For a Demand Response Asset that has established a weekday Demand Response Baseline, the baseline will be updated using meter data from:
3. the 10 most recent of the previous 30 non-Demand Response Holiday weekdays, excluding days during which: (1) the resource associated with the asset received a Dispatch Instruction for an amount greater than 0 MW or (2) the asset was on a forced or scheduled curtailment as described in Section III.8.3;
4. if there are fewer than 10 such days, then meter data from additional days will be used (until a total of 10 days have been identified) including, first, the most recent days during which the resource associated with the asset received a Dispatch Instruction for an amount greater than 0 MW and, second, the most recent days during which the asset was on a forced or scheduled curtailment as described in Section III.8.3.

**III.8.2.2 Determining the Saturday Demand Response Baseline**

A Demand Response Asset’s Saturday Demand Response Baseline in each five-minute interval is equal to the average of the asset’s meter data for the same five-minute interval from five prior Saturdays as follows:

1. For a Demand Response Asset without a Saturday Demand Response Baseline, the Saturday Demand Response Baseline will be created using meter data from the first five consecutive Saturdays with a complete set of five-minute interval meter data.
2. For a Demand Response Asset that has established a Saturday Demand Response Baseline, the baseline will be updated using meter data from:
3. the five most recent Saturdays of the previous 42 calendar days, excluding Saturdays during which: (1) the resource associated with the asset received a Dispatch Instruction for an amount greater than 0 MW or (2) the asset was on a forced or scheduled curtailment as described in Section III.8.3.
4. if there are fewer than five such Saturdays, then, in addition to those days, meter data from the most recent Saturdays will be used, until five days are identified.

**III.8.2.3 Determining the Sunday and Demand Response Holiday Demand Response Baseline**

A Demand Response Asset’s Sunday and Demand Response Holiday Demand Response Baseline in each five-minute interval is equal to the average of the asset’s meter data for the same five-minute interval from five prior Sundays or Demand Response Holidays as follows:

1. For a Demand Response Asset without a Sunday and Demand Response Holiday Demand Response Baseline, the Sunday and Demand Response Holiday Demand Response Baseline will be created using meter data from the first five consecutive Sundays and Demand Response Holidays with a complete set of five-minute interval meter data.
2. For a Demand Response Asset that has established a Sunday and Demand Response Holiday Demand Response Baseline, the baseline will be updated using meter data from:

(i) the five most recent Sundays or Demand Response Holidays of the previous 42 calendar days, excluding Sundays or Demand Response Holidays during which: (1) the resource associated with the asset received a Dispatch Instruction for an amount greater than 0 MW or (2) the asset was on a forced or scheduled curtailment as described in Section III.8.3;

(ii) if there are fewer than five such Sundays or Demand Response Holidays, then, in addition to those days, meter data from the most recent Sunday or Demand Response Holiday will be used, until five days are identified.

**III.8.2.4 Demand Response Baseline Adjustment**

1. The ISO will calculate an adjustment to the Demand Response Baseline of a Demand Response Asset in each interval in which its associated Demand Response Resource receives a non-zero Dispatch Instruction. The adjustment can result in a higher or lower Demand Response Baseline during the dispatch.

(b) The adjustment is equal to the average megawatt difference between the Demand Response Asset’s metered demand (which may reflect Net Supply) and its Demand Response Baseline during the three most recently completed five-minute intervals prior to the issuance of the start-up instruction; provided that, if there was a non-zero Dispatch Instruction during any of those three five-minute intervals, the adjustment during the current dispatch will equal the adjustment during the prior dispatch.

1. For Demand Response Assets that cannot produce Net Supply, the adjusted Demand Response Baseline in any interval shall not be less than zero and shall not exceed the asset’s Maximum Load.
2. For Demand Response Assets that can produce Net Supply, the adjusted Demand Response Baseline shall not be less than (that is, shall not result in output at the Retail Delivery Point that exceeds) the maximum megawatt amount approved in the applicable Interconnection Agreement and shall not exceed the asset’s Maximum Facility Load.

**III.8.3 Demand Response Asset Forced and Scheduled Curtailments**

In addition to complying with the outage requirements described in ISO New England Operating Procedure No. 5, a Market Participant with a Demand Response Asset must abide by the following curtailment procedures.

(a) Forced Curtailment – A Market Participant with a Demand Response Asset may notify the ISO of a forced curtailment, that is, a reduction in demand resulting from actions outside the control of the Demand Response Asset or the Market Participant subject to the forced curtailment.

(b) Scheduled Curtailment – At least seven calendar days prior to the start of the curtailment, a Market Participant with a Demand Response Asset may notify the ISO of a scheduled curtailment, that is, a reduction in demand resulting from a scheduled plant shutdown or scheduled maintenance of energy consuming equipment. A scheduled curtailment may be no shorter than a single calendar day and the total duration of scheduled curtailments per Capacity Commitment Period may not exceed 14 calendar days.

(c) Offers and Settlement – Except for the first day of a forced curtailment, (i) Demand Reduction Offer parameters may not include any contributions from a Demand Response Asset on a forced or scheduled curtailment and (ii) a Demand Response Asset on a forced or scheduled curtailment shall not be eligible for payment in the Real-Time Energy Market.

**III.8.4 Demand Response Asset Energy Market Performance Calculations**

1. The ISO will calculate the demand reduction contribution of a Demand Response Asset in each interval in which its associated Demand Response Resource has received a non-zero Dispatch Instruction following the conclusion of the Demand Response Resource Notification Time. The demand reduction contribution by a Demand Response Asset to its Demand Response Resource shall equal the difference between the adjusted Demand Response Baseline of the Demand Response Asset and the metered demand of the Demand Response Asset, except as follows:
2. On the first day of a forced curtailment, a Demand Response Asset’s demand reduction shall equal the difference between the unadjusted Demand Response Baseline of the Demand Response Asset and the metered demand of the Demand Response Asset; and
3. A Demand Response Asset shall be assessed a zero demand reduction on any day of a forced curtailment other than the first day; on any day of a scheduled curtailment; in any interval in which there is insufficient data to calculate the Demand Response Baseline; and in any interval in which the Market Participant fails to comply with the Demand Response Asset metering and communication requirements in Section III.3.2.2 or ISO New England Operating Procedure No. 18, Metering and Telemetering Criteria.

(b) Notwithstanding the foregoing, an Active Demand Capacity Resource’s Actual Capacity Provided during a Capacity Scarcity Condition shall be calculated pursuant to Section III.13.7.2.2.

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

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

All Project Sponsors must be Market Participants no later than 30 days prior to the deadline for submitting the FCM Deposit. The Lead Market Participant for a resource participating in a Forward Capacity Auction may not change in the 15 Business Days prior to, or during, that Forward Capacity Auction.

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

To participate in a Forward Capacity Auction as a New Generating Capacity Resource, a resource or proposed resource must meet the requirements of this Section III.13.1.1.

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

A resource or a portion of a resource that is not a New Import Capacity Resource or Existing Import Capacity Resource (as defined in Section III.13.1.3), or a New Demand Capacity Resource or Existing Demand Capacity Resource (as discussed in Section III.13.1.4) shall be considered a New Generating Capacity Resource for participation in a Forward Capacity Auction if either: (i) the resource has never previously been counted as a capacity resource as described in Section III.13.1.1.1.1; or (ii) the resource, or a portion thereof, meets one of the criteria in Section III.13.1.1.1.2.

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

(a) A resource, or a portion thereof, will be considered to have never been counted as a capacity resource if it has not cleared in any previous Forward Capacity Auction.

(b) [Reserved.]

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

**III.13.1.1.1.2. Resources Previously Counted as Capacity.**

A resource that has previously been counted as a capacity resource, including a deactivated or retired capacity resource, may elect to participate in the Forward Capacity Auction as a New Generating Capacity Resource, as described in this Section III.13.1.1.1.2. The incremental expenditure required to reactivate a resource that previously has been deactivated or retired pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions) may be included in the calculation of the dollar per kilowatt thresholds in this Section III.13.1.1.1.2. A resource accepted for participation in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to this Section III.13.1.1.1.2 shall participate in the Forward Capacity Auction pursuant to Section III.13.2.3.2(e). A resource shall be accepted for participation as a new resource if it complies with one of the following three subsections:

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

(b) Where investment in the resource subsequent to January 1, 2007 and prior to the conclusion of the first Capacity Commitment Period associated with the Capacity Supply Obligation for which treatment as a new resource may be applied, for the purposes of re-powering will be equal to or greater than $200 per kilowatt of the whole resource’s summer Qualified Capacity after re-powering, the owner of the resource may elect that the whole resource participate in the Forward Capacity Auction as a New Generating Capacity Resource. The $200 threshold (in base year 2008 dollars) shall be adjusted annually in accordance with the Handy-Whitman Index of Public Utility Construction Costs reflecting data for the period ending January 1 of the year preceding the start of the qualification process for the relevant Forward Capacity Auction; or

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

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

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

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

(b) will be equal to or greater than $200 per kilowatt of the amount of the increase in summer Qualified Capacity resulting from the investment. The $200 threshold (in base year 2008 dollars) shall be adjusted annually in accordance with the Handy-Whitman Index of Public Utility Construction Costs reflecting data for the period ending January 1 of the year preceding the start of the qualification process for the relevant Forward Capacity Auction. These investment costs may include the costs associated with reactivating a resource that was previously deactivated pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions) and in which investment in the resource was undertaken prior to reactivation.

(c) A Project Sponsor or Lead Market Participant making an election pursuant to this Section III.13.1.1.1.3 must submit a New Capacity Show of Interest Form pursuant to Section III.13.1.1.2.1 and a New Capacity Qualification Package pursuant to Section III.13.1.1.2 for the incremental amount.

**III.13.1.1.1.3.A. Treatment of New Incremental Capacity and Existing Generating Capacity at the Same Generating Resource.**

For incremental summer capacity seeking to participate in the Forward Capacity Auction pursuant to Section III.13.1.1.1.3 or incremental winter capacity that meets the investment thresholds in Section III.13.1.1.1.3 as applied to the resource’s winter Qualified Capacity, if the incremental summer or winter capacity does not span the entire Capacity Commitment Period, then the ISO shall match the incremental summer or winter capacity with excess existing winter or summer Qualified Capacity at that same resource, as appropriate, not to exceed the Qualified Capacity of the existing portion of the resource, in order to cover the entire Capacity Commitment Period. This provision shall not apply to Intermittent Power Resources.

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

For purposes of the Forward Capacity Market, de-rated capacity of a resource shall be measured by the difference between the summer Qualified Capacity prior to the de-rating of the resource and the most recent summer demonstration of Seasonal Claimed Capability of a resource, as of the fifth Business Day of October. The owner of a resource previously counted as a capacity resource that has been de-rated by at least 2 percent of its summer Qualified Capacity (as an Existing Generating Capacity Resource) but by no more than the lesser of 20 percent of its summer Qualified Capacity (as an Existing Generating Capacity Resource) or 40 MW for three or more years at the time of the Forward Capacity Auction may elect to have the incremental amount of capacity above the capacity level established while de-rated treated as a New Generating Capacity Resource if it demonstrates that it will be re­established prior to the start of the Capacity Commitment Period and that the investment in the resource for such purposes shall be equal to or greater than $200 per kilowatt of the amount of the increase in summer Qualified Capacity resulting from the investment. The Project Sponsor must submit a New Capacity Show of Interest Form pursuant to Section III.13.1.1.2.1 and a New Capacity Qualification Package pursuant to Section III.13.1.1.2.2 for the incremental amount of capacity for the relevant Forward Capacity Auction. The $200 threshold (in base year 2008 dollars) shall be adjusted annually in accordance with the Handy-Whitman Index of Public Utility Construction Costs reflecting data for the period ending January 1 of the year preceding the start of the qualification process for the relevant Forward Capacity Auction. The owner of a resource seeking to have the incremental amount of capacity counted as a New Generating Capacity Resource as provided in this Section, must demonstrate based on historical data that the resource previously operated at a level at least 2 percent above the de-rated amount.

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

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

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

(a) [Reserved.]

(b) A resource that previously has been deactivated or retired pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions), as applicable, that submits to the ISO a reactivation plan demonstrating that the resource shall return to operation shall, subject to ISO review and acceptance of that reactivation plan, be treated as an Existing Generating Capacity Resource unless that resource satisfies the criteria under Section III.13.1.1.1.2 as a New Generating Capacity Resource. Such reactivation plans must be received by the ISO no later than 15 Business Days before the Existing Capacity Retirement Deadline. A resource that previously has been deactivated or retired pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions), as applicable, that submits to the ISO a reactivation plan demonstrating that the resource shall return to operation and having a material modification as described in Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions), as applicable, shall be subject to Section III.13.1.1.2.3 (Initial Interconnection Analysis).

**III.13.1.1.1.7 Renewable Technology Resources.**

To participate in the Forward Capacity Market as a Renewable Technology Resource, a Generating Capacity Resource or an On-Peak Demand Resource (including every Asset that is part of the On-Peak Demand Resource) must satisfy the following requirements:

1. receive an out-of-market revenue source supported by a state- or federally-regulated rate, charge or other regulated cost recovery mechanism;
2. qualify as a renewable or alternative energy generating resource under any New England state’s mandated (either by statute or regulation) renewable or alternative energy portfolio standards as in effect on January 1, 2014, or, in states without a standard, qualify under that state’s renewable energy goals as a renewable resource (either by statute or regulation) as in effect on January 1, 2014. The resource must qualify as a renewable or alternative energy generating resource in the state in which it is geographically located;
3. participate in a Forward Capacity Auction for a Capacity Commitment Period beginning on or after June 1, 2018 as a New Generating Capacity Resource or New Demand Capacity Resource pursuant to Section III.13.1.1, and;
4. has been designated for treatment as a Renewable Technology Resource pursuant to Section III.13.1.1.2.9.

An Export De-List Bid or Administrative Export De-List Bid may not be submitted for Generating Capacity Resources that assumed a Capacity Supply Obligation by participating in a Forward Capacity Auction as a Renewable Technology Resource.

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

For a resource to qualify as a New Generating Capacity Resource, the resource’s Project Sponsor must make two separate submissions to the ISO: First, the Project Sponsor must submit a New Capacity Show of Interest Form during the New Capacity Show of Interest Submission Window. Second, the Project Sponsor must submit a New Capacity Qualification Package no later than the New Capacity Qualification Deadline. Each of these submissions is described in more detail in this Section III.13.1.1.2. The Project Sponsor must also have, or in the case of an Import Capacity Resource seeking to qualify with an Elective Transmission Upgrade be associated with, a valid Interconnection Request under Schedules 22, 23 or 25 of Section II of the Transmission, Markets and Services Tariff prior to submitting a New Capacity Show of Interest Form during the New Capacity Show of Interest Submission Window. Both the New Capacity Show of Interest Form and the New Capacity Qualification Package are required regardless of the status of the project under the interconnection procedures described in Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff. Neither the New Capacity Show of Interest Form nor the New Capacity Qualification Package constitutes an Interconnection Request. A Project Sponsor may withdraw from the qualification process at any time prior to three Business Days before the submission of the FCM Deposit pursuant to Section III.13.1.9.1 by providing written notification of such withdrawal to the ISO. Any withdrawal, whether pursuant to this provision or as determined by the ISO (for example as described in Section III.13.1.1.2.1 or Section III.13.1.9.3), shall be irrevocable. The Project Sponsor of a withdrawn application is subject to reconciliation of its Qualification Process Cost Reimbursement Deposit described in Section III.13.1.9.3. None of the provisions of this Section III.13.1, including the initial interconnection analysis and the analysis of overlapping interconnection impacts, supersedes, replaces, or satisfies any of the requirements of Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff, except as specifically provided thereunder. Determinations by the ISO pursuant to this Section III.13.1.1.2, including the initial interconnection analysis and the analysis of overlapping interconnection impacts, are for purposes of qualification for participation in the Forward Capacity Auction only, and do not constitute a right or approval to interconnect, and do not guarantee the ability to interconnect.

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

Except as otherwise provided in this Section III.13.1.1.2.1, for each resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Generating Capacity Resource, the Project Sponsor must submit to the ISO a New Capacity Show of Interest Form as described in this Section III.13.1.1.2.1 during the New Capacity Show of Interest Submission Window. After submission of a New Capacity Show of Interest Form, Material Modification (as defined in Section 4.4 of Schedule 22, Section 1.5 of Schedule 23, or Section 4.4 of Schedule 25 of Section II of the Transmission, Markets and Services Tariff) may not be made to the information contained therein or the New Capacity Show of Interest Form shall be considered withdrawn. No change that may result in a reduction in capacity may be made to a project described in a New Capacity Show of Interest Form or New Capacity Qualification Package between the date that is 150 days before the start of the Forward Capacity Auction and the deadline for qualification determination notifications described in Section III.13.1.1.2.8.

(a) A completed New Capacity Show of Interest Form shall include the following information, to the extent the information is not already provided under an active Interconnection Request under Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff, and other such information necessary to evaluate a project: the project name; the Project Sponsor’s contact information; the Project Sponsor’s ISO customer status; the date by which the project is expected to achieve Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff); the project address or location, and if relevant, asset identification number; the status of the project under the interconnection procedures described in Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff; whether the resource has ever previously had a Capacity Supply Obligation or previously received payment as a capacity resource pursuant to the market rules in effect prior to June 1, 2010; the capacity (in MW) of the New Generating Capacity Resource; the Economic Minimum Limit (in MW) of the New Generating Capacity Resource; a general description of the project’s equipment configuration, including a description of the resource type (such as those listed in the table in Section III.A.21 or some other type); a simple location plan and a one-line diagram of the plant and station facilities, including any known transmission facilities; the location of the proposed interconnection; and other specific project data as set forth in the New Capacity Show of Interest Form. The ISO may waive the submission of any information not required for evaluation of a project. A completed New Capacity Show of Interest Form shall also specify the Queue Position associated with the project pursuant to Section 4.1 of Schedule 22, Section 1.5 of Schedule 23 or Section 4.1 of Schedule 25 of Section II of the Transmission, Markets and Services Tariff. In the case of a resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Generating Capacity Resource that is supported by an Internal Elective Transmission Upgrade, all Queue Positions associated with the project must be submitted in the New Capacity Show of Interest Form. Submittal of the Interconnection Request may take place prior to the qualification process described here, but no later than the date on which the New Capacity Show of Interest Form is submitted to the ISO; however, the Interconnection Customer Interconnection Request must still be active and consistent with the project described in the New Capacity Show of Interest Form as well as the New Capacity Qualification Package to be submitted as described in Section III.13.1.1.2.2.

(b) The Project Sponsor must submit with the New Capacity Show of Interest Form, documentation demonstrating that the Project Sponsor has already achieved control of the project site for the duration of the relevant Capacity Commitment Period pursuant to Section III.13.1.1.2.2.1.

(c) In the New Capacity Show of Interest Form, the Project Sponsor must indicate if the New Generating Capacity Resource is incremental capacity associated with a resource that previously had a Capacity Supply Obligation or previously received payment as a capacity resource pursuant to the market rules in effect prior to June 1, 2010 as discussed in Section III.13.1.1.1.3, or if the New Generating Capacity Resource is incremental capacity associated with a resource previously listed as a capacity resource that has been de-rated for three or more years at the time of the Forward Capacity Auction, as discussed in Section III.13.1.1.1.4.

(d) [Reserved.]

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

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

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

**III.13.1.1.2.2.1. Site Control.**

For all Forward Capacity Auctions and reconfiguration auctions, the Project Sponsor must achieve, prior to the close of the New Capacity Show of Interest Submission Window, control of the project site for the duration of the relevant Capacity Commitment Period, which shall be as defined in Section 4.1 of Schedule 22, Section 1.5 of Schedule 23 or Section 4.1 of Schedule 25 of Section II of the Transmission, Markets and Services Tariff.

**III.13.1.1.2.2.2. Critical Path Schedule.**

In the New Capacity Qualification Package, the Project Sponsor must provide a critical path schedule for the project with sufficient detail to allow the ISO to evaluate the feasibility of the project being built and the feasibility that the project will meet the requirement that the project achieve all its critical path schedule milestones no later than the start of the relevant Capacity Commitment Period. The critical path schedule shall include, at a minimum, the dates on which the following milestones have or are expected to occur:

(a) **Major Permits**. In the New Capacity Qualification Package, the Project Sponsor must list all major permits required for the project, and for each major permit, the Project Sponsor must list the agency requiring the permit, the date on which application for the permit is expected to be made, and the expected date of approval. Major permits shall include, but are not limited to: (i) all federal and state permits; and (ii) local, regional, and town permits. The permitting and installation process associated with any major ancillary infrastructure (such as new gas pipelines, new water supply systems, or large storage tanks) should be included in this portion of the New Capacity Qualification Package.

(b) **Project Financing Closing**. In the New Capacity Qualification Package, the Project Sponsor shall provide (i) the estimated dollar amount of required project financing; (ii) the expected sources of that financing; and (iii) the expected closing date(s) for the project financing.

(c) **Major Equipment Orders**. In the New Capacity Qualification Package, the Project Sponsor must provide a list of all of the major components necessary for the project, and the date or dates on which all major components necessary for the project have been or are expected to be ordered. Although the specific technology will determine the list of major components to be included, the list shall include, to the extent applicable: (i) electric generators which may include equipment such as fuel cells or solar photovoltaic equipment; (ii) turbines; (iii) step-up transformers; (iv) relay panels (v) distributed control systems; and (vi) any other single piece of equipment or system such as a cooling water system, steam generation, steam handling system, water treatment system, fuel handling system or emissions control system that is not included as a sub-component of other equipment listed in this Section III.13.1.1.2.2.2(c) and that accounts for more than five percent of the total project cost. For an Import Capacity Resource associated with an Elective Transmission Upgrade that has not yet achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff, major components shall also include, to the extent applicable, transmission facilities and associated substation equipment.

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

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

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

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

(h) **Commercial Operation**. In the New Capacity Qualification Package, the Project Sponsor must provide the date by which the project is expected to achieve Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff) and/or the date by which the Project Sponsor expects to be ready to demonstrate to the ISO that the Demand Capacity Resource described in the New Demand Capacity Resource Qualification Package has achieved its full demand reduction value. This date must be no later than the start of the Capacity Commitment Period associated with the Forward Capacity Auction.

**III.13.1.1.2.2.3. Offer Information**.

(a) All New Generating Capacity Resources that might submit offers in the Forward Capacity Auction at prices below the relevant Offer Review Trigger Price must include in the New Capacity Qualification Package the lowest price at which the resource requests to offer capacity in the Forward Capacity Auction and supporting documentation justifying that price as competitive in light of the resource’s costs (as described in Section III.A.21). This price is subject to review by the Internal Market Monitor pursuant to Section III.A.21.2 and must include the additional documentation described in that Section.

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

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

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

In the New Capacity Qualification Package, the Project Sponsor must specify whether, if its New Capacity Offer clears in the Forward Capacity Auction, the associated Capacity Supply Obligation and Capacity Clearing Price (indexed for inflation) shall continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, for up to six additional and consecutive Capacity Commitment Periods, in whole Capacity Commitment Period increments only. For incremental capacity qualified pursuant to Section III.13.1.1.1.3.A, this election shall apply to both the incremental amount of capacity and the existing Qualified Capacity matched to the incremental capacity at the same generating resource. If no such election is made in the New Capacity Qualification Package, the Capacity Supply Obligation and Capacity Clearing Price associated with the New Capacity Offer shall apply only for the Capacity Commitment Period associated with the Forward Capacity Auction in which the New Capacity Offer clears. If a New Capacity Offer clears in the Forward Capacity Auction, the capacity associated with the resulting Capacity Supply Obligation may not be subject to any type of de-list or export bid in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply pursuant to this Section III.13.1.1.2.2.4.

**III.13.1.1.2.2.5. Additional Requirements for Resources Previously Counted As Capacity**.

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

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

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

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

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

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

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

(b) measured and recorded site-specific summer and winter data relevant to the expected performance of the Intermittent Power Resource (including wind speed data for wind resources, water flow data for run-of-river hydropower resources, and irradiance data for solar resources) that, with the other information provided in the New Capacity Qualification Package, will enable the ISO to confirm the summer and winter Qualified Capacity that the Project Sponsor claims for the Intermittent Power Resource.

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

(a) For each New Generating Capacity Resource, the ISO shall perform an initial interconnection analysis, including an analysis of overlapping interconnection impacts, based on the information provided in the New Capacity Show of Interest Form and shall determine the amount of capacity that the resource could provide by the start of the associated Capacity Commitment Period. The initial interconnection analysis shall be performed consistent with the criteria and conditions described in ISO New England Planning Procedures, and will include, but will not be limited to, a power flow analysis and a short circuit analysis. No initial interconnection analysis is required where the total requested Qualified Capacity of a New Generating Capacity Resource pursuant to Sections III.13.1.1.2, III.13.1.1.3, III.13.1.1.4, or III.13.1.1.6 can be realized without a Material Modification (as defined in Section 4.4 of Schedule 22, Section 1.5 of Schedule 23 and Section 4.4 of Schedule 25 of Section II of the Transmission, Markets and Services Tariff). The ISO will perform the initial interconnection analysis in the form of a group study that will include all the projects that have submitted a New Capacity Show of Interest Form to participate in the same Capacity Commitment Period (as described in Section 4.1 of Schedule 22 and Section 1.5 of Schedule 23 of Section II of the Transmission, Markets and Services Tariff). Participation in an initial interconnection analysis is a requirement for obtaining Capacity Network Resource Interconnection Service or Capacity Network Import Interconnection Service in a manner that meets the Capacity Capability Interconnection Standard in accordance with the provisions in Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff.

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

described in Section III.13.1.1.2.5.

(c) If as a result of the initial interconnection analysis, the ISO determines that the interconnection facilities and upgrades identified in the qualification process that are necessary to enable the New Generating Capacity Resource to provide capacity indicated in the New Capacity Show of Interest Form cannot be implemented before the start of the Capacity Commitment Period and the New Generating Capacity Resource cannot provide any capacity without those facilities and upgrades, the resource shall not be accepted for participation in the Forward Capacity Auction. In this case, the ISO will provide an explanation of its determination in the qualification determination notification, discussed in Section III.13.1.1.2.8.

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

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

(f) Where, as a result of the initial interconnection analysis, the ISO determines that because of overlapping interconnection impacts, New Generating Capacity Resources that are otherwise accepted for participation in the Forward Capacity Auction in accordance with the other provisions and requirements of this Section III.13.1 cannot provide the full amount of capacity that they each would otherwise be able to provide (in the absence of the other relevant Existing Generating Capacity Resources and New Generating Capacity Resources seeking to qualify for the Forward Capacity Auction), those New Generating Capacity Resources will be accepted for participation in the Forward Capacity Auction on the basis of their Queue Position, as described in Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff, with priority given to resources that entered the queue earlier. Resources with lower priority in the queue may be accepted partially. Starting with the fourth auction, a New Generating Capacity Resource that meets the requirements of this Section III.13.1, but that would not be accepted for participation in the Forward Capacity Auction as a result of overlapping interconnection impacts with another resource having a higher priority in the queue may be accepted for participation in the Forward Capacity Auction as a Conditional Qualified New Resource, as described in Section III.13.2.3.2(f), provided that the resource having a higher priority in the queue is not a resource offering capacity into the Forward Capacity Auction pursuant to Section III.13.2.3.2(e).

(g) New Generating Capacity Resources, or portions thereof, shall not be considered to have met their Capacity Supply Obligation for the purposes of this Forward Capacity Market and shall not receive compensation if any upgrades to be completed by the Project Sponsor required to remove overlapping interconnection impacts as identified in (f) have not been completed, including, any upgrades identified in a re­study pursuant to Section 3.2.1.3 of Schedule 22, Section 1.7.1.3 of Schedule 23, or Section 3.2.1.3 of Schedule 25 of Section II of the Transmission, Markets and Services Tariff in time for the Capacity Commitment Period unless the Capacity Supply Obligation is appropriately covered.

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

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

(a) whether the New Capacity Qualification Package contains all of the elements required by this Section III.13.1.1.2;

(b) whether the critical path schedule includes all necessary elements and is sufficiently developed;

(c) whether the milestones in the critical path schedule are reasonable and likely to be met;

(d) whether, in the case of a resource previously counted as a capacity resource, the requirements for treatment as a New Generating Capacity Resource are satisfied; and

(e) whether, in the case of an Intermittent Power Resource, sufficient data for confirming the resource’s claimed summer and winter Qualified Capacity is provided, and whether the data provided reasonably supports the claimed summer and winter Qualified Capacity.

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

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

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

**III.13.1.1.2.5.2. [Reserved]**

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

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

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

Where, as discussed in Section III.13.1.1.1.1(c), a New Generating Capacity Resource was accepted for participation in a previous Forward Capacity Auction, but cleared less than its summer or winter Qualified Capacity in that previous Forward Capacity Auction and is having its critical path schedule monitored by the ISO as described in Section III.13.3, its summer and winter Qualified Capacity as a New Generating Capacity Resource in the instant Forward Capacity Auction shall be the summer and winter Qualified Capacity from the previous Forward Capacity Auction minus the amount of capacity clearing from the New Generating Capacity Resource in the previous Forward Capacity Auction. The FCA Qualified Capacity for such a resource shall be the lesser of the resource’s summer Qualified Capacity and winter Qualified Capacity, as adjusted to account for applicable offers composed of separate resources. The amount of capacity clearing in a Forward Capacity Auction from a New Generating Capacity Resource shall be treated as an Existing Generating Capacity Resource in subsequent Forward Capacity Auctions.

**III.13.1.1.2.6. [Reserved.]**

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

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

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

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

(a) whether the New Generating Capacity Resource has been accepted for participation in the Forward Capacity Auction as a result of the initial interconnection analysis made pursuant to Section III.13.1.1.2.3, and if not accepted, an explanation of the reasons the New Generating Capacity Resource was not accepted in the initial interconnection analysis;

(b) whether the New Generating Capacity Resource has been accepted for participation in the Forward Capacity Auction as a result of the New Capacity Qualification Package evaluation made pursuant to Section III.13.1.1.2.4, and if not accepted, an explanation of the reasons the New Generating Capacity Resource’s New Capacity Qualification Package was not accepted;

(c) if accepted for participation in the Forward Capacity Auction, a list of the facilities that may be required to complete the interconnection for purposes of providing capacity and time required to construct those facilities by the start of the associated Capacity Commitment Period, as discussed in Section III.13.1.1.2.3(d);

(d) if accepted for participation in the Forward Capacity Auction, the New Generating Capacity Resource’s summer Qualified Capacity and winter Qualified Capacity, as determined pursuant to Section III.13.1.1.2.5;

(e) if accepted for participation in the Forward Capacity Auction, but subject to the provisions of Section III.13.1.1.2.3(f) (where not all New Generating Capacity Resources can be interconnected due to their combined effects on the New England Transmission System), a description of how the New Generating Capacity Resource shall participate in the Forward Capacity Auction, including, for the fourth and future auctions: (i) whether the resource shall participate as a Conditional Qualified New Resource; (ii) for the notification to a Conditional Qualified New Resource, the Queue Position of the associated resource with higher queue priority; and (iii) for the notification to a resource with higher queue priority than a Conditional Qualified New Resource, the Queue Position of the Conditional Qualified New Resource; and

(f) if accepted for participation in the Forward Capacity Auction and requesting to submit offers at prices below the relevant Offer Review Trigger Price pursuant to Section III.13.1.1.2.2.3, the Internal Market Monitor’s determination regarding whether the requested offer price is consistent with the long run average costs of that New Generating Capacity Resource.

**III.13.1.1.2.9 Renewable Technology Resource Election.**

A Project Sponsor or Market Participant electing Renewable Technology Resource treatment for the FCA Qualified Capacity of a New Generating Capacity Resource or New Demand Capacity Resource shall submit a Renewable Technology Resource election form no later than five Business Days after the date on which the ISO provides qualification determination notifications pursuant to Section III.13.1.1.2.8 or Section III.13.1.4.1.1.6. Only the portion of the FCA Qualified Capacity of the resource that meets the requirements of Section III.13.1.1.1.7 is eligible for treatment as a Renewable Technology Resource.

Renewable Technology Resource elections may not be modified or withdrawn after the deadline for submission of the Renewable Technology Resource election form.

The submission of a Renewable Technology Resource election that satisfies the requirements of Section III.13.1.1.1.7 will invalidate a prior multi-year Capacity Supply Obligation and Capacity Clearing Price election for the same resource made pursuant to Section III.13.1.4.1.1.2.7 or Section III.13.1.1.2.2.4 for a Forward Capacity Auction.

**III.13.1.1.2.10 Determination of Renewable Technology Resource Qualified Capacity.**

1. If the total FCA Qualified Capacity of Renewable Technology Resources exceeds the cap specified in subsections (b), (c) and (d) the qualified capacity value of each resource shall be prorated by the ratio of the cap divided by the total FCA Qualified Capacity. The ISO shall notify the Project Sponsor or Market Participant, as applicable, of the Qualified Capacity value of its resource no more than three Business Days after the deadline for submitting Renewable Technology Resource elections.
2. The cap for the Capacity Commitment Period beginning on June 1, 2018 is 200 MW.
3. The cap for the Capacity Commitment Period beginning on June 1, 2019 is 400 MW minus the amount of Capacity Supply Obligations acquired by Renewable Technology Resources that are New Generating Capacity Resources pursuant to Section III.13.2 in the prior Capacity Commitment Period.
4. The cap for each Capacity Commitment Period beginning on or after June 1, 2020 is 600 MW minus the amount of Capacity Supply Obligations acquired by Renewable Technology Resources that are New Generating Capacity Resources pursuant to Section III.13.2 in the prior two Capacity Commitment Periods.

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

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

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

Any resource that does not satisfy the criteria for participating in the Forward Capacity Auction as a New Generating Capacity Resource (Section III.13.1.1), as an Existing Import Capacity Resource or New Import Capacity Resource (Section III.13.1.3), or as a New Demand Capacity Resource or Existing Demand Capacity Resource (Section III.13.1.4) shall be an Existing Generating Capacity Resource.

**III.13.1.2.1.1. Attributes of Existing Generating Capacity Resources.**

For purposes of Forward Capacity Auction qualification, a Market Participant may not change any Existing Generating Capacity Resource attribute (including but not limited to the resource’s status as an Intermittent Power Resource) in the period beginning 25 Business Days prior to the Existing Capacity Retirement Deadline and ending with the conclusion of the Forward Capacity Auction. Outside of this period, any such change must be accompanied by documentation justifying the change.

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

**III.13.1.2.2.1. Existing Generating Capacity Resources Other Than Intermittent Power Resources.**

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

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

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

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

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

The summer and winter Qualified Capacity for an Existing Generating Capacity Resource that is an Intermittent Power Resource shall be calculated as follows:

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

(a) With regard to any Forward Capacity Auction qualification process, for each of the previous five summer periods, the ISO shall determine the median of the Intermittent Power Resource’s net output in the Summer Intermittent Reliability Hours. If there are less than five full summer periods since the Intermittent Power Resource achieved FCM Commercial Operation, the ISO shall determine the median of the Intermittent Power Resource’s net output in each of the previous summer periods, or portion thereof, since the Intermittent Power Resource achieved FCM Commercial Operation.

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

(c) The Summer Intermittent Reliability Hours shall be hours ending 1400 through 1800 each day of the summer period (June through September) and all summer period hours in which there was a system-wide Capacity Scarcity Condition and if the Intermittent Power Resource was in an import-constrained Capacity Zone, all Capacity Scarcity Conditions in that Capacity Zone.

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

**III.13.1.2.2.2.2. Winter Qualified Capacity for an Intermittent Power Resource.**

(a) With regard to any Forward Capacity Auction qualification process, for each of the previous five winter periods, the ISO shall determine the median of the Intermittent Power Resource’s net output in the Winter Intermittent Reliability Hours. If there are less than five full summer periods since the Intermittent Power Resource achieved FCM Commercial Operation, the ISO shall determine the median of the Intermittent Power Resource’s net output in each of the previous winter periods, or portion thereof, since the Intermittent Power Resource achieved FCM Commercial Operation.

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

(c) The Winter Intermittent Reliability Hours shall be hours ending 1800 and 1900 each day of the winter period (October through May) and all winter period hours in which there was a system-wide Capacity Scarcity Condition and if the Intermittent Power Resource was in an import-constrained Capacity Zone, all Capacity Scarcity Conditions in that Capacity Zone.

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

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

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

(b) Where an Existing Generating Capacity Resource is associated with a New Generating Capacity Resource that was accepted for participation in a previous Forward Capacity Auction qualification process and that cleared in a previous Forward Capacity Auction, then in each subsequent Forward Capacity Auction until the New Generating Capacity Resource achieves FCM Commercial Operation the winter Qualified Capacity of that Existing Generating Capacity Resource shall be the sum of [the median of that Existing Generating Capacity Resource’s positive winter Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day of June of each year, calculated in a manner consistent with Section III.13.1.2.2.1.2] plus [the amount of the New Generating Capacity Resource’s capacity clearing in previous Forward Capacity Auctions]. After the New Generating Capacity Resource achieves FCM Commercial Operation, the Existing Generating Capacity Resource’s winter Qualified Capacity shall be calculated as described in Section III.13.1.2.2.1.2, except that no data from the time period prior to the New Generating Capacity Resource’s FCM Commercial Operation date shall be used to determine the winter Qualified Capacity associated with the Existing Generating Capacity Resource.

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

Where the most recent summer Seasonal Claimed Capability, as of the fifth Business Day in October, of an Existing Generating Capacity Resource (other than a Settlement Only Resource or an Intermittent Power Resource) is below its summer Qualified Capacity, as determined pursuant to Section III.13.1.2.2.1.1, by:

(1) for Capacity Commitment Periods beginning prior to June 1, 2023, more than the lesser of 20 percent of that summer Qualified Capacity or 40 MW;

(2) for Capacity Commitment Periods beginning on or after June 1, 2023, more than the lesser of:

(i) the greater of 10 percent of the amount of capacity from that resource that is subject to a Capacity Supply Obligation for that month or two MW, or;

(ii) 10 MW;

then the Lead Market Participant must elect one of the two treatments described in this Section III.13.1.2.2.4 by the Existing Capacity Retirement Deadline. If the Lead Market Participant makes no election, or elects treatment pursuant to Section III.13.1.2.2.4(c) and fails to meet the associated requirements, then the treatment described in Section III.13.1.2.2.4(a) shall apply.

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

(b) [Reserved.]

(c) A Lead Market Participant may elect: (i) to submit a critical path schedule as described in Section III.13.1.1.2.2.2, modified as appropriate, describing the measures that will be taken and showing that the Existing Generating Capacity Resource will be able to provide an amount of capacity consistent with the summer Qualified Capacity as calculated pursuant to Section III.13.1.2.2.1.1 by the start of the relevant Capacity Commitment Period; and (ii) to have the Existing Generating Capacity Resource’s summer Qualified Capacity remain as calculated pursuant to Section III.13.1.2.2.1.1 for the Forward Capacity Auction. For an Existing Generating Capacity Resource subject to this election, the critical path schedule monitoring provisions of Section III.13.3 shall apply.

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

Where an Existing Generating Capacity Resource (other than a Settlement Only Resource) meets the requirements of Section III.13.1.1.1.3(a) but not the requirements of Section III.13.1.1.1.3(b), the Lead Market Participant may elect to have the Existing Generating Capacity Resource’s summer Qualified Capacity be the sum of [the median of that Existing Generating Capacity Resource’s positive summer Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day in October of each year, calculated in a manner consistent with Section III.13.1.2.2.1.1] plus [the amount of incremental capacity as described in Section III.13.1.1.1.3(a)]; provided, however, that the Lead Market Participant must abide by all other provisions of this Section III.13 applicable to a resource that is a New Generating Capacity Resource pursuant to Section III.13.1.1.1.3. Such an election must be made in writing and must be received by the ISO no later than the close of the New Capacity Show of Interest Submission Window. If the incremental amount of capacity seeking to participate in the Forward Capacity Auction meets the requirements of this Section, but the incremental amount of capacity does not span the entire Capacity Commitment Period, then the ISO shall match the incremental amount of capacity with excess Qualified Capacity at that same resource, not to exceed the Qualified Capacity of the existing portion of the resource, in order to cover the entire Capacity Commitment Period. This provision shall not apply to Intermittent Power Resources.

**III.13.1.2.2.5.1. [Reserved.]**

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

Where an Existing Generating Capacity Resource, Existing Demand Capacity Resource, or Existing Import Capacity Resource (other than an Intermittent Power Resource) has a summer Qualified Capacity that exceeds its winter Qualified Capacity, both as calculated pursuant to this Section III.13.1.2.2, then that resource must either: (i) offer its summer Qualified Capacity as part of an offer composed of separate resources, as discussed in Section III.13.1.5; or (ii) have its FCA Qualified Capacity administratively set by the ISO to the lesser of its summer Qualified Capacity and winter Qualified Capacity.

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

(a) For each Existing Generating Capacity Resource, no later than 20 Business Days before the Existing Capacity Retirement Deadline, the ISO will notify the resource’s Lead Market Participant of the resource’s summer Qualified Capacity and winter Qualified Capacity and the Load Zone in which the Existing Generating Capacity Resource is located.

(b) If the Lead Market Participant believes that the ISO has made a mathematical error in calculating the summer Qualified Capacity or winter Qualified Capacity for an Existing Generating Capacity Resource as described in Section III.13.1.2.2, then the Lead Market Participant must notify the ISO within five Business Days of receipt of the Qualified Capacity notification.

(c) The ISO shall notify the Lead Market Participant of the outcome of any such challenge no later than 10 Business Days before the Existing Capacity Retirement Deadline. If an Existing Generating Capacity Resource does not submit a Static De-List Bid, an Export Bid, an Administrative Export De-List Bid, a Permanent De-List Bid, or a Retirement De-List Bid in the Forward Capacity Auction qualification process, then the resource shall be entered into the Forward Capacity Auction as described in Section III.13.2.3.2(c).

**III.13.1.2.3.1. Existing Capacity Retirement Package and Existing Capacity Qualification Package.**

A resource that previously has been deactivated pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions) and seeks to reactivate and participate in the Forward Capacity Market as an Existing Generating Capacity Resource must submit a reactivation plan no later than 15 Business Days before the Existing Capacity Retirement Deadline, as described in Section III.13.1.1.1.6(b). All Permanent De-List Bids and Retirement De-List Bids in the Forward Capacity Auction must be detailed in an Existing Capacity Retirement Package submitted to the ISO no later than the Existing Capacity Retirement Deadline. All Static De-List Bids, Export Bids and Administrative Export De-List Bids in the Forward Capacity Auction must be detailed in an Existing Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline. Permanent De-List Bids and Retirement De-List Bids may not be modified or withdrawn after the Existing Capacity Retirement Deadline, except as provided for in Section III.13.1.2.4.1. All Static De-List Bids, Export Bids, and Administrative Export De-List Bids submitted in the qualification process may not be modified or withdrawn after the Existing Capacity Qualification Deadline, except as provided for in Section III.13.1.2.3.1.1. An Existing Generating Capacity Resource may not submit a Static De-List Bid, Export Bid, Administrative Export De-List Bid, Permanent De-List Bid, or Retirement De-List Bid for an amount of capacity greater than its summer Qualified Capacity, unless the submittal is for the entire resource. Where a resource elected pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7 to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, the capacity associated with any resulting Capacity Supply Obligation may not be subject to any type of de-list or export bid in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply. For a single resource, a Lead Market Participant may combine a Static De-List Bid, an Export Bid, and an Administrative Export De-List Bid; neither a Permanent De-List Bid nor a Retirement De-List Bid may be combined with any other type of de-list or export bid.

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

**III.13.1.2.3.1.A Dynamic De-List Bid Threshold.**

The Dynamic De-List Bid Threshold for a Forward Capacity Auction is $5.50/kW-month. The Dynamic De-List Bid Threshold shall be recalculated no less often than once every three years. When the Dynamic De-List Bid Threshold is recalculated, the Internal Market Monitor will review the results of the recalculation with stakeholders.

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

A Lead Market Participant with an Existing Capacity Resource, or a portion thereof, seeking to specify a price below which it would not accept a Capacity Supply Obligation for that resource, or a portion thereof, at prices at or above the Dynamic De-List Bid Threshold during a single Capacity Commitment Period may submit a Static De-List Bid in the associated Forward Capacity Auction qualification process. A Static De-List Bid may not result in a resource’s Capacity Supply Obligation being less than its Economic Minimum Limit except where the resource submits de-list and export bids totaling the resource’s full summer Qualified Capacity. Each Static De-List Bid must be detailed in an Existing Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline, and must be in the form of a curve (up to five price-quantity pairs). The curve may in no case increase the quantity offered as the price decreases. All Static De-List Bids are subject to a reliability review as described in Section III.13.2.5.2.5. Static De-List Bids are subject to review by the Internal Market Monitor pursuant to Section III.13.1.2.3.2 and must include the additional documentation described in that section. With the submission of a Static De-List Bid, the Lead Market Participant must notify the ISO if the Existing Capacity Resource will not be participating in the energy and ancillary services markets during the Capacity Commitment Period (except for necessary audits or tests).

No later than seven days after the issuance by the ISO of the qualification determination notification described in Section III.13.1.2.4(b), a Lead Market Participant that submitted a Static De-List Bid may: (a) lower the price of any price-quantity pair of a Static De-List Bid, provided that the revised price is greater than or equal to the Dynamic De-List Bid Threshold, or; (b) withdraw any price-quantity pair of a Static De-List Bid.

**III.13.1.2.3.1.2. [Reserved.]**

**III.13.1.2.3.1.3. Export Bids.**

An Existing Generating Capacity Resource within the New England Control Area, other than an Intermittent Power Resource or a Renewable Technology Resource, seeking to export all or part of its capacity during a Capacity Commitment Period may submit an Export Bid in the associated Forward Capacity Auction qualification process. An Export Bid may not result in a resource’s Capacity Supply Obligation being less than its Economic Minimum Limit except where the resource submits de-list and export bids totaling the resource’s full summer Qualified Capacity. All Export Bids are subject to a reliability review as described in Section III.13.2.5.2.5. Export Bids at or above the Dynamic De-List Bid Threshold are subject to review by the Internal Market Monitor pursuant to Section III.13.1.2.3.2 and must include the additional information described in that Section. Each Export Bid must be detailed in an Existing Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline, and must be in the form of a curve (up to five price-quantity pairs) associated with a specific Existing Generating Capacity Resource. The curve may in no case increase the quantity offered as the price decreases. Each price-quantity pair must be less than the Forward Capacity Auction Starting Price. The Existing Capacity Qualification Package for each Export Bid must also specify the interface over which the capacity will be exported. Export Bids shall be entered into the Forward Capacity Auction pursuant to Section III.13.2.3.2(b).

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

An Existing Generating Capacity Resource other than an Intermittent Power Resource or a Renewable Technology Resource subject to a multiyear contract to sell capacity outside of the New England Control Area during the Capacity Commitment Period that either: (i) cleared as an Export Bid in a previous Forward Capacity Auction for a Capacity Commitment Period within the duration of the contract; or (ii) entered into a contract prior to April 30, 2007 to sell capacity outside of the New England Control Area during the Capacity Commitment Period, may submit an Administrative Export De-List Bid in the associated Forward Capacity Auction qualification process. An Administrative Export De-List Bid may not result in a resource’s Capacity Supply Obligation being less than its Economic Minimum Limit except where the resource submits de-list and export bids totaling the resource’s full summer Qualified Capacity. Unless reviewed as an Export Bid in a previous Forward Capacity Auction, an Administrative Export De-List Bid is subject to a reliability review prior to clearing in a Forward Capacity Auction, as described in Section III.13.2.5.2.5, and is subject to review by the Internal Market Monitor in the first Forward Capacity Auction in which it participates, pursuant to Section III.13.1.7. Both the reliability review and the review by the Internal Market Monitor shall be conducted once and shall remain valid for the multiyear contract period. Each Administrative Export De-List Bid must be detailed in an Existing Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline, must be associated with a specific Existing Generating Capacity Resource, and must indicate the quantity of capacity subject to the bid. The Existing Capacity Qualification Package for each Administrative Export De-List Bid must also specify the interface over which the capacity will be exported, and must include documentation demonstrating a contractual obligation to sell capacity outside of the New England Control Area during the whole Capacity Commitment Period. Administrative Export De-List Bids shall be entered into the Forward Capacity Auction pursuant to Section III.13.2.5.2.4.

**III.13.1.2.3.1.5. Permanent De-List Bids and Retirement De-List Bids.**

(a) A Lead Market Participant with an Existing Capacity Resource seeking to specify a price at or below which it would not accept a Capacity Supply Obligation permanently for all or part of a Generating Capacity Resource beginning at the start of a particular Capacity Commitment Period may submit a Permanent De-List Bid in the associated Forward Capacity Auction qualification process.

(b)A Lead Market Participant with an Existing Capacity Resource seeking to specify a price at or below which it would retire all or part of a Generating Capacity Resource from all New England Markets beginning at the start of a particular Capacity Commitment Period may submit a Retirement De-List Bid in the associated Forward Capacity Auction qualification process.

(c) No Permanent De-List Bid or Retirement De-List Bid may result in a resource’s Capacity Supply Obligation being less than its Economic Minimum Limit unless the Permanent De-List Bid or Retirement De-List Bid is for the entire resource. Each Permanent De-List Bid and Retirement De-List Bid must be detailed in an Existing Capacity Retirement Package submitted to the ISO no later than the Existing Capacity Retirement Deadline, and must be in the form of a curve (up to five price-quantity pairs) associated with a specific Existing Capacity Resource. The curve may in no case increase the quantity offered as the price decreases. Permanent De-List Bids and Retirement De-List Bids are subject to review by the Internal Market Monitor pursuant to Section III.13.1.2.3.2.1 and must include the additional documentation described in that section. Once submitted, no Permanent De-List Bid or Retirement De-List Bid may be withdrawn, except as provided in Section III.13.1.2.4.1.

**III.13.1.2.3.1.5.1. Reliability Review of Permanent De-List Bids and Retirement De-List Bids During the Qualification Process.**

During the qualification process, the ISO will review the following de-list bids to determine if the resource is needed for reliability: (1) Internal Market Monitor-accepted Permanent De-List Bids and Internal Market Monitor-accepted Retirement De-List Bids that are at or above the Forward Capacity Auction Starting Price; and (2) Permanent De-List Bids and Retirement De-List Bids for which the Lead Market Participant has opted to have the resource reviewed for reliability as described in Section III.13.1.2.4.1(a) or Section III.13.1.2.4.1(b). The reliability review will be conducted according to Section III.13.2.5.2.5, except as follows:

(a) Permanent De-List Bids and Retirement De-List Bids that cannot be priced (for example, due to the expiration of an operating license) will be reviewed first.

(b) System needs associated with Permanent De-List Bids and Retirement De-List Bids for resources found needed for reliability reasons pursuant to this Section III.13.1.2.3.1.5.1 will be reviewed with the Reliability Committee no later than 30 days after the ISO submits to the Commission the retirement filing described in Section III.13.8.1(a). The Lead Market Participant shall be notified as soon as practicable following the ISO’s consultation with the Reliability Committee that the capacity associated with a Permanent De-List Bid or Retirement De-List Bid is needed for reliability reasons.

(c) If the capacity associated with a Permanent De-List Bid or Retirement De-List Bid is needed for reliability reasons pursuant to this Section III.13.1.2.3.1.5.1, the de-list bid shall be rejected and the resource shall be entered into the Forward Capacity Auction pursuant to Section III.13.2.3.2(c) and compensated according to Section III.13.2.5.2.5, unless the resource declines to be retained for reliability, as provided in Section III.13.1.2.3.1.5.1(d).

(d) No later than 10 Business Days after being informed that a resource is needed for reliability reasons pursuant to this Section III.13.1.2.3.1.5.1, a Lead Market Participant may notify the ISO that it declines to provide the associated capacity for reliability. Such an election will be binding. A resource for which a Lead Market Participant has made such an election will not be eligible for compensation pursuant to Sections III.13.2.5.2.5.1 or III.13.2.5.2.5.2.

(e) Where a resource is determined not to be needed for reliability or where a Lead Market Participant notifies the ISO that it declines to provide capacity for reliability pursuant to Section III.13.1.2.3.1.5.1(d), the capacity associated with the Permanent De-List Bid or Retirement De-List Bid will be treated as follows:

1. For a Retirement De-List Bid at or above the Forward Capacity Auction Starting Price, or a Permanent De-List Bid or Retirement De-List Bid for which a Lead Market Participant has elected to retire the resource pursuant to Section III.13.1.2.4.1(a), the portion of the resource subject to the de-list bid will be retired as permitted by applicable law coincident with the commencement of the Capacity Commitment Period for which the de-list bid was submitted, as described in Section III.13.2.5.2.5.3(a).

1. For a Permanent De-List Bid at or above the Forward Capacity Auction Starting Price for which a Lead Market Participant has not elected to retire the resource pursuant to Section III.13.1.2.4.1(a), the portion of the resource subject to the de-list bid will be permanently de-listed coincident with the commencement of the Capacity Commitment Period for which the de-list bid was submitted, as described in Section III.13.2.5.2.5.3(b).

(iii) For a Permanent De-List Bid or Retirement De-List Bid for which a Lead Market Participant has elected conditional treatment pursuant to Section III.13.1.2.4.1(b), the de-list bid will continue to receive conditional treatment as described in Section III.13.1.2.4.1(b), Section III.13.2.3.2(b)(ii), and Section III.13.2.5.2.1.

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

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

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

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

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

**III.13.1.2.3.1.6.3. Internal Market Monitor Review of Stations having Common Costs**.

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

(i) Calculate the average Asset-Specific Going Forward Costs of each asset at the Station.

(ii) Order the assets from highest average Asset-Specific Going Forward Costs to lowest average Asset-Specific Going Forward Costs; this is the preferred de-list order.

(iii) Calculate and assign to each asset a station cost that is equal to the average cost of the assets remaining at the Station, including Station Going Forward Common Costs, assuming the successive de-listing of each individual asset in preferred de-list order.

(iv) Calculate a set of composite costs that is equal to the maximum of the cost associated with each asset as calculated in (i) and (iii) above.

The Internal Market Monitor will adjust the set of composite costs to ensure a monotonically non-increasing set of bids as follows: any asset with a composite cost that is greater than the composite cost of the asset with the lowest composite cost and that has average Asset-Specific Going Forward Costs that are less than its composite costs will have its composite cost set equal to that of the asset with the lowest composite cost. The bids of the asset with the lowest composite cost and of any assets whose composite costs are so adjusted will be considered a single non-rationable bid for use in the Forward Capacity Auction.

The Internal Market Monitor will compare a de-list bid developed using the adjusted composite costs to the de-list bid submitted by the Existing Generating Capacity Resource that is associated with a Station having Common Costs. If the Internal Market Monitor determines that the submitted de-list bid is less than or equal to the bid developed using the adjusted composite costs, then the bid shall be entered into the Forward Capacity Auction as described in Section III.13.2.3.2(b). If the Internal Market Monitor determines that the submitted de-list bid is greater than the bid developed using the adjusted composite costs or is not consistent with the submitted supporting cost data, then the Internal Market Monitor will establish an Internal Market Monitor-determined or Internal Market Monitor– accepted price for the bid as described in Section III.13.1.2.3.2.1.

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

The Internal Market Monitor shall review bids for Existing Capacity Resources as follows.

**III.13.1.2.3.2.1. Static De-List Bids and Export Bids, Permanent De-List Bids, and Retirement De-List Bids at or Above the Dynamic De-List Bid Threshold**.

The Internal Market Monitor shall review each Static De-List Bid and each Export Bid at or above the Dynamic De-List Bid Threshold to determine whether the bid is consistent with: (1) the Existing Capacity Resource’s net going forward costs (as determined pursuant to Section III.13.1.2.3.2.1.2.A); (2) reasonable expectations about the resource’s Capacity Performance Payments (as determined pursuant to Section III.13.1.2.3.2.1.3); (3) reasonable risk premium assumptions (as determined pursuant to Section III.13.1.2.3.2.1.4); and (4) the resource’s reasonable opportunity costs (as determined pursuant to Section III.13.1.2.3.2.1.5).

The Internal Market Monitor shall review each Permanent De-List Bid greater than 20 MW that is at or above the Dynamic De-List Bid Threshold and each Retirement De-List Bid greater than 20 MW that is at or above the Dynamic De-List Bid Threshold to determine whether the bid is consistent with: (1) the net present value of the resource’s expected cash flows (as determined pursuant to Section III.13.1.2.3.2.1.2.B); (2) reasonable expectations about the resource’s Capacity Performance Payments (as determined pursuant to Section III.13.1.2.3.2.1.3); and (3) the resource’s reasonable opportunity costs (as determined pursuant to Section III.13.1.2.3.2.1.5). If more than one Permanent De-List Bid or Retirement De-List Bid is submitted by a single Lead Market Participant or its Affiliates (as used in Section III.A.24), the Internal Market Monitor shall review each such bid at or above the Dynamic De-List Bid Threshold if the sum of all such bids at or above the Dynamic De-List Bid Threshold is greater than 20 MW. The Internal Market Monitor shall review each Permanent De-List Bid and each Retirement De-List Bid submitted at any price pursuant to Section III.13.2.5.2.1(b) if the sum of the Permanent De-List Bids and Retirement De-List Bids submitted by the Lead Market Participant or its Affiliates (as used in Section III.A.24) is greater than 20 MW. Permanent De-List Bids and Retirement De-List Bids that are not reviewed by the Internal Market Monitor shall be included in the retirement determination notification described in Section III.13.1.2.4(a) and in the filing made to the Commission as described in Section III.13.8.1(a).

Sufficient documentation and information about each bid component must be included in the Existing Capacity Retirement Package or the Existing Capacity Qualification Package to allow the Internal Market Monitor to make the requisite determinations. If a Permanent De-List Bid or Retirement De-List Bid is submitted pursuant to Section III.13.2.5.2.1(b), all relevant updates to previously submitted documentation and information must be provided to support the newly submitted price and allow the Internal Market Monitor to make updated determinations. The updated information may include a request to discontinue the Permanent De-List Bid or Retirement De-List Bid such that it will not be entered into the Forward Capacity Auction, in which case the update must include sufficient supporting information on the nature of resource investments that were undertaken, or other materially changed circumstances, to allow the Internal Market Monitor to determine whether discontinuation is appropriate.

The entire de-list submittal shall be accompanied by an affidavit executed by a corporate officer attesting to the accuracy of its content, including reported costs, the reasonableness of the estimates and adjustments of costs that would otherwise be avoided if the resource were not required to meet the obligations of a listed resource, and the reasonableness of the expectations and assumptions regarding Capacity Performance Payments, cash flows, opportunity costs, and risk premiums, and shall be subject to audit upon request by the ISO.

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

The Internal Market Monitor may seek additional information from the Lead Market Participant (including information about the other existing or potential new resources controlled by the Lead Market Participant) after the qualification deadline to address any questions or concerns regarding the data submitted, as appropriate. The Internal Market Monitor shall review all relevant information (including data, studies, and assumptions) to determine whether the bid is consistent with the resource’s net going forward costs, reasonable expectations about the resource’s Capacity Performance Payments, reasonable risk premium assumptions, and reasonable opportunity costs. In making this determination, the Internal Market Monitor shall consider, among other things, industry standards, market conditions (including published indices and projections), resource-specific characteristics and conditions, portfolio size, and consistency of assumptions across that portfolio.

**III.13.1.2.3.2.1.1.1. Review of Static De-List Bids and Export Bids.**

If the Internal Market Monitor determines, after due consideration and consultation with the Lead Market Participant, as appropriate, that a Static De-List Bid or an Export Bid is not consistent with the sum of the resource’s net going forward costs plus reasonable expectations about the resource’s Capacity Performance Payments plus reasonable risk premium assumptions plus reasonable opportunity costs, then the Internal Market Monitor will establish an Internal Market Monitor-determined price for the bid that is consistent with its determination of the foregoing. If an Internal Market Monitor-determined price is established for a Static De-List Bid or an Export Bid, both the qualification determination notification described in Section III.13.1.2.4 and the informational filing made to the Commission as described in Section III.13.8.1(c) shall include an explanation of the Internal Market Monitor-determined price based on the Internal Market Monitor review and the resource’s net going forward costs, reasonable expectations about the resource’s Capacity Performance Payments, reasonable risk premium assumptions, and reasonable opportunity costs as determined by the Internal Market Monitor.

**III.13.1.2.3.2.1.1.2. Review of Permanent De-List Bids and Retirement De-List Bids.**

The Internal Market Monitor shall review those Permanent De-List Bids and Retirement De-List Bids identified in Section III.13.1.2.3.2.1 and, after due consideration and consultation with the Lead Market Participant, as appropriate, shalldevelop an Internal Market Monitor-accepted Permanent De-List Bid or an Internal Market Monitor-accepted Retirement De-List Bid. The Internal Market Monitor-accepted Permanent De-List Bid and Internal Market Monitor-accepted Retirement De-List Bid shall be equal to the Permanent De-List Bid or Retirement De-List Bid submitted by the Lead Market Participant unless the de-list bid price(s) submitted by the Lead Market Participant are more than 10% greater than the Internal Market Monitor-accepted de-list bid price(s) for the same de-list bid. If the de-list bid price(s) submitted by the Lead Market Participant are more than 10% greater than the Internal Market Monitor-accepted de-list bid price(s), the Internal Market Monitor shall calculate an Internal Market Monitor-accepted Permanent De-List Bid or Internal Market-Monitor-accepted Retirement De-List Bid that is consistent with the sum of the net present value of the resource’s expected cash flows plus reasonable expectations about the resource’s Capacity Performance Payments plus reasonable opportunity costs.

The retirement determination notification described in Section III.13.1.2.4(a) and the filing made to the Commission as described in Section III.13.8.1(a) shall include an explanation of the Internal Market Monitor-accepted price and the Internal Market Monitor determination on any request to discontinue the Permanent De-List Bid or Retirement De-List Bid.

**III.13.1.2.3.2.1.2.A. Static De-List Bid and Export Bid Net Going Forward Costs**.

The Lead Market Participant for an Existing Capacity Resource that submits a Static De-List Bid or an Export Bid at or above the Dynamic De-List Bid Threshold that is to be reviewed by the Internal Market Monitor shall report net going forward costs in a manner and format specified by the Internal Market Monitor, and may supplement this information with other evidence. A Static De-List Bid or Export Bid at or above the Dynamic De-List Bid Threshold shall be considered consistent with the Existing Capacity Resource’s net going forward costs based on a review of the data submitted in the following formula. To the extent possible, all costs and operational data used in this calculation shall be the cumulative actual data for the Existing Capacity Resource from the most recent full Capacity Commitment Period available.

[*GFC – (IMR – PER)]* x *InfIndex*

(*CQSummer, kw*)x (12,*months*)

Where:

GFC = annual going forward costs, in dollars. These are costs that might otherwise be avoided or not incurred if the resource were not subject to the obligations of a listed capacity resource during the Capacity Commitment Period (i.e., maintaining a constant condition of being ready to respond to commitment and dispatch orders). Costs that are not avoidable in a single Capacity Commitment Period and costs associated with the production of energy are not to be included. Service of debt is not a going forward cost. Staffing, maintenance, capital expenses, and other normal expenses that would be avoided only in the absence of a Capacity Supply Obligation may be included. Staffing, maintenance, capital expenses, and other normal expenses that would be avoided only if the resource were not participating in the energy and ancillary services markets may not be included, except in the case of a resource that has indicated in the submission of a Static De-List Bid that the resource will not be participating in the energy and ancillary services markets during the Capacity Commitment Period. To the extent that the Capacity Commitment Period data used to calculate these data do not reflect known and measurable costs that would or are likely to be incurred in the relevant Capacity Commitment Period, the Internal Market Monitor shall also consider adjustments submitted, provided the costs are based on known and measurable conditions and supported by appropriate documentation to reflect those costs.

CQSummerkW = capacity seeking to de-list in kW. In no case shall this value exceed the resource’s summer Qualified Capacity.

IMR = annual infra-marginal rents, in dollars. In the case of a resource that has indicated in the submission of a Static De-List Bid that the resource will not be participating in the energy and ancillary services markets during the Capacity Commitment Period, this value shall be calculated by subtracting all submitted cost data representing the cumulative actual cost of production (total expenses related to the production of energy, e.g. fuel, actual consumables such as chemicals and water, and, if quantified, incremental labor and maintenance) from the Existing Generating Capacity Resource’s total ISO market revenues. In the case of a resource that has not indicated in the submission of a Static De-List Bid that the resource will not be participating in the energy and ancillary services markets during the Capacity Commitment Period, this value shall be $0.00. As soon as practicable, the resource’s total ISO market revenues used in this calculation shall be calculated by the ISO and available to the Lead Market Participant upon request.

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

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

InfIndex = inflation index. infIndex = (1 + *i*)4

Where: “*i*” is the most recent reported 4- Year expected inflation number published by the Federal Reserve Bank of Cleveland at the beginning of the qualification period. The specific value to be used shall be specified by the ISO and available to the Lead Market Participant.

**III.13.1.2.3.2.1.2.B Permanent De-List Bid and Retirement De-List Bid Net Present Value of Expected Cash Flows**.

The Lead Market Participant for an Existing Capacity Resource that submits a Permanent De-List Bid or Retirement De-List Bid that is to be reviewed by the Internal Market Monitor shall report all expected costs, revenues, prices, discount rates and capital expenditures in a manner and format specified by the Internal Market Monitor, and may supplement this information with other evidence. The Internal Market Monitor will review the Lead Market Participant’s submitted data to ensure that it is consistent with overall market conditions and reflects expected values.

The Internal Market Monitor will adjust any data that are inconsistent with overall market conditions or do not reflect expected values. The Internal Market Monitor shall enter all relevant expected costs, revenues, prices, discount rates and capital expenditures into a capital budgeting model and shall determine the net present value of the Existing Capacity Resource’s expected cash flows as follows:

The net present value of the Existing Capacity Resource’s expected cash flows is equal to (i) the net present value of the Existing Capacity Resource’s net annual expected cash flows over the resource’s remaining economic life (as determined pursuant to Section III.13.1.2.3.2.1.2.C) plus the net present value of the resource’s expected terminal value, using the resource’s discount rate, divided by (ii) the product of the resource’s Qualified Capacity (in kilowatts) and12 months.

The Existing Capacity Resource’s net annual expected cash flow for the first Capacity Commitment Period of the resource’s remaining economic life is the resource’s expected annual net operating profit excluding expected capacity revenues less its expected capital expenditures in the Capacity Commitment Period.

The Existing Capacity Resource’s net annual expected cash flow for each of the subsequent Capacity Commitment Periods of the resource’s remaining economic life is the resource’s expected annual net operating profit less its expected capital expenditures in the Capacity Commitment Period.

Where:

**Expected net operating profit**, in dollars, is the Lead Market Participant’s expected annual profit that might otherwise be avoided or not accrued if the resource were not subject to the obligations of a listed capacity resource during the Capacity Commitment Period. Expected labor, maintenance, taxes, insurance, administrative and other normal expenses that can be avoided or not incurred if the resource is retired or permanently de-listed may be included. Service of debt is not an avoidable cost and may not be included.

**Expected capacity revenues**, in dollars, are the forecasted annual expected capacity revenues based on the Lead Market Participant’s forecasted expected capacity prices for each of the subsequent Capacity Commitment Periods of the resource’s remaining economic life. The Lead Market Participant shall provide the Internal Market Monitor with documentation supporting the forecasted expected capacity prices. The supporting documentation must include a detailed description and sources of the Lead Market Participant’s assumptions about expected resource additions, resource retirements, estimated Installed Capacity Requirements, estimated Local Sourcing Requirements, expected market conditions, and any other assumptions used to develop the forecasted expected capacity price in each Capacity Commitment Period.

If the Internal Market Monitor determines the Lead Market Participant has not provided adequate supporting documentation for the forecasted expected capacity prices, the Internal Market Monitor will replace the Lead Market Participant’s forecasted expected capacity prices with the Internal Market Monitor’s estimate thereof in each of the subsequent Capacity Commitment Periods of the resource’s remaining economic life.

**Expected capital expenditures**, in dollars, are the Lead Market Participant’s expected capital investments that might otherwise be avoided or not incurred if the resource were not subject to the obligations of a listed capacity resource during the Capacity Commitment Periods.

**Expected terminal value**, in dollars, for resources with five years or less of remaining economic life, is the Lead Market Participant’s expected revenue less expected costs associated with retiring or permanently de-listing the resource. For resources with more than five years of remaining economic life, the expected terminal value in the fifth year of the evaluation period is the Lead Market Participant’s expected revenue less expected costs associated with retiring or permanently de-listing the resource at the end of the resource’s economic life plus the net present value of the Existing Capacity Resource’s net annual expected cash flows from the sixth year of the evaluation period through the end of the resource’s remaining economic life, using the resource’s discount rate.

**Discount rate** is a value reflecting the Lead Market Participant’s weighted average cost of capital for the Existing Capacity Resource adjusted to reflect the risk to cash flows calculated pursuant to the net present value of expected cash flows analysis in this Section III.13.1.2.3.2.1.2.B.

The Lead Market Participant shall provide the Internal Market Monitor with documentation supporting the weighted average cost of capital for the Existing Capacity Resource adjusted for risk.

The supporting documentation must include a detailed description and sources of the Lead Market Participant’s assumptions associated with the cost of capital, risks and any other assumptions used to develop the weighted average cost of capital for the Existing Capacity Resource adjusted for risk.

If the Internal Market Monitor determines the Lead Market Participant has not provided adequate supporting documentation for the weighted average cost of capital for the Existing Capacity Resource adjusted for risk, the Lead Market Participant has included risks not associated with cash flows calculated pursuant to the net present value of expected cash flows analysis in this Section III.13.1.2.3.2.1.2.B or the Lead Market Participant has submitted costs, revenues, capital expenditures or prices that are not reflective of expected values, the Internal Market Monitor will replace the Lead Market Participant’s discount rate with a value determined by the Internal Market Monitor.

**III.13.1.2.3.2.1.2.C Permanent De-List Bid and Retirement De-List Bid Calculation of Remaining Economic Life**.

The Internal Market Monitor shall calculate the Existing Capacity Resource’s remaining economic life, using evaluation periods ranging from one to five years. For each evaluation period, the Internal Market Monitor will calculate the net present value of (a) the annual expected net operating profit minus annual expected capital expenditures assuming the Capacity Clearing Price for the first year is equal to the Forward Capacity Auction Starting Price and (b) the expected terminal value of the resource at the end of the given evaluation period. The economic life is the maximum evaluation period in which a resource’s net present value is non-negative.

**III.13.1.2.3.2.1.3. Expected Capacity Performance Payments.**

The Lead Market Participant for an Existing Capacity Resource that submits a Static De-List Bid or an Export Bid, Permanent De-List Bid, or Retirement De-List Bid at or above the Dynamic De-List Bid Threshold that is to be reviewed by the Internal Market Monitor shall also provide documentation separately detailing the expected Capacity Performance Payments for the resource. This documentation must include expectations regarding the applicable Capacity Balancing Ratio, the number of hours of reserve deficiency, and the resource’s performance during reserve deficiencies.

**III.13.1.2.3.2.1.4. Risk Premium.**

The Lead Market Participant for an Existing Capacity Resource that submits a Static De-List Bid, or an Export Bid at or above the Dynamic De-List Bid Threshold that is to be reviewed by the Internal Market Monitor shall also provide documentation separately detailing any risk premium included in the bid. This documentation should address all components of physical and financial risk reflected in the bid, including, for example, catastrophic events, a higher than expected amount of reserve deficiencies, and performing scheduled maintenance during reserve deficiencies. Any risk that can be quantified and analytically supported and that is not already reflected in the formula for net going forward costs described in Section III.13.1.2.3.2.1.2.A may be included in this risk premium component. In support of the resource’s risk premium, the Lead Market Participant may also submit an affidavit from a corporate officer attesting that the risk premium submitted is the minimum necessary to ensure that the overall level of risk associated with the resource’s participation in the Forward Capacity Market is consistent with the participant’s corporate risk management practices.

**III.13.1.2.3.2.1.5. Opportunity Costs**.

To the extent that an Existing Capacity Resource submitting a Static De-List Bid or an Export Bid, Permanent De-List Bid or Retirement De-List Bid at or above the Dynamic De-List Bid Threshold has additional opportunity costs that are not reflected in the net going forward costs, net present value of expected cash flows, expected Capacity Performance Payments, discount rate, or risk premium components of the bid, the Lead Market Participant must include in the Existing Capacity Qualification Package evidence supporting such costs. Opportunity costs associated with major repairs necessary to restore decreases in capacity as described in Section III.13.1.2.2.4, capital projects required to operate the plant as a capacity resource or other uses of the resource shall be considered, provided such costs are substantiated by evidence of a repair plan, documented business plan and fundamental market analysis, or other independent and transparent trading index or indices as applicable. Substantiation of opportunity costs relying on sales in reconfiguration auctions or risk aversion premiums shall not be considered sufficient justification.

**III.13.1.2.3.2.2. [Reserved.]**

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

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

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

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

**III.13.1.2.3.2.5. Static De-List Bid Incremental Capital Expenditure Recovery Schedule.**

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

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

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

*Cost Of Capital*

*(1- (****1****+CostOfCapital)-RemainingLife)*

Where:

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

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

**III.13.1.2.4. Retirement Determination Notification for Existing Capacity and Qualification Determination Notification for Existing Capacity.**

(a) No later than 90 days after the Existing Capacity Retirement Deadline, the ISO shall send notification to the Lead Market Participant that submitted each Permanent De-List Bid and Retirement De-List Bid concerning the result of the Internal Market Monitor’s review conducted pursuant to Section III.13.1.2.3.2. This retirement determination notification shall not include the results of the reliability review pursuant to Sections III.13.1.2.3.1.5.1 or III.13.2.5.2.5.

(b) No later than 127 days before the Forward Capacity Auction, the ISO shall send notification to the Lead Market Participant that submitted each Static De-List Bid and Export Bid concerning the result of the Internal Market Monitor’s de-list bid review conducted pursuant to Section III.13.1.2.3.2. The qualification determination shall not include the results of the reliability review pursuant to Section III.13.2.5.2.5.

**III.13.1.2.4.1. Participant-Elected Retirement or Conditional Treatment.**

No later than ten Business Days after the issuance by the ISO of the retirement determination notification described in Section III.13.1.2.4(a), a Lead Market Participant that submitted a Permanent De-List Bid or Retirement De-List Bid may make an election pursuant to Section III.13.1.2.4.1(a) or Section III.13.1.2.4.1(b). If the Lead Market Participant does not make an election pursuant to Section III.13.1.2.4.1(a) or Section III.13.1.2.4.1(b), the prices provided by the Internal Market Monitor in the retirement determination notifications shall be the finalized prices used in the Forward Capacity Auction as described in Section III.13.2.3.2(b) (unless otherwise directed by the Commission).

(a) A Lead Market Participant may elect to retire the resource, or portion thereof, for which it has submitted a Permanent De-List Bid or Retirement De-List Bid. The capacity associated with a Permanent De-List Bid or Retirement De-List Bid subject to this election will not be subject to reliability review and will be retired pursuant to Section III.13.2.5.2.5.3(a); provided, however, that when making the retirement election pursuant to this Section III.13.1.2.4.1(a) the Lead Market Participant may opt to have the resource reviewed for reliability pursuant to Section III.13.1.2.3.1.5.1, in which case the Lead Market Participant may have the opportunity (but will not be obligated) to provide capacity from the resource if the ISO determines that the resource is needed for reliability reasons, as described in Section III.13.1.2.3.1.5.1(d).

(b) A Lead Market Participant may elect conditional treatment for the Permanent De-List Bid or Retirement De-List Bid. The capacity associated with a Permanent De-List Bid or Retirement De-List Bid subject to this election will be treated as described in Section III.13.2.3.2(b)(ii), Section III.13.2.5.2.1, and Section III.13.2.5.2.5.3; provided, however, that in making this election the Lead Market Participant may opt to have the resource reviewed for reliability pursuant to Section III.13.1.2.3.1.5.1, in which case the Lead Market Participant may have the opportunity (but will not be obligated) to provide capacity from the resource if the ISO determines that the resource is needed for reliability reasons, as described in Section III.13.1.2.3.1.5.1(d).

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

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

**III.13.1.3. Import Capacity.**

The qualification requirements for import capacity shall depend on whether the import capacity is an Existing Import Capacity Resource or a New Import Capacity Resource. Both Existing Import Capacity Resources and New Import Capacity Resources clearing in the Forward Capacity Auction must be backed by one or more External Resources or by an external Control Area throughout the relevant Capacity Commitment Period. An external demand resource may not be an Existing Import Capacity Resource or a New Import Capacity Resource. External nodes shall be established and mapped to Capacity Zones pursuant to the provisions in Attachment K to Section II of the Transmission, Markets and Services Tariff.

An Elective Transmission Upgrade with an Interconnection Request for Capacity Network Import Interconnection Service under Schedule 25 of Section II of the Transmission, Markets and Services Tariff shall be included in the FCM (1) after it has established a contractual association with an Import Capacity Resource and that Import Capacity Resource has met the Forward Capacity Market qualification requirements or (2) after it has met the requirements of an Elective Transmission Upgrade with Long Lead Time Facilitytreatment pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff. An external node for such an Elective Transmission Upgrade will be modeled for participation in the Forward Capacity Market after the Import Capacity Resource meets the requirements to participate in the FCA. The Qualified Capacity of an Import Capacity Resource associated with an Elective Transmission Upgrade shall not exceed the Capacity Network Import Interconnection Service Interconnection Request. In order for an Elective Transmission Upgrade to maintain its Capacity Network Import Interconnection Service, an associated Import Capacity Resource must meet the Forward Capacity Market qualification requirements and offer into each Forward Capacity Auction. Otherwise, the Capacity Network Import Interconnection Service will revert to Network Import Interconnection Service for the portion of the Capacity Network Import Interconnection Service for which no Import Capacity Resource is offered into the Forward Capacity Auction and the Elective Transmission Upgrade’s Interconnection Agreement will be revised. The provisions in Sections III.13.1.3.5.4, permitting a Capacity Commitment Period Election, and in Section III.13.1.3.5.8, permitting a rationing election, shall apply to a New Import Capacity Resource associated with an Elective Transmission Upgrade seeking to reestablish Capacity Network Import Interconnection Service if the threshold to be treated as a new resource in Section III.13.1.1.1.4 is met. If the threshold to be treated as a new increment in Section III.13.1.1.1.3 is met, only the increment will be eligible for the provisions in Sections III.13.1.3.5.4, permitting a Capacity Commitment Period Election, and in Section III.13.1.3.5.8, permitting a rationing election.

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

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

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

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

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

**III.13.1.3.3.A Qualification Process for Existing Import Capacity Resources that are not associated with an Elective Transmission Upgrade with Capacity Network Import Interconnection Service.**

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

(a) The Qualified Capacity shall be the lesser of the multi-year contract values as documented in the new resource qualification determination notification and the capacity clearing in the Forward Capacity Auction to which the new resource qualification determination notification applied.

(b) The rationing election described in Section III.13.1.2.3.1 shall not apply.

(c) The Existing Import Capacity Resources associated with contracts listed in the table below may qualify to receive the treatment described in Section III.13.2.7.3 for the duration of the contracts as listed. For each Forward Capacity Auction after the first Forward Capacity Auction, in order for an Existing Import Capacity Resource associated with a contract listed below to qualify for the treatment described in Section III.13.2.7.3, no later than 15 Business Days prior to the Existing Capacity Retirement Deadline, the Market Participant submitting the Existing Import Capacity Resource must also submit to the ISO documentation verifying that the contract will remain in effect throughout the Capacity Commitment Period and that it has not been amended. For the first Forward Capacity Auction, Existing Import Capacity Resources associated with contracts listed in the table below are qualified to receive the treatment described in Section III.13.2.7.3.

**Contract Description MW Contract End Date**

NYPA: NY ─ NE: CMEEC 13.2 8/31/2025

NYPA: NY ─ NE: MMWEC 53.3 8/31/2025

NYPA: NY ─ NE: Pascoag 2.3 8/31/2025

NYPA: NY─ NE: VELCO 15.3 8/31/2025

84.1

VJO: Highgate ─ NE Up to 225 10/31/2016

VJO: Highgate ─ NE (extension) Up to 6 October 2020

(beginning 11/01/2016)

VJO: Phase I/II ─ NE Up to 110 10/31/2016

(d) In addition to the review described in Section III.13.1.2.3.2, the Internal Market Monitor shall review each bid from Existing Import Capacity Resources. A bid from an Existing Import Capacity Resource shall be rejected if the Internal Market Monitor determines that the bid may be an attempt to manipulate the Forward Capacity Auction, and the matter will be referred to the Commission in accordance with the protocols set forth in Appendix A to the Commission’s Market Monitoring Policy Statement (111 FERC ¶ 61,267 (2005)).

**III.13.1.3.3.B. Qualification Process for Existing Import Capacity Resources that are associated with an Elective Transmission Upgrade with Capacity Import Interconnection Service.**

Existing Import Capacity Resources associated with an Elective Transmission Upgrade with Capacity Import Interconnection Service pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff shall be subject to the same qualification process as Existing Generating Capacity Resources as described in Section III.13.1.2.3, except the Qualified Capacity shall be the lesser of the multi-year contract values as documented in the new resource qualification determination notification and the capacity clearing in the Forward Capacity Auction to which the new resource qualification determination notification applied.

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

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

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

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

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

1. For each New Import Capacity Resource, the Project Sponsor submitting the import capacity must also submit: (i) documentation of a one-year contract entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside of the New England Control Area for the entire Capacity Commitment Period, including documentation of the MW value of the contract; (ii) documentation of a multi-year contract entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside of the New England Control Area for the contract period including the entire Capacity Commitment Period, including documentation of the MW value of the contract; (iii) proof of ownership or direct control over one or more External Resources that will be used to back the New Import Capacity Resource during the Capacity Commitment Period, including information to establish the summer and winter ratings of the resource(s) backing the import; or (iv) documentation for system-backed import capacity that the import capacity will be supported by the Control Area and that the energy associated with that system-backed import capacity will be afforded the same curtailment priority as that Control Area’s native load. For each New Import Capacity Resource, the Project Sponsor must specify the interface over which the capacity will be imported. The Project Sponsor must indicate whether the import is associated with any investment in transmission that increases New England’s import capability or is associated with an Elective Transmission Upgrade with an Interconnection Request for Capacity Network Import Interconnection Service pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff that has not yet achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff. The Project Sponsor must submit a contract confirming its association with the Elective Transmission Upgrade Interconnection Customer and the ISO will confirm that relationship. If the import will be backed by a single new External Resource, the Project Sponsor submitting the import capacity must also submit a general description of the project’s equipment configuration, including a description of the resource type (such as those listed in the table in Section III.A.21.1 or some other type).

(b) To qualify for Capacity Commitment Periods prior to the Capacity Commitment Period associated with the Forward Capacity Auction for which the import capacity is qualifying, the Project Sponsor must submit documentation of one or more one-year contracts for each prior Capacity Commitment Period, entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside of the New England Control Area for the entire Capacity Commitment Period, including documentation of the MW value of the contract(s); the Project Sponsor must also satisfy the relevant requirements of Sections III.13.1.3.5.1(a) , III.13.1.3.5.2, III.13.1.9, and III.13.3.1.1.

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

If the New Import Capacity Resource will be backed by one or more External Resources existing at the time of the Forward Capacity Auction and the capacity will be imported over an interface that has achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff, the provisions regarding site control (Section III.13.1.1.2.2.1) and critical path schedule (Section III.13.1.1.2.2.2) shall not apply, and the Project Sponsor shall instead submit a description of how the New Import Capacity Resource will meet its Capacity Supply Obligation in the Capacity Commitment Period(s) for which it seeks to qualify.

If the New Import Capacity Resource will be backed by one or more External Resources existing at the time of the Forward Capacity Auction and the capacity will be imported over an interface that has not achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets, the provisions regarding site control (Section III.13.1.1.2.2.1) and critical path schedule (Section III.13.1.1.2.2.2) shall apply in addition to the requirement that the Project Sponsor submit a description of how the New Import Capacity Resource will meet its Capacity Supply Obligation in the Capacity Commitment Period(s) for which it seeks to qualify.

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

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

If the New Import Capacity Resource will be backed by an external Control Area and the capacity will be imported over an interface that has achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff, the provisions regarding site control (Section III.13.1.1.2.2.1) and critical path schedule (Section III.13.1.1.2.2.2) shall not apply, and the Project Sponsor shall instead submit system load and capacity projections for the external Control Area showing sufficient excess capacity during the Capacity Commitment Period to back the New Import Capacity Resource.

If the New Import Capacity Resource will be backed by an external Control Area and the capacity will be imported over an Elective Transmission Upgrade and the capacity will be imported over an interface that has not achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff, the provisions regarding site control (Section III.13.1.1.2.2.1) and critical path schedule (Section III.13.1.1.2.2.2) shall apply in addition to the requirement that the Project Sponsor submit system load and capacity projections for the external Control Area showing sufficient excess capacity during the Capacity Commitment Period to back the New Import Capacity Resource for the length of the multi-year contract.

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

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

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

The provisions regarding Capacity Commitment Period election (Section III.13.1.1.2.2.4) shall only apply to a New Import Capacity Resource associated with an Elective Transmission Upgrade with a Capacity Network Import Interconnection Service Interconnection Request. All other New Import Capacity Resources clearing in the Forward Capacity Auction shall have a Capacity Supply Obligation and shall receive payments only for the one-year Capacity Commitment Period associated with that Forward Capacity Auction.

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

The provisions regarding initial interconnection analysis (Section III.13.1.1.2.3) shall not apply unless the capacity will be imported over an Elective Transmission Upgrade pursuing Capacity Network Import Interconnection Service pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff that has not achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff.

**III.13.1.3.5.5.A. Cost Information.**

The offer information described in Section III.13.1.1.2.2.3 and Section III.A.21.2 may be submitted in the form of a curve (up to five price-quantity pairs) associated with a specific New Import Capacity Resource. The curve may in no case increase the quantity offered as the price decreases. Each price is subject to review by the Internal Market Monitor pursuant to Section III.A.21.2 and must include the additional documentation described in that Section.

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

In addition to the review described in Section III.13.1.1.2.2.3 and Section III.A.21, the Internal Market Monitor shall review each offer from New Import Capacity Resources. An offer from a New Import Capacity Resource shall be rejected if the Internal Market Monitor determines that the bid may be an attempt to manipulate the Forward Capacity Auction, and the matter will be referred to the Commission in accordance with the protocols set forth in Appendix A to the Commission’s Market Monitoring Policy Statement (111 FERC ¶ 61,267 (2005)).

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

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

No later than seven days after the issuance by the ISO of the qualification determination notification described in Section III.13.1.1.2.8, a Lead Market Participant with a New Import Capacity Resource (other than a New Import Capacity Resource that is (i) backed by a single new External Resource and associated with an investment in transmission that increases New England’s import capability, or (ii) associated with an Elective Transmission Upgrade) that submitted a request to submit offers in the Forward Capacity Auction at prices that are below the relevant Offer Review Trigger Price as described in Sections III.13.1.1.2.2.3 and III.13.1.3.5 may: (a) lower the requested offer price of any price-quantity pair submitted to the ISO pursuant to Section III.13.1.1.2.2.3, provided that the revised price is greater than or equal to the Dynamic De-List Bid Threshold, or (b) withdraw any price-quantity pair of a requested offer price.

**III.13.1.3.5.8. Rationing Election.**

New Import Capacity Resources are subject to rationing except New Import Capacity Resource associated with an Elective Transmission Upgrade with a Capacity Network Import Interconnection Service Interconnection Request, which are eligible for the rationing election described in Section III.13.1.1.2.2.3(b).

**III.13.1.4. Demand Capacity Resources.**

To participate in a Forward Capacity Auction as a Demand Capacity Resource, a resource must meet the requirements of this Section III.13.1.4. Each Demand Capacity Resource shall be a minimum of 100 kW. An Active Demand Capacity Resource comprises one or more Demand Response Resources located in a single Dispatch Zone. An On-Peak Demand Resource or Seasonal Peak Demand Resource comprises one or more Assets located in a single Load Zone. Demand Capacity Resources must comply with all applicable federal, state, and local regulatory, siting, and tariff requirements, including interconnection tariff requirements related to siting, interconnection, and operation of the Demand Capacity Resource. Demand Capacity Resources are not permitted to submit import or export bids or Administrative Export De-list Bids.

**III.13.1.4.1. Definition of New Demand Capacity Resource.**

A New Demand Capacity Resource is an Active Demand Capacity Resource that has not cleared in a previous Forward Capacity Auction, and On-Peak Demand Resource consisting of measures that have not been in service prior to the Existing Capacity Qualification Deadline of the applicable Forward Capacity Auction, or a Seasonal Peak Demand Resource consisting of measures that have not been in service prior to the Existing Capacity Qualification Deadline of the applicable Forward Capacity Auction. A Demand Capacity Resource that has previously been defined as an Existing Demand Capacity Resource shall be considered a New Demand Capacity Resource if it meets one of the conditions listed in Section III.13.1.1.1.2.

**III.13.1.4.1.1. Qualification Process for New Demand Capacity Resources.**

For Forward Capacity Auctions a New Capacity Demand Resource shall have a summer Qualified Capacity and winter Qualified Capacity based on the resource’s estimated demand reduction value as submitted and reviewed pursuant to this Section III.13.1.4. The FCA Qualified Capacity for a New Demand Capacity Resource shall be the lesser of the resource’s summer Qualified Capacity and winter Qualified Capacity, as adjusted to account for applicable offers composed of separate resources.

(a) For a resource to qualify as a New Demand Capacity Resource, the resource’s Project Sponsor must make two separate submissions to the ISO: First, the Project Sponsor must submit estimated demand reduction values and supporting information in the New Demand Capacity Resource Show of Interest Form as described in Section III.13.1.4.1.1.1 Second, the Project Sponsor must submit a New Demand Capacity Resource Qualification Package as described in Section III.13.1.4.1.1.2.

(b) For a resource to qualify as a New Demand Capacity Resource that is an On-Peak Demand Resource or a Seasonal Peak Demand Resource, the Project Sponsor must in addition submit, as part of the New Demand Capacity Resource Qualification Package, a Measurement and Verification Plan providing the documentation, analysis, studies and methodologies used to support the estimates described in this Section III.13.1.4.1.1, which shall be reviewed by the ISO to ensure consistency with the measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals.

**III.13.1.4.1.1.1. New Demand Capacity Resource Show of Interest Form.**

For each resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Demand Capacity Resource, the Project Sponsor must submit to the ISO a New Demand Capacity Resource Show of Interest Form as described in this Section III.13.1.4.1.1.1 during the New Capacity Show of Interest Submission Window, as described in Section III.13.1.10. The ISO may waive the submission of any information not required for evaluation of a project.

A completed New Demand Capacity Resource Show of Interest Form shall include, but is not limited to, the following information: project name; Load Zone within which the Demand Capacity Resource will be located; the Dispatch Zone within which an Active Demand Capacity Resource will be located; estimated summer and winter demand reduction values (MW) per measure and/or per customer facility (measured at the customer meter and not including losses); estimated total summer and winter demand reduction value of the Demand Capacity Resource (for an Active Demand Capacity Resource, this estimate must be consistent with the baseline calculation methodology in Section III.8.2); supporting documentation (e.g., engineering estimates or documentation of verified savings from comparable projects) to substantiate the reasonableness of the estimated demand reduction values; Demand Capacity Resource type (Active Demand Capacity Resource, On-Peak Demand Resource, or Seasonal Peak Demand Resource); brief Demand Capacity Resource project description including measure type (i.e., Energy Efficiency, Load Management, and/or Distributed Generation); types of facilities at which the measures will be implemented; customer classes and end-uses served; the date by which the Project Sponsor expects to be ready to demonstrate to the ISO that the Demand Capacity Resource described in the Project Sponsor's New Demand Capacity Resource Qualification Package has achieved its full demand reduction value; ISO Market Participant status and ISO customer identification (if applicable); status under Schedules 22 or 23 of the Transmission, Markets and Services Tariff (if applicable); project/technical and credit/financial contacts; and for individual Distributed Generation projects and Demand Capacity Resource projects from a single facility with a demand reduction value equal to or greater than 5 MW, the Pnode and service address at which the end-use facility is located; capability and experience of the Project Sponsor.

**III.13.1.4.1.1.2. New Demand Capacity Resource Qualification Package**.

For each resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Demand Capacity Resource, the Project Sponsor must submit a New Demand Capacity Resource Qualification Package no later than the New Capacity Qualification Deadline. The New Demand Capacity Resource Qualification Package shall conform to the requirements of this Section III.13.1.4.1.1.2. The ISO may waive the submission of any information not required for evaluation of a project.

**III.13.1.4.1.1.2.1. Source of Funding.**

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

**III.13.1.4. 1.1.2.2. Measurement and Verification Plan.**

For On-Peak Demand Resources and Seasonal Peak Demand Resources, the Project Sponsor must provide in the New Demand Capacity Resource Qualification Package a Measurement and Verification Plan that complies with the ISO’s measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals.

**III.13.1.4.1.1.2.3. Customer Acquisition Plan**.

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

**III.13.1.4.1.1.2.4. Critical Path Schedule for a Demand Capacity Resource with a Demand Reduction Value of at Least 5 MW at a Single Retail Delivery Point.**

The Project Sponsor of a Demand Capacity Resource with a demand reduction value of at least 5 MW at a single Retail Delivery Point shall provide in the New Demand Capacity Resource Qualification Package a critical path schedule as set forth in Section III.13.1.1.2.2.2.

**III.13.1.4.1.1.2.5. Critical Path Schedule for a Demand Capacity Resource with All Retail Delivery Points Having a Demand Reduction Value of Less Than 5 MW.**

The Project Sponsor of a Demand Capacity Resource with all Retail Delivery Points having a demand reduction value of less than 5 MW shall provide in the New Demand Capacity Resource Qualification Package a critical path schedule comprised of a delivery schedule of the share of total offered demand reduction value achieved as of target dates, as follows: (i) the cumulative percentage of total demand reduction value achieved on target date 1 occurring five weeks prior to the first annual Forward Capacity Auction after the Forward Capacity Auction in which the Project Sponsor’s capacity award was made; (ii) the cumulative percentage of total demand reduction value achieved on target date 2 occurring five weeks prior to the second annual Forward Capacity Auction after the Forward Capacity Auction in which the Project Sponsor’s capacity award was made; and (iii) target date 3 which is the date by which the Project Sponsor expects to be ready to demonstrate to the ISO that the Demand Capacity Resource described in the Project Sponsor’s New Demand Capacity Resource Qualification Package has achieved its full demand reduction value, which must be on or before the first day of the relevant Capacity Commitment Period and by which date 100% of total demand reduction value must be complete.

**III.13.1.4.1.1.2.6. Additional Critical Path Schedule Requirement For Project Sponsors Proposing Total Demand Reduction Value of 30 Percent or Less by the Second Target Date.**

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

**III.13.1.4.1.1.2.7. Capacity Commitment Period Election**.

In the New Demand Capacity Resource Qualification Package, the Project Sponsor must specify whether, if its New Demand Capacity Resource offer clears in the Forward Capacity Auction, the associated Capacity Supply Obligation and Capacity Clearing Price (indexed for inflation) shall continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, for up to six additional and consecutive Capacity Commitment Periods, in whole Capacity Commitment Period increments only. If no such election is made in the New Demand Capacity Resource Qualification Package, the Capacity Supply Obligation and Capacity Clearing Price associated with the New Demand Capacity Resource offer shall apply only for the Capacity Commitment Period associated with the Forward Capacity Auction in which the New Demand Capacity Resource offer clears. If the Project Sponsor elects to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, then the Project Sponsor may not change the Demand Capacity Resource type as long as that Capacity Supply Obligation and Capacity Clearing Price continue to apply. If an offer from a New Demand Capacity Resource clears in the Forward Capacity Auction, the capacity associated with the resulting Capacity Supply Obligation may not be subject to any type of de-list or export bid in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply pursuant to this Section III.13.1.4.1.1.2.7.

**III.13.1.4.1.1.2.8. Offer Information From New Demand Capacity Resources.**

1. All New Demand Capacity Resources that might submit offers in the Forward Capacity Auction at prices below the relevant Offer Review Trigger Price must include in the New Demand Capacity Resource Qualification Package the lowest price at which the resource requests to offer capacity in the Forward Capacity Auction and supporting documentation justifying that price as competitive in light of the resource’s costs (as described in Section III.A.21). This price is subject to review by the Internal Market Monitor pursuant to Section III.A.21.2 and must include the additional documentation described in that section.

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

**III.13.1.4.1.1.3. Initial Analysis for Active Demand Capacity Resources.**

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

**III.13.1.4.1.1.4. Consistency of the New Demand Capacity Resource Qualification Package and New Demand Capacity Resource Show of Interest Form.**

The ISO shall review the Project Sponsor’s New Demand Capacity Resource Qualification Package for consistency with its New Demand Capacity Resource Show of Interest Form. The New Demand Capacity Resource Qualification Package may not contain material changes relative to the New Demand Capacity Resource Show of Interest Form. A material change may include, but is not limited to the following: (i) a change in the designation of the Demand Capacity Resource type; (ii) a change in the Project Sponsor, subject to review by the ISO of the capability and experience of the new Project Sponsor; (iii) a change in the Load Zone within which the project is located, and a change in the Dispatch Zone within which the Active Demand Capacity Resource is located; (iv) a change in the total summer or winter demand reduction value of the project by more than 30 percent; (v) a change in the general type of measure being implemented (e.g., Energy Efficiency, Load Management, Distributed Generation); or (vi) a misrepresentation of the interconnection status of a Distributed Generation project.

**III.13.1.4.1.1.5. Evaluation of New Demand Capacity Resource Qualification Materials.**

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

(a) whether the information submitted by New Demand Capacity Resources is accurate and contains all of the elements required by this Section III.13.1.4;

(b) whether the critical path schedule submitted by New Demand Capacity Resources includes all necessary elements and is sufficiently developed;

(c) whether the milestones in the critical path schedule submitted by New Demand Capacity Resources are reasonable and likely to be met;

(d) whether, in the case of a resource previously counted as a capacity resource, the requirements for treatment as a New Demand Capacity Resource are satisfied; and

(e) whether, in the case of a New Demand Capacity Resource that is an On-Peak Demand Resource or Seasonal Peak Demand Resource, the Measurement and Verification Plan complies with the ISO’s measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals.

**III.13.1.4.1.1.6. Qualification Determination Notification for New Demand Capacity Resources**.

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

(a) For a New Demand Capacity Resource accepted for participation in the Forward Capacity Auction, the notification will specify the Demand Capacity Resource type and the Demand Capacity Resource’s summer and winter Qualified Capacity, which shall be the ISO-determined summer and winter demand reduction value increased by average avoided peak transmission and distribution losses (that is, eight percent).

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

**III.13.1.4.2. Definition of Existing Demand Capacity Resources.**

Demand Capacity Resources that previously have been in service and registered with the ISO, and which are not otherwise New Demand Capacity Resources, shall be Existing Demand Capacity Resources. Existing Demand Capacity Resources shall include and are limited to Demand Capacity Resources that have been in service and registered with the ISO to fulfill a Capacity Supply Obligation created by clearing in a past Forward Capacity Auction before the Existing Capacity Qualification Deadline of the applicable Forward Capacity Auction. Except as specified in this Section III.13.1.4, Existing Demand Capacity Resources shall be subject to the same qualification process as Existing Generating Capacity Resources, as described in Section III.13.1.2.3. Existing Demand Capacity Resources shall be subject to Section III.13.1.2.2.5.2. An On-Peak Demand Resource or Seasonal Peak Demand Resource may not include in its demand reduction value a measure whose Measure Life will expire before the beginning of the associated Capacity Commitment Period.

**III.13.1.4.2.1. Qualified Capacity Notification for Existing Demand Capacity Resources**.

1. For each Existing Demand Capacity Resource, the ISO will notify the Resource’s Lead Market Participant no later than 20 Business Days before the Existing Capacity Retirement Deadline of: the Demand Capacity Resource type; summer and winter Qualified Capacity (which shall be the summer and winter demand reduction value increased by average avoided peak transmission and distribution losses); the Load Zone in which the Demand Capacity Resource is located; and, for Active Demand Capacity Resources, the Dispatch Zone in which the resource is located.

(b) If the Lead Market Participant believes that the ISO’s assessment of the Qualified Capacity is inaccurate, the Market Participant must notify the ISO within 5 Business Days of receipt of the Qualified Capacity notification.

(c) If a Market Participant with an Existing On-Peak Demand Resource or Existing Seasonal Peak Demand Resource wishes to change its Demand Capacity Resource type, the Market Participant must submit an Updated Measurement and Verification Plan to reflect the change in its resource type. Updated Measurement and Verification Plans must be received by the ISO no later than five Business Days after receipt of the Qualified Capacity notification. Designation of the Demand Capacity Resource type may not be changed during the Capacity Commitment Period.

(d) A Market Participant with an Existing On-Peak Demand Resource or Existing Seasonal Peak Demand Resource may provide an Updated Measurement and Verification Plan as described in Section III.13.1.4.3.1.2 that complies with the ISO’s measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals. Updated Measurement and Verification Plans must be received by the ISO no later than five Business Days after receipt of the Qualified Capacity notification.

(e) If an Existing Demand Capacity Resource is not submitting a Static De-List Bid, Permanent De-List Bid, or Retirement De-List Bid for the Forward Capacity Auction, then no further submissions or actions for that resource are necessary, and the resource shall participate in the Forward Capacity Auction as described in Section III.13.2.3.2(c) with Qualified Capacity as indicated in the ISO’s notification.

**III.13.1.4.2.2. Existing Demand Capacity Resource De-List Bids.**

An Existing Demand Capacity Resource may submit a Permanent De-List Bid or Retirement De-List Bid pursuant to the provisions of Section III.13.1.2.3.1.5 no later than the Existing Capacity Retirement Deadline or a Static De-List Bid pursuant to the provisions of Section III.13.1.2.3.1.1 no later than the Existing Capacity Qualification Deadline, provided, however, that no de-list bid shall be used as a mechanism to inappropriately qualify Assets associated with Existing Demand Capacity Resources as New Demand Capacity Resources.

**III.13.1.4.3. Measurement and Verification Applicable to On-Peak Demand Resources and Seasonal Peak Demand Resources.**

To demonstrate the demand reduction value of an On-Peak Demand Resource or Seasonal Peak Demand Resource, the Project Sponsor or Market Participant of such a resource participating in the Forward Capacity Auction, Capacity Supply Obligation Bilaterals, or reconfiguration auctions shall submit to the ISO the Measurement and Verification Documents in accordance with this Section III.13.1.4.3 and the ISO New England Manuals. The ISO shall review such Measurement and Verification Documents to determine whether they are consistent with the measurement and verification requirements set forth in this Section III.13.1.4.3 and the ISO New England Manuals.

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

Measurement and Verification Documents must demonstrate both availability and performance of an On-Peak Demand Resource or Seasonal Peak Demand Resource in reducing demand coincident with Demand Resource On-Peak Hours or Demand Resource Seasonal Peak Hours such that the reported monthly demand reduction value shall achieve at least a ten percent relative precision and an eighty percent confidence interval as described and applied in the ISO New England Manuals and ISO New England Operating Procedures. The Measurement and Verification Documents shall serve as the basis for the claimed demand reduction value of an On-Peak Demand Resource or Seasonal Peak Demand Resource. The Measurement and Verification Documents shall document the measurement and verification performed to verify the achieved demand reduction value of the On-Peak Demand Resource or Seasonal Peak Demand Resource. The Measurement and Verification Documents shall contain a projection of the On-Peak Demand Resource’s or Seasonal Peak Demand Resource’s demand reduction value for each month of the Capacity Commitment Period and over the expected Measure Lives associated with the Demand Capacity Resources. An On-Peak Demand Resource’s or Seasonal Peak Demand Resource’s Measurement and Verification Documents must describe the methodology used to calculate electrical energy load reduction or output during Demand Resource On-Peak Hours, or Demand Resource Seasonal Peak Hours. If an On-Peak Demand Resource or Seasonal Peak Demand Resource includes Distributed Generation, the Measurement and Verification Documents must describe the individual metering or metering protocol used to monitor and verify the output of the Distributed Generation, consistent with the measurement and verification requirements set forth in Market Rule 1 and the ISO New England Manuals.

The Measurement and Verification Documents shall include a Measurement and Verification Plan submitted in the Forward Capacity Auction Qualification, as described in Section III.13.1.4.3 and a monthly Measurement and Verification Summary Report during the Capacity Commitment Period. The monthly Measurement and Verification Summary Reports shall reference the measurement and verification protocols and performance data documented in the Measurement and Verification Plan or the Measurement and Verification Reference Report(s). Such monthly Measurement and Verification Summary Reports will document the Project Sponsor’s total demand reduction value from eligible pre-existing measures and new measures, and the Project Sponsor’s total demand reduction value from both eligible pre-existing measures and new measures, for all measures it had in operation as of the end of the previous month. The monthly Measurement and Verification Summary Reports shall be based on Measurement and Verification Documents determined in accordance with Market Rule 1 and the ISO New England Manuals, and shall be the basis for monthly settlement with Project Sponsors. All Measurement and Verification Documents shall conform to the ISO’s specifications with respect to content, format and delivery methodology, and shall be submitted in accordance with the timelines and deadlines set forth in Market Rule 1 and the ISO New England Manuals.

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

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

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

At the option of the Project Sponsor, an Updated Measurement and Verification Plan for an On-Peak Demand Resource or a Seasonal Peak Demand Resource may be submitted during a subsequent Forward Capacity Auction qualification process prior to the beginning of the Capacity Commitment Period of the Demand Capacity Resource project. The Updated Measurement and Verification Plan may include updated project specifications, measurement and verification protocols, and performance data. However, the Updated Measurement and Verification Plan shall not modify for the duration of the Capacity Commitment Period the total claimed demand reduction value or the Demand Capacity Resource type from the applicable Forward Capacity Auction in which the Project Sponsor’s offer cleared. Additionally, the Updated Measurement and Verification Plan shall provide measurement and verification consistent with the requirements specified in the ISO New England Manuals, and shall be comparable to the quality of the original Measurement and Verification Plan accepted during the Forward Capacity Auction qualification process in which the Demand Capacity Resource project cleared the Forward Capacity Auction.

**III.13.1.4.3.1.3. Annual Certification of Accuracy of Measurement and Verification Documents.**

Project Sponsors for On-Peak Demand Resources and Seasonal Peak Demand Resources shall submit no less frequently than once per year, a statement certifying that the Demand Capacity Resource projects for which the Project Sponsor is requesting compensation continue to perform in accordance with the submitted Measurement and Verification Documents reviewed by the ISO. One such statement must be received by the ISO no later than 10 Business Days before the Existing Capacity Qualification Deadline.

**III.13.1.4.3.1.4. Record Requirement of Retail Customers Served.**

For On-Peak Demand Resources and Seasonal Peak Demand Resources targeting customer facilities with greater than or equal to 10 kW of demand reduction value per facility, Project Sponsors shall maintain records of retail customers served including, at a minimum, the retail customer’s address, the customer’s utility distribution company, utility distribution company account identifier, measures installed, and corresponding monthly demand reduction values. For On-Peak Demand Resources and Seasonal Peak Demand Resources targeting customer facilities with under 10 kW of demand reduction value per facility, the Project Sponsor shall maintain records as described above for customer facilities with greater than or equal to 10 kW of demand reduction value per facility, or shall maintain records of aggregated demand reduction value and measures installed by Load Zone and meter domain. Project Sponsors shall maintain such records until the end of the Measure Life, or until the Demand Capacity Resource is permanently de-listed from the Forward Capacity Market, and shall submit such records to the ISO upon request in a readable electronic format.

**III.13.1.4.3.2. ISO Review of Measurement and Verification Documents**.

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

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

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

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

(b) Each resource that is part of an offer composed of separate resources must qualify in accordance with all of the provisions of this Section III.13.1.5 applicable to that resource type. An offer composed of separate resources participates in the Forward Capacity Auction in accordance with the resource type of the resource providing capacity in the summer period. A resource electing (pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7) to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which its New Capacity Offer clears shall not be eligible to participate in an offer composed of separate resources as the resource providing capacity in the summer period in the Forward Capacity Auction in which the resource is a New Generating Capacity Resource or New Demand Capacity Resource.

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

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

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

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

(g) [Reserved.]

(h) A Renewable Technology Resource may only participate in an offer composed of separate resources if its FCA Qualified Capacity has not been prorated pursuant to Section III.13.1.1.2.10.

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

No later than five Business Days after the deadline for submission of offers composed of separate resources, the ISO shall notify the Project Sponsor or Lead Market Participant for each New Generating Capacity Resource, New Import Capacity Resource, and New Demand Capacity Resource of the resource’s final FCA Qualified Capacity for the Forward Capacity Auction. Such notification will detail the resource’s financial assurance requirements in accordance with Section III.13.1.9.

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

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

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

Where all or a portion of a resource is designated as a Self-Supplied FCA Resource, it shall also maintain its status as a New Generating Capacity Resource, Existing Generating Capacity Resource, New Import Capacity Resource or Existing Import Capacity Resource, and must satisfy the Forward Capacity Auction qualification process requirements set forth in the remainder of Section III.13.1 applicable to that resource type, in addition to the requirements of this Section III.13.1.6. Where an offer composed of separate resources is designated as a Self-Supplied FCA Resource, all of the requirements and deadlines specified in Section III.13.1.5 shall apply to that offer, in addition to the requirements of this Section III.13.1.6. The total quantity of capacity that an load serving entity designates as Self-Supplied FCA Resources may not exceed the load serving entity’s projected share of the Installed Capacity Requirement during the Capacity Commitment Period which shall be calculated by determining the load serving entity’s most recent percentage share of the Installed Capacity Requirement multiplied by the projected Installed Capacity Requirement for the commitment year. No resource may be designated as a Self-Supplied FCA Resource for more MW than the lesser of that resource’s summer Qualified Capacity and winter Qualified Capacity.

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

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

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

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

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

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

(b) The quantity and Load Zone (or interface, as applicable) in which the resource is located of each Static De-List Bid will be posted no later than 15 days after the Forward Capacity Auction is conducted.

(c) Name of submitter, quantity, and interface of Export Bids and Administrative Export Bids shall be published no later than 15 days after the Forward Capacity Auction is conducted.

(d) Name of submitter, quantity, and interface about offers from New Import Capacity Resources shall be published no later than 15 days after the Forward Capacity Auction is conducted.

(e) No later than three Business Days after the Existing Capacity Retirement Deadline, the ISO shall post on its website information concerning Permanent De-List Bids and Retirement De-List Bids.

(f) The name of each Lead Market Participant submitting Static De-List Bids, Export Bids, and Administrative Export De-List Bids, as well as the number and type of such de-list bids submitted by each Lead Market Participant, shall be published no later than three Business Days after the ISO issues the qualification determination notifications described in Sections III.13.1.1.2.8, III.13.1.2.4(b), and III.13.1.3.5.7. Authorized Persons of Authorized Commissions will be provided confidential access to full information about posted Static De-list Bids, Permanent De-List Bids, and Retirement De-List Bids upon request pursuant to Section 3.3 of the ISO New England Information Policy.

**III.13.1.9. Financial Assurance**.

Except as noted in this Section III.13.1.9, all financial assurance requirements associated with Forward Capacity Auctions and annual reconfiguration auctions and other payments and charges resulting from the Forward Capacity Market shall be governed by the ISO New England Financial Assurance Policy.

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

In order to participate in any Forward Capacity Auction, New Generating Capacity Resources (including Conditional Qualified New Resources) and New Demand Capacity Resources shall be required to meet the financial assurance requirements as described in the ISO New England Financial Assurance Policy. Timely payment of the FCM Deposit by the Project Sponsor for a New Generating Capacity Resource or New Demand Capacity Resource accepted for participation in the Forward Capacity Auction constitutes a commitment to offer the full FCA Qualified Capacity of that New Generating Capacity Resource or New Demand Capacity Resource in the Forward Capacity Auction at the Forward Capacity Auction Starting Price. If the FCM Deposit is not received within the timeframe specified in the ISO New England Financial Assurance Policy, the New Generating Capacity Resource or New Demand Capacity Resource shall not be permitted to participate in the Forward Capacity Auction. If capacity offered by the New Generating Capacity Resource or New Demand Capacity Resource clears in the Forward Capacity Auction, financial assurance required prior to the auction pursuant to FAP shall be applied toward the resource’s financial assurance obligation, as described in the ISO New England Financial Assurance Policy. If no capacity offered by that New Generating Capacity Resource or New Demand Capacity Resource clears in the Forward Capacity Auction, the financial assurance required prior to the auction pursuant to FAP will be released pursuant to the terms of the ISO New England Financial Assurance Policy.

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

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

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

If a New Generating Capacity Resource or New Demand Capacity Resource: (i) fails to provide the required financial assurance as described in the ISO New England Financial Assurance Policy or (ii) has its Capacity Supply Obligation terminated by the ISO pursuant to Section III.13.3.4(c), it shall lose its Capacity Supply Obligation and its right to any payments associated with that Capacity Supply Obligation, and it shall forfeit any financial assurance provided with respect to that Capacity Supply Obligation.

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

Once a New Generating Capacity Resource or New Demand Capacity Resource achieves FCM Commercial Operation, its financial assurance obligation shall be released pursuant to the terms of the ISO New England Financial Assurance Policy and it shall have the same financial assurance requirements as an Existing Generating Capacity Resource, as governed by the ISO New England Financial Assurance Policy. If a New Generating Capacity Resource or New Demand Capacity Resource is only capable of delivering less than the amount of capacity that cleared in the Forward Capacity Auction, then the portion of its financial assurance associated with the shortfall shall be forfeited.

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

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

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

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

A New Import Capacity Resource that is backed by a new External Resource or will be delivered over an Elective Transmission Upgrade with a Capacity Network Import Interconnection Service Interconnection Request pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff shall be subject to the same financial assurance requirements as a New Generating Capacity Resource, as described in Section III.13.1.9.1 and Section III.13.1.9.2. Once the new External Resource or the Elective Transmission Upgrade achieves FCM Commercial Operation, the New Import Capacity Resource shall be subject to the same financial assurance requirements as an Existing Generating Capacity Resource, as described in Section III.13.1.9. A New Import Capacity Resource that is backed by one or more existing External Resources or by an external Control Area shall be subject to the same financial assurance requirements as an Existing Generating Capacity Resource, as governed by the ISO New England Financial Assurance Policy.

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

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

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

A portion of the deposit shall be waived when there is an active Interconnection Request and an executed Interconnection Feasibility Study Agreement or Interconnection System Impact Study Agreement under Schedule 22, 23 or 25 of Section II of the Transmission, Markets and Services Tariff or where a resource modification does not require a revision to the Interconnection Agreement.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **New Generating Capacity Resources** ≥ **20 MW or an Import Capacity Resource associated with an Elective Transmission Upgrade that has not achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff** | **New Generating Capacity Resources < 20 MW and** ≥ **2 MW** | **Imports and New Demand Capacity Resources (including Distributed Generation)** |  | **New Generating Capacity Resources < 2 MW** |
| *Including Up-rates, Re-powering, Environmental Compliance & Intermittent Power Resources* | *Including Up-rates, Re-powering, Environmental Compliance & Intermittent Power Resources* |  |  |  |
| $25,000 | $7,500 | $1,000 |  | $500 |
| *With Executed*  *Interconnection*  *Feasibility Study Agreement or System Impact Study Agreement* | *With Executed*  *Interconnection*  *Feasibility Study Agreement or System Impact Study Agreement* |  |  |  |
| $15,000 | $6,500 | n/a |  | n/a |

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

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

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

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

Upon the withdrawal or failure to meet the requirements of the qualification process set forth in Section III.13.1, the ISO shall provide the Project Sponsor with a statement in writing of the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring. A Project Sponsor that withdraws or is deemed to have withdrawn its request for qualification shall pay to the ISO all costs prudently incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring. The ISO shall refund to the Project Sponsor any portion of the Qualification Process Cost Reimbursement Deposit that exceeds the costs associated with the qualification process and critical path schedule monitoring incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), including interest calculated in accordance with 18 CFR § 35.19a(a)(2). The ISO shall charge the Project Sponsor the amount of such costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), that exceeds the Qualification Process Cost Reimbursement Deposit, including interest calculated in accordance with 18 CFR § 35.19a(a)(2). For Demand Capacity Resources, the ISO shall provide all of the above concurrently with the annual statement required under Section III.13.1.9.3.

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

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

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

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

(a) each Capacity Commitment Period shall begin in June;

(b) the Existing Capacity Retirement Deadline will be in March, approximately four years and three months before the beginning of the Capacity Commitment Period;

(c) the New Capacity Show of Interest Submission Window will be in April , approximately four years and two months before the beginning of the Capacity Commitment Period;

(d) the Existing Capacity Qualification Deadline will be in June, approximately four years before the beginning of the Capacity Commitment Period;

(e) the New Capacity Qualification Deadline will be in June or July that is just under four years before the beginning of the Capacity Commitment Period; and

(f) the Forward Capacity Auction for the Capacity Commitment Period will begin in February approximately three years and four months before the beginning of the Capacity Commitment Period.

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Existing Capacity Retirement Deadline** | **New Capacity Show of Interest Submission Window** | **Existing Capacity Qualification Deadline** | **New Capacity Qualification Deadline** | **First Day of Forward Capacity Auction for the Capacity Commitment Period** | **Capacity Commitment Period Begins** |
| March (X-4) | April (X-4) | June (X-4) | June/July (X-4) | Feb. (X-3) | June X |

**III.13.1.11 Opt-Out for Resources Electing Multiple-Year Treatment.**

Beginning in the qualification process for the ninth Forward Capacity Auction (for the Capacity Commitment Period beginning June 1, 2018), any resource that had elected in a Forward Capacity Auction prior to the ninth Forward Capacity Auction (pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7) to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which its New Capacity Offer cleared may, by submitting a written notification to the ISO no later than the Existing Capacity Qualification Deadline (or, in the case of the ninth Forward Capacity Auction, no later than September 19, 2014), opt-out of the remaining years of the resource’s multiple-year election. A decision to so opt-out shall be irrevocable. A resource choosing to so opt-out will participate in subsequent Forward Capacity Auctions in the same manner as other Existing Capacity Resources.

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

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

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

**III.13.2.2. Amount of Capacity Cleared in Each Forward Capacity Auction**.

The total amount of capacity cleared in each Forward Capacity Auction shall be determined using the System-Wide Capacity Demand Curve and the Capacity Zone Demand Curves for the modeled Capacity Zones pursuant to Section III.13.2.3.3.

**III.13.2.2.1. System-Wide Capacity Demand Curve.**

The MRI Transition Period is the period from the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2020 through the earlier of:

1. the Forward Capacity Auction for which the amount of the Installed Capacity Requirement (net of HQICCs) that is filed by the ISO with the Commission pursuant to Section III.12.3 for the upcoming Forward Capacity Auction is greater than or equal to the sum of: 34,151 MW, and: (a) 722 MW (for the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2020); (b) 375 MW (for the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2021), or; (c) 150 MW (for the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2022);

(ii) the Forward Capacity Auction for which the product of the system-wide Marginal Reliability Impact value, calculated pursuant to Section III.12.1.1, and the scaling factor specified in Section III.13.2.2.4, specifies a quantity at $7.03/kW-month in excess of the MW value determined under the applicable subsection (2)(b), (2)(c), or (2)(d), below, or;

1. the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2022.

During the MRI Transition Period, the System-Wide Capacity Demand Curve shall consist of the following three segments:

1. at prices above $7.03/kW-month and below the Forward Capacity Auction Starting Price, the System-Wide Capacity Demand Curve shall specify a price for system capacity quantities based on the product of the system-wide Marginal Reliability Impact value, calculated pursuant to Section III.12.1.1, and the scaling factor specified in Section III.13.2.2.4;
2. at prices below $7.03/kW-month, the System-Wide Capacity Demand Curve shall be linear between $7.03/kW-month and $0.00/kW-month and determined by the following quantities:
   1. At the price of $0.00/kW-month, the quantity specified by the System-Wide Capacity Demand Curve shall be 1616 MW plus the MW value determined under the applicable provision in (b), (c), or (d) of this subsection.
   2. for the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2020, at $7.03/kW-month, the quantity shall be the lesser of:
      * 1. 35,437 MW; and
        2. 722 MW plus the quantity at which the product of the system-wide Marginal Reliability Impact value and the scaling factor yield a price of $7.03/kW-month;
   3. for the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2021, at $7.03/kW-month, the quantity shall be the lesser of:
      * 1. 35,090 MW; and
        2. 375 MW plus the quantity at which the product of the system-wide Marginal Reliability Impact value and the scaling factor yield a price of $7.03/kW-month;
   4. for the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2022, at $7.03/kW-month, the quantity shall be the lesser of:
      * 1. 34,865 MW; and
        2. 150 MW plus the quantity at which the product of the system-wide Marginal Reliability Impact value and the scaling factor yield a price of $7.03/kW-month
3. a price of $7.03/kW-month for all quantities between those curves segments.

In addition to the foregoing, the System-Wide Capacity Demand Curve shall not specify a price in excess of the Forward Capacity Auction Starting Price.

Following the MRI Transition Period, the System-Wide Capacity Demand Curve shall specify a price for system capacity quantities based on the product of the system-wide Marginal Reliability Impact value, calculated pursuant to Section III.12.1.1, and the scaling factor specified in Section III.13.2.2.4. For any system capacity quantity greater than 110% of the Installed Capacity Requirement (net of HQICCs), the System-Wide Capacity Demand Curve shall specify a price of zero. The System-Wide Capacity Demand Curve shall not specify a price in excess of the Forward Capacity Auction Starting Price.

**III.13.2.2.2. Import-Constrained Capacity Zone Demand Curves.**

For each import-constrained Capacity Zone, the Capacity Zone Demand Curve shall specify a price for all Capacity Zone quantities based on the product of the import-constrained Capacity Zone’s Marginal Reliability Impact value, calculated pursuant to Section III.12.2.1.3, and the scaling factor specified in Section III.13.2.2.4. The prices specified by an import-constrained Capacity Zone Demand Curve shall be non-negative. At all quantities greater than the amount of capacity for which the Capacity Zone Demand Curve specifies a price of $0.01/kW-month, the Capacity Zone Demand Curve shall specify a price of zero. The Capacity Zone Demand Curve shall not specify a price in excess of the Forward Capacity Auction Starting Price.

**III.13.2.2.3. Export-Constrained Capacity Zone Demand Curves.**

For each export-constrained Capacity Zone, the Capacity Zone Demand Curve shall specify a price for all Capacity Zone quantities based on the product of the export-constrained Capacity Zone’s Marginal Reliability Impact value, calculated pursuant to Section III.12.2.2.1, and the scaling factor specified in Section III.13.2.2.4. The prices specified by an export-constrained Capacity Zone Demand Curve shall be non-positive. At all quantities less than the amount of capacity for which the Capacity Zone Demand Curve specifies a price of negative $0.01/kW-month, the Capacity Zone Demand Curve shall specify a price of zero.

**III.13.2.2.4. Capacity Demand Curve Scaling Factor.**

The demand curve scaling factor shall be set at the value such that, at the quantity specified by the System-Wide Capacity Demand Curve at a price of Net CONE, the Loss of Load Expectation is 0.1 days per year.

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

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

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

For each round, the auctioneer shall announce a single Start-of-Round Price (the highest price associated with a round of the Forward Capacity Auction) and a single (lower) End-of-Round Price (the lowest price associated with a round of the Forward Capacity Auction). In the first round, the Start-of-Round Price shall equal the Forward Capacity Auction Starting Price for all modeled Capacity Zones. In each round after the first round, the Start-of-Round Price shall equal the End-of-Round Price from the previous round.

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

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

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

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

(ii) If the Project Sponsor of a New Generating Capacity Resource, New Import Capacity Resource that is backed by a single new External Resource and that is associated with an investment in transmission that increases New England’s import capability, New Import Capacity Resource that is associated with an Elective Transmission Upgrade, or New Demand Capacity Resource elects to offer in a Forward Capacity Auction, the Project Sponsor must offer the resource’s full FCA Qualified Capacity at the Forward Capacity Auction Starting Price in the first round of the auction. A New Capacity Offer for a resource may in no event be for greater capacity than the resource’s full FCA Qualified Capacity at any price. A New Capacity Offer for a resource may not be for less capacity than the resource’s Economic Minimum Limit at any price, except where the New Capacity Offer is for a capacity quantity of zero.

(iii) Let the Start-of-Round Price and End-of-Round Price for a given round be PS and PE, respectively. Let the m prices (1 ≤ *m* ≤ 5) submitted by a Project Sponsor for a modeled Capacity Zone be p1, p2, …,pm, where PS > p1 > p2 > … > pm ≥ PE, and let the associated quantities submitted for a New Capacity Resource be q1, q2, …,qm. Then the Project Sponsor’s supply curve, for all prices strictly less than PS but greater than or equal to PE, shall be taken to be:



where, in the first round, q0 is the resource’s full FCA Qualified Capacity and, in subsequent rounds, q0 is the resource’s quantity offered at the lowest price of the previous round.

(iv) Except for Renewable Technology Resources and except as provided in Section III.13.2.3.2(a)(v), a New Capacity Resource may not include any capacity in a New Capacity Offer during the Forward Capacity Auction at any price below the resource’s New Resource Offer Floor Price. The amount of capacity included in each New Capacity Offer at each price shall be included in the aggregate supply curves at that price as described in Section III.13.2.3.3.

(v) Capacity associated with a New Import Capacity Resource (other than a New Import Capacity Resource that is backed by a single new External Resource and that is associated with an investment in transmission that increases New England’s import capability or a New Import Capacity Resource that is associated with an Elective Transmission Upgrade) shall be automatically included in the aggregate supply curves as described in Section III.13.2.3.3 at prices at or above the resource’s offer prices (as they may be modified pursuant to Section III.A.21.2) and shall be automatically removed from the aggregate supply curves at prices below the resource’s offer prices (as they may be modified pursuant to Section III.A.21.2), except under the following circumstances:

In any round of the Forward Capacity Auction in which prices are below the Dynamic De-List Bid Threshold, the Project Sponsor for a New Import Capacity Resource (other than a New Import Capacity Resource that is backed by a single new External Resource and that is associated with an investment in transmission that increases New England’s import capability or a New Import Capacity Resource that is associated with an Elective Transmission Upgrade) with offer prices (as they may be modified pursuant to Section III.A.21.2) that are less than the Dynamic Delist Bid Threshold may submit a New Capacity Offer indicating the quantity of capacity that the Project Sponsor would commit to provide from the resource during the Capacity Commitment Period at that round’s prices. Such an offer shall be defined by the submission of one to five prices, each less than the Dynamic De-List Bid Threshold (or the Start-of-Round Price, if lower than the Dynamic De-List Bid Threshold) but greater than or equal to the End-of-Round Price, and a single quantity associated with each price. Such an offer shall be expressed in the same form as specified in Section III.13.2.3.2(a)(i) and shall imply a curve indicating quantities at all of that round’s relevant prices, pursuant to the convention of Section III.13.2.3.2(a)(iii). The curve may not increase the quantity offered as the price decreases.

(b) **Bids from Existing Capacity Resources**

(i) Static De-List Bids, Permanent De-List Bids, Retirement De-List Bids, and Export Bids from Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Capacity Resources, as finalized in the qualification process or as otherwise directed by the Commission shall be automatically bid into the appropriate rounds of the Forward Capacity Auction, such that each such resource’s FCA Qualified Capacity will be included in the aggregate supply curves as described in Section III.13.2.3.3 until any Static De-List Bid, Permanent De-List Bid, Retirement D-List Bid, or Export Bid clears in the Forward Capacity Auction, as described in Section III.13.2.5.2, and is removed from the aggregate supply curves. In the case of a Commission-approved Permanent De-List Bid or Commission-approved Retirement De-List Bid at or above the Forward Capacity Auction Starting Price, or where a Permanent De-List Bid or Retirement De-List Bid is subject to an election under Section III.13.1.2.4.1(a), the resource’s FCA Qualified Capacity will be reduced by the quantity of the de-list bid (unless the resource was retained for reliability pursuant to Section III.13.1.2.3.1.5.1) and the Permanent De-List Bid or Retirement De-List Bid shall not be included in the Forward Capacity Auction. Permanent De-List Bids and Retirement De-List Bids subject to an election under Section III.13.1.2.4.1(a) or Section III.13.1.2.4.1(b) shall not be included in the Forward Capacity Auction and shall be treated according to Section III.13.2.3.2(b)(ii). In the case of a Static De-List Bid, if the Market Participant revised the bid pursuant to Section III.13.1.2.3.1.1, then the revised bid shall be used in place of the submitted bid; if the Market Participant withdrew the bid pursuant to Section III.13.1.2.3.1.1, then the capacity associated with the withdrawn bid shall be entered into the auction pursuant to Section III.13.2.3.2(c). If the amount of capacity associated with Export Bids for an interface exceeds the transfer limit of that interface (minus any accepted Administrative De-List Bids over that interface), then the set of Export Bids associated with that interface equal to the interface’s transfer limit (minus any accepted Administrative De-List Bids over that interface) having the highest bid prices shall be included in the auction as described above; capacity for which Export Bids are not included in the auction as a result of this provision shall be entered into the auction pursuant to Section III.13.2.3.2(c).

(ii) For Permanent De-List Bids and Retirement De-List Bids, the ISO will enter a Proxy De-List Bid into the appropriate rounds of the Forward Capacity Auction in the following circumstances: (1) if the Lead Market Participant has elected pursuant to Section III.13.1.2.4.1(a) to retire the resource or portion thereof, the resource has not been retained for reliability pursuant to Section III.13.1.2.3.1.5.1, the price specified in the Commission-approved de-list bid is less than the Forward Capacity Auction Starting Price, and the Internal Market Monitor has found a portfolio benefit pursuant to Section III.A.24; or (2) if the Lead Market Participant has elected conditional treatment pursuant to Section III.13.1.2.4.1(b), the resource has not been retained for reliability pursuant to Section III.13.1.2.3.1.5.1, and the price specified in the Commission-approved de-list bid is less than the price specified in the de-list bid submitted by the Lead Market Participant and less than the Forward Capacity Auction Starting Price. The Proxy De-List Bid shall be non-rationable and shall be equal in price and quantity to, and located in the same Capacity Zone as, the Commission-approved Permanent De-List Bid or Commission-approved Retirement De-List Bid, and shall be entered into the appropriate rounds of the Forward Capacity Auction such that the capacity associated with the Proxy De-List Bid will be included in the aggregate supply curves as described in Section III.13.2.3.3 until the Proxy De-List Bid clears in the Forward Capacity Auction, as described in Section III.13.2.5.2, and is removed from the aggregate supply curves. If the Lead Market Participant has elected conditional treatment pursuant to Section III.13.1.2.4.1(b), the resource has not been retained for reliability pursuant to Section III.13.1.2.3.1.5.1, and the Commission-approved Permanent De-List Bid or Commission-approved Retirement De-List Bid is equal to or greater than the de-list bid submitted by the Lead Market Participant, no Proxy De-List Bid shall be used and the Commission-approved de-list bid shall be entered in the Forward Capacity Auction pursuant to Section III.13.2.3.2(b)(i).

(iii) For purposes of this subsection (b), if an Internal Market Monitor-determined price has been established for a Static De-List Bid and the associated resource’s capacity is pivotal pursuant to Sections III.A.23.1 and III.A.23.2, then (unless otherwise directed by the Commission) the lower of the Internal Market Monitor-determined price and any revised bid that is submitted pursuant to Section III.13.1.2.3.1.1 will be used in place of the initially submitted bid; provided, however, that if the bid was withdrawn pursuant to Section III.13.1.2.3.1.1, then the capacity associated with the withdrawn bid shall be entered into the auction pursuant to Section III.13.2.3.2(c). If an Internal Market Monitor-determined price has been established for an Export Bid and the associated resource’s capacity is pivotal pursuant to Sections III.A.23.1 and III.A.23.2, then the Internal Market Monitor-determined price (or price directed by the Commission) will be used in place of the submitted bid.

Any Static De-List Bid for ambient air conditions that has not been verified pursuant to Section III.13.1.2.3.2.4 shall not be subject to the provisions of this subsection (b).

(c) **Existing Capacity Resources Without De-List or Export Bids and Self-Supplied FCA Resources**. Each Existing Generating Capacity Resource, Existing Import Capacity Resource, and Existing Demand Capacity Resource without a Static De-List Bid, a Permanent De-List Bid, a Retirement De-List Bid, an Export Bid or an Administrative Export De-List Bid in its Existing Capacity Qualification Package, and each existing Self-Supplied FCA Resource shall be automatically entered into each round of the Forward Capacity Auction at its FCA Qualified Capacity, such that the resource’s FCA Qualified Capacity will be included in the aggregate supply curves as described in Section III.13.2.3.3, except where such resource, if permitted, submits an appropriate Dynamic De-List Bid, as described in Section III.13.2.3.2(d). Each new Self-Supplied FCA Resource shall be automatically entered into each round of the Forward Capacity Auction at its designated self-supplied quantity at prices at or above the resource’s New Resource Offer Floor Price, such that the resource’s designated self-supply quantity will be included in the aggregate supply curves as described in Section III.13.2.3.3.

(d) **Dynamic De-List Bids.** In any round of the Forward Capacity Auction in which prices are below the Dynamic De-List Bid Threshold, any Existing Generating Capacity Resource, Existing Import Capacity Resource, or Existing Demand Capacity Resource (but not any Self-Supplied FCA Resources) may submit a Dynamic De-List Bid at prices below the Dynamic De-List Bid Threshold. Such a bid shall be defined by the submission of one to five prices, each less than the Dynamic De-List Bid Threshold (or the Start-of-Round Price, if lower than the Dynamic De-List Bid Threshold) but greater than or equal to the End-of-Round Price, and a single quantity associated with each price. Such a bid shall be expressed in the same form as specified in Section III.13.2.3.2(a)(i) and shall imply a curve indicating quantities at all of that round’s relevant prices, pursuant to the convention of Section III.13.2.3.2(a)(iii). The curve may in no case increase the quantity offered as the price decreases. A dynamic De-List Bid may not offer less capacity than the resource’s Economic Minimum Limit at any price, except where the amount of capacity offered is zero. All Dynamic De-List Bids are subject to a reliability review as described in Section III.13.2.5.2.5, and if not rejected for reliability reasons, shall be included in the round in the same manner as Static De-List Bids as described in Section III.13.2.3.2(b). Where a resource elected pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7 to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, the capacity associated with any resulting Capacity Supply Obligation may not be subject to a Dynamic De-List Bid in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply. Where a Lead Market Participant submits any combination of Dynamic De-List Bid, Static De-List Bid, Export Bid, and Administrative Export De-List Bid for a single resource, none of the prices in a set of price-quantity pairs associated with a bid may be the same as any price in any other set of price-quantity pairs associated with another bid for the same resource.

(e) **Repowering**. Offers and bids associated with a resource participating in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.2 (resources previously counted as capacity resources) shall be addressed in the Forward Capacity Auction in accordance with the provisions of this Section III.13.2.3.2(e). The Project Sponsor shall offer such a New Generating Capacity Resource into the Forward Capacity Auction in the same manner and pursuant to the same rules as other New Generating Capacity Resources, as described in Section III.13.2.3.2(a). As long as any capacity is offered from the New Generating Capacity Resource, the amount of capacity offered is the amount that the auctioneer shall include in the aggregate supply curve at the relevant prices, and the quantity of capacity offered from the associated Existing Generating Capacity Resource shall not be included in the aggregate supply curve. If any portion of the New Generating Capacity Resource clears in the Forward Capacity Auction, the associated Existing Generating Capacity Resource shall be permanently de-listed as of the start of the associated Capacity Commitment Period. If at any price, no capacity is offered from the New Generating Capacity Resource, then the auctioneer shall include capacity from the associated Existing Generating Capacity Resource at that price, subject to any bids submitted and accepted in the qualification process for that Existing Generating Capacity Resource pursuant to Section III.13.1.2.5. Bids submitted and accepted in the qualification process for an Existing Generating Capacity Resource pursuant to Section III.13.1.2.5 shall only be entered into the Forward Capacity Auction after the associated New Generating Capacity Resource is fully withdrawn (that is, the Forward Capacity Auction reaches a price at which the resource’s New Capacity Offer is zero capacity), and shall only then be subject to the reliability review described in Section III.13.2.5.2.5.

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

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

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

The auctioneer shall use the offers and bids for the round as described in Section III.13.2.3.2 to determine the aggregate supply curves for the New England Control Area and for each modeled Capacity Zone included in the round.

The aggregate supply curve for the New England Control Area, the Total System Capacity, shall reflect at each price the sum of the following:

1. the amount of capacity offered in all Capacity Zones modeled as import-constrained Capacity Zones at that price (excluding capacity offered from New Import Capacity Resources and Existing Import Capacity Resources);
2. the amount of capacity offered in the Rest-of-Pool Capacity Zone at that price (excluding capacity offered from New Import Capacity Resources and Existing Import Capacity Resources);
3. for each Capacity Zone modeled as an export-constrained Capacity Zone, the lesser of:
4. the amount of capacity offered in the Capacity Zone at that price (including the amount of capacity offered from New Import Capacity Resources and Existing Import Capacity Resources for each interface between the New England Control Area and an external Control Area mapped to the export-constrained Capacity Zone up to that interface’s approved capacity transfer limit (net of tie benefits), or;
5. the amount of capacity determined by the Capacity Zone Demand Curve at zero minus that price, and;
6. for each interface between the New England Control Area and an external Control Area mapped to an import-constrained Capacity Zone or the Rest-of-Pool Capacity Zone, the lesser of:
7. that interface’s approved capacity transfer limit (net of tie benefits), or;
8. the amount of capacity offered from New Import Capacity Resources and Existing Import Capacity Resources.

In computing the Total System Capacity, capacity associated with any New Capacity Offer at any price greater than the Forward Capacity Auction Starting Price will not be included in the tally of total capacity at the Forward Capacity Auction Starting Price for that Capacity Zone. On the basis of these aggregate supply curves, the auctioneer shall determine the outcome of the round for each modeled Capacity Zone as follows:

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

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

(1) the aggregate supply curve for the import-constrained Capacity Zone, adjusted as necessary in accordance with Section III.13.2.6 (Capacity Rationing Rule), equals or is less than the quantity determined by the Capacity Zone Demand Curve at the difference between the End-of-Round Price and the price specified by the System-Wide Capacity Demand Curve (at a quantity no less than Total System Capacity at the Start-of-Round Price), or;

(2) the Forward Capacity Auction is concluded for the Rest-of-Pool Capacity Zone;

then the Forward Capacity Auction for that Capacity Zone is concluded and such Capacity Zone will not be included in further rounds of the Forward Capacity Auction.

The Capacity Clearing Price for that Capacity Zone shall be set at the greater of: (1) the sum of the price specified by the Capacity Zone Demand Curve at the amount of capacity equal to the total amount that is awarded a Capacity Supply Obligation in the import-constrained Capacity Zone, and the Capacity Clearing Price for the Rest-of-Pool Capacity Zone, or; (2) the highest price of any offer or bid for a resource in the Capacity Zone that is awarded a Capacity Supply Obligation, subject to the other provisions of this Section III.13.2.

If neither of the two conditions above are met in the round, then the auctioneer shall publish the quantity of capacity in the Capacity Zone from Demand Capacity Resources by type at the End-of-Round Price, and that Capacity Zone will be included in the next round of the Forward Capacity Auction.

(b) **Rest-of-Pool Capacity Zone**.

If the Total System Capacity at the End-of-Round Price, adjusted as necessary in accordance with Section III.13.2.6 (Capacity Rationing Rule), and adjusted to include the additional supply in the import-constrained Capacity Zone that may be cleared at a higher price, equals or is less than the amount of capacity determined by the System-Wide Capacity Demand Curve, then the Forward Capacity Auction for the Rest-of-Pool Capacity Zone is concluded and the Rest-of-Pool Capacity Zone will not be included in further rounds of the Forward Capacity Auction.

The Capacity Clearing Price for the Rest-of-Pool Capacity Zone shall be set at the highest price at which the Total System Capacity is less than or equal to the amount of capacity determined by the System-Wide Capacity Demand Curve, subject to the other provisions of this Section III.13.2.

If the Forward Capacity Auction for the Rest-of-Pool Capacity Zone is not concluded then the Rest-of-Pool Capacity Zone will be included in the next round of the Forward Capacity Auction, and the auctioneer shall publish the Total System Capacity at the End-of-Round Price, adjusted to include the additional supply in the import-constrained Capacity Zone that may be cleared at a higher price, less the amount of capacity determined by the System-Wide Capacity Demand Curve at the End-of-Round Price, and also shall publish the quantity of capacity from Demand Capacity Resources by type at the End-of-Round Price.

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

(1) the aggregate supply curve for the export-constrained Capacity Zone, adjusted as necessary in accordance with Section III.13.2.6 (Capacity Rationing Rule), is equal to or less than the maximum amount of capacity determined by the Capacity Zone Demand Curve at a price of zero, and;

(2) the Forward Capacity Auction is concluded for the Rest-of-Pool Capacity Zone;

then the Forward Capacity Auction for that Capacity Zone is concluded and such Capacity Zone will not be included in further rounds of the Forward Capacity Auction.

The Capacity Clearing Price for that Capacity Zone shall be set at the greater of: (1) the sum of the price specified by the Capacity Zone Demand Curve at the amount of capacity equal to the total amount that is awarded a Capacity Supply Obligation in the export-constrained Capacity Zone, and the Capacity Clearing Price for the Rest-of-Pool Capacity Zone, or; (2) the highest price of any offer or bid for a resource in the Capacity Zone that is awarded a Capacity Supply Obligation, and subject to the other provisions of this Section III.13.2.

If it is not the case that both of the two conditions above are satisfied in the round, then the auctioneer shall publish the quantity of excess supply in the export-constrained Capacity Zone at the End-of-Round Price (the amount of capacity offered at the End-of-Round Price in the export-constrained Capacity Zone minus the maximum amount of capacity determined by the Capacity Zone Demand Curve at a price of zero) and the quantity of capacity in the Capacity Zone from Demand Capacity Resources by type at the End-of-Round Price, and that Capacity Zone will be included in the next round of the Forward Capacity Auction.

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

(i) For purposes of determining which capacity offers from the New Import Capacity Resources and Existing Import Capacity Resources over the interface shall clear and at what price, the offers over the interface shall be treated in the descending-clock auction as if they comprised a separately-modeled export-constrained capacity zone, with an aggregate supply curve consisting of the offers from the New Import Capacity Resources and Existing Import Capacity Resources over the interface.

(ii) The amount of capacity offered over the interface that will be included in the aggregate supply curve of the modeled Capacity Zone associated with the interface shall be the lesser of the following two quantities: the amount of capacity offered from New Import Capacity Resources and Existing Import Capacity Resources over the interface; and the interface’s approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF).

(iii) The Forward Capacity Auction for New Import Capacity Resources and Existing Import Capacity Resources over the interface is concluded when the following two conditions are both satisfied: the amount of capacity offered from New Import Capacity Resource and Existing Import Capacity Resources over the interface is less than or equal to the interface’s approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF); and the Forward Capacity Auction is concluded in the modeled Capacity Zone associated with the interface.

(e) **Treatment of Export Capacity.** Any Export Bid or any Administrative Export De-List Bid that is used to export capacity through an export interface connected to an import-constrained Capacity Zone from another Capacity Zone, or through an export interface connected to the Rest-of-Pool Capacity Zone from an export-constrained Capacity Zone in the Forward Capacity Auction will be modeled in the Capacity Zone where the export interface that is identified in the Existing Capacity Qualification Package is located. The Export Bid or Administrative Export De-List Bid clears in the Capacity Zone where the Export Bid or Administrative Export De-List Bid is modeled.

(i) Then the MW quantity equal to the relevant Export Bid or Administrative Export De-List Bid from the resource associated with the Export Bid or Administrative Export De-List Bid will be de-listed in the Capacity Zone where the resource is located. If the export interface is connected to an import-constrained Capacity Zone, the MW quantity procured will be in addition to the amount of capacity determined by the Capacity Zone Demand Curve for the import-constrained Capacity Zone.

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

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

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

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

**III.13.2.4. Forward Capacity Auction Starting Price and the Cost of New Entry.**

The Forward Capacity Auction Starting Price is max [1.6 multiplied by Net CONE, CONE]. References in this Section III.13 to the Forward Capacity Auction Starting Price shall mean the Forward Capacity Auction Starting Price for the Forward Capacity Auction associated with the relevant Capacity Commitment Period.

CONE for the Forward Capacity Auction for the Capacity Commitment Period beginning on June 1, 2021 is $11.35/kW-month.

Net CONE for the Forward Capacity Auction for the Capacity Commitment Period beginning on June 1, 2021 is $8.04/kW-month.

CONE and Net CONE shall be recalculated using updated data coincident with the recalculation of Offer Review Trigger Prices pursuant to Section III.A.21.1.2. Whenever these values are recalculated, the ISO will review the results of the recalculation with stakeholders and the new values will be filed with the Commission prior to the Forward Capacity Auction in which the new value is to apply.

Between recalculations, CONE and Net CONE will be adjusted for each Forward Capacity Auction pursuant to Section III.A.21.1.2(e). Prior to applying the annual adjustment for the Capacity Commitment Period beginning on June 1, 2019, Net CONE will be reduced by $0.43/kW-month to reflect the elimination of the PER adjustment. The adjusted CONE and Net CONE values will be published on the ISO’s web site.

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

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

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

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

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

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

1. Except as provided in Section III.13.2.5.2.5, a Permanent De-List Bid, Retirement De-List Bid or Proxy De-List Bid clears in the Forward Capacity Auction (does not receive a Capacity Supply Obligation) if the Capacity Clearing Price is less than or equal to the price specified in the bid, except possibly as a result of the Capacity Rationing Rule described in Section III.13.2.6.

(b) Unless the capacity has been retained for reliability pursuant to Section III.13.2.5.2.5, if all or part of a resource with a Permanent De-List Bid or Retirement De-List Bid does not clear in the Forward Capacity Auction (receives a Capacity Supply Obligation), the Lead Market Participant shall enter the uncleared portion of the bid into the qualification process for the following Forward Capacity Auction as described in Section III.13.1.2.3.1.5.

(c) If the Capacity Clearing Price is greater than the price specified in a de-list bid submitted by a Lead Market Participant that elected conditional treatment for the de-list bid pursuant to Section III.13.1.2.4.1(b), and there is an associated Proxy De-List Bid that does not clear (receives a Capacity Supply Obligation), the resource will receive a Capacity Supply Obligation at the Capacity Clearing Price.

(d) The process by which the auction is cleared (but not the compilation of offers and bids pursuant to Sections III.13.2.3.1 and III.13.2.3.2) will be repeated if either of the following conditions is met in the initial auction clearing process: (1) if any Proxy De-List Bid entered as a result of a Lead Market Participant electing to retire pursuant to Section III.13.1.2.4.1(a) does not clear in the Forward Capacity Auction (receives a Capacity Supply Obligation); or (2) if any Proxy De-List Bid entered as a result of a Lead Market Participant electing conditional treatment pursuant to Section III.13.1.2.4.1(b) does not clear in the Forward Capacity Auction (receives a Capacity Supply Obligation) and the de-list bid submitted by the Lead Market Participant is at or above the Capacity Clearing Price. The second run of the auction-clearing process: (i) excludes all Proxy De-List Bid(s), (ii) includes the offers and bids of resources that did not receive a Capacity Supply Obligation in the first run of the auction-clearing process, and (iii) includes the capacity of resources, or portion thereof, that received a Capacity Supply Obligation in the first run of the auction-clearing process. The second run of the auction-clearing process shall not affect the Capacity Clearing Price of the Forward Capacity Auction (which is established by the first run of the auction-clearing process).

(e) Resources (other than those still subject to a multi-year Capacity Commitment Period election as described in Sections III.13.1.1.2.2.4 and III.13.1.4.1.1.2.7) that receive a Capacity Supply Obligation as a result of the first run of the auction-clearing process shall be paid the Capacity Clearing Price during the associated Capacity Commitment Period. Where the second run of the auction-clearing process procures additional capacity, the resulting price, paid during the associated Capacity Commitment Period (and subsequent Capacity Commitment Periods, as elected pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7)to the additionally procured capacity, shall be equal to or greater than the adjusted price resulting from the first run of the auction-clearing process for that Capacity Zone.

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

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

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

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

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

An Administrative Export De-List Bid clears in the Forward Capacity Auction (does not receive a Capacity Supply Obligation for the associated Capacity Commitment Period) regardless of the Capacity Clearing Price.

**III.13.2.5.2.5. Reliability Review**.

The ISO shall review each Retirement De-List Bid, Permanent De-List Bid, Static De-List Bid, Export Bid, Administrative Export De-List Bid, and Dynamic De-List Bid to determine whether the capacity associated with that de-list bid is needed for reliability reasons during the Capacity Commitment Period associated with the Forward Capacity Auction; Proxy De-List Bids shall not be reviewed.

1. The reliability review will be conducted in descending price order using the price as finalized during qualification or as otherwise directed by the Commission. De-list bids with the same price will be reviewed in the order that produces the least negative impact to reliability; where bids are the same price and provide the same impact to reliability, they will be reviewed based on their submission time. If de-list bids with the same price are from a single generating station, they will be reviewed in an order that seeks to provide (1) the least-cost solution under Section III.13.2.5.2.5.1(d) and (2) the minimum aggregate quantity required for reliability from the generating station. The capacity shall be deemed needed for reliability reasons if the absence of the capacity would result in the violation of any NERC or NPCC criteria, or ISO New England System Rules. De-list bids shall only be rejected pursuant to this Section III.13.2.5.2.5 for the sole purpose of addressing a local reliability issue, and shall not be rejected solely on the basis that acceptance of the de-list bid may result in the procurement of less capacity than the Installed Capacity Requirement (net of HQICCs) or the Local Sourcing Requirement for a Capacity Zone.
2. Where a Retirement De-List Bid, Permanent De-List Bid, Static De-List Bid, Export Bid, Administrative Export De-List Bid, or Dynamic De-List Bid would otherwise clear in the Forward Capacity Auction, but the ISO has determined that some or all of the capacity associated with the de-list bid is needed for reliability reasons, then the de-list bid having capacity needed for reliability will not clear in the Forward Capacity Auction.

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

(d) A resource that has a de-list bid rejected for reliability reasons shall be compensated pursuant to the terms set out in Section III.13.2.5.2.5.1 and shall have a Capacity Supply Obligation as described in Section III.13.6.1.

(e) The ISO shall review the results of each annual reconfiguration auction and determine whether the reliability need which caused the ISO to reject the de-list bid has been met through the annual reconfiguration auction. The ISO may also attempt to address the reliability concern through other reasonable means (including transmission enhancements).

(f) If the reliability need that caused the ISO to reject the de-list bid is met through a reconfiguration auction or other means, the resource shall retain its Capacity Supply Obligation through the end of the Capacity Commitment Period for which it was retained for reliability. Resources that submitted Permanent De-List Bids or Retirement De-List Bids shall be permanently de-listed or retired as of the first day of the subsequent Capacity Commitment Period (or earlier if the resource sheds the entirety of the Capacity Supply Obligation as described in Section III.13.2.5.2.5.3(a)(ii) or Section III.13.2.5.2.5.3(b)(ii)).

(g) If a Permanent De-List Bid or a Retirement De-List Bid is rejected for reliability reasons, and the reliability need is not met through a reconfiguration auction or other means, that resource, or portion thereof, as applicable, is no longer eligible to participate as an Existing Capacity Resource in any reconfiguration auction, Forward Capacity Auction or Capacity Supply Obligation Bilateral for that and subsequent Capacity Commitment Periods. If the resource, or portion thereof, continues to be needed for reliability reasons, it shall be counted as capacity in the Forward Capacity Auction and shall be compensated as described in Section III.13.2.5.2.5.1.

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

If an identified reliability need results in the rejection of a Retirement De-List Bid, Permanent De-List Bid, Export Bid, Administrative Export De-List Bid, Static De-List Bid, or Dynamic De-List Bid while executing an FCA, the ISO shall (i) review each specific reliability need with the Reliability Committee in accordance with the timing provided for in the ISO New England Operating Documents and, (ii) update the current system Needs Assessments pursuant to Section 4.1(c) of Attachment K of the ISO OATT. This review and update will follow ISO’s filing of the FCA results with the Commission pursuant to Section 13.8.2.

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

(a) In cases where a Static De-List Bid, Export Bid, Administrative Export De-List Bid, Dynamic De-List Bid, partial Permanent De-List Bid, or partial Retirement De-List Bid has been rejected for reliability reasons pursuant to Sections III.13.1.2.3.1.5.1 or III.13.2.5.2.5, the resource will be paid by the ISO in the same manner as all other capacity resources, except that payment shall be made on the basis of its de-list bid as accepted for the Forward Capacity Auction for the relevant Capacity Commitment Period instead of the Forward Capacity Market Clearing Price. Under this Section, accepted Dynamic De-List Bids filed with the Commission as part of the FCA results filing are subject to review and approval by the Commission pursuant to the “just and reasonable” standard of Section 205 of the Federal Power Act. If a resource with a partial Permanent De-List Bid or partial Retirement De-List Bid continues to be needed for reliability in Capacity Commitment Periods following the Capacity Commitment Period for which the partial Permanent De-List Bid or partial Retirement De-List Bid was rejected, payment will continue to be pursuant to this Section III.13.2.5.2.5.1(a).

(b) In cases where a Permanent De-List Bid or a Retirement De-List Bid for the capacity of an entire resource has been rejected for reliability reasons pursuant to Section III.13.1.2.3.1.5.1 or III.13.2.5.2.5, the resource will be paid either (i) in the same manner as all other capacity resources, except that payment shall be made on the basis of its Commission-approved Permanent De-List Bid or Commission-approved Retirement De-List Bid for the relevant Capacity Commitment Period instead of the Forward Capacity Market Clearing Price or (ii) under the terms of a cost­-of-service agreement pursuant to Section III, Appendix I. Resources must notify the ISO of their election within six months after the ISO files the results of the relevant Forward Capacity Auction with the Commission. A resource that has had a Permanent De-List Bid or Retirement De-List Bid rejected for reliability reasons and does not notify the ISO of its election as described in this paragraph will be paid on the basis of the resource’s Commission-approved Permanent De-List Bid or Commission-approved Retirement De-List Bid. Cost-of-service agreements must be filed with and approved by the Commission, and cost-­of-service compensation may not commence until the Commission has approved the use of cost-of-service rates for the unit in question or has accepted the use of the cost-of-service rates subject to refund while the rate is reviewed. In no event will payment under the cost-of-service agreement start prior to the start of the relevant Capacity Commitment Period for which the Permanent De-List Bid or Retirement De-List Bid was submitted. If a resource continues to be needed for reliability in Capacity Commitment Periods following the Capacity Commitment Period for which the Permanent De-List Bid or Retirement De-List Bid was rejected, payment will continue to be pursuant to this Section III.13.2.5.2.5.1(b). Resources that elect payment based on the Commission-approved Permanent De-List Bid or Commission-approved Retirement De-List Bid may file with the Commission pursuant to Section 205 of the Federal Power Act to update its Permanent De-List Bid or Retirement De-List Bid if the unit is retained for reliability for a period longer than the Capacity Commitment Period for which the Permanent De-List Bid or Retirement De-List Bid was originally submitted.

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

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

**III.13.2.5.2.5.2. Incremental Cost of Reliability Service From Permanent De-List Bid or Retirement De-List Bid Resources.**

In cases where an Existing Generating Capacity Resource or Existing Demand Capacity Resource has had a Permanent De-List Bid or Retirement De-List Bid for the entire resource rejected for reliability reasons pursuant to Sections III.13.1.2.3.1.5.1 or III.13.2.5.2.5, does not elect to retire pursuant to Section III.13.1.2.3.1.5.1(d), and must make a capital improvement to the unit to remain in operation in order to continue to operate to meet the reliability need identified by the ISO, the resource may make application to the Commission pursuant to Section 205 of the Federal Power Act to receive just and reasonable compensation of the capital investment pursuant to the following:

(a) **Notice to State Utility Commissions, the ISO and Stakeholder Committees of Expectation that a Capital Expense will be Necessary to Meet the Reliability Need Identified by the ISO**: A resource seeking to avail itself of the recovery mechanism provided in this Section must notify the state utility commissions in the states where rate payers will fund the capital improvement, the ISO, and the Participants Committee of its intent to make the capital expenditure and the need for the expenditure. This notification must be made at least 120 days prior to the resource making the capital expenditure.

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

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

**III.13.2.5.2.5.3. Retirement and Permanent De-Listing of Resources.**

(a)(i) A resource, or portion thereof, will be retired coincident with the commencement of the relevant Capacity Commitment Period, or earlier as described in Section III.13.2.5.2.5.3(a)(ii), if the resource: (1) submitted a Retirement De-List Bid at or above the Forward Capacity Auction Starting Price and was not retained for reliability pursuant to Section III.13.1.2.3.1.5.1; (2) submitted a Permanent De-List Bid or Retirement De-List Bid, elected to retire pursuant to Section III.13.1.2.4.1(a), and was not retained for reliability pursuant to Section III.13.1.2.3.1.5.1; (3) elected conditional treatment pursuant to Section III.13.1.2.4.1(b) for a Retirement De-List Bid with a submitted price at or above the Capacity Clearing Price and was not retained for reliability pursuant to Section III.13.1.2.3.1.5.1; or (4) had a Commission-approved Retirement De-List Bid clear in the Forward Capacity Auction. In the case of a Retirement De-List Bid rejected for reliability, if the reliability need that resulted in the rejection for reliability is met, the resource, or portion thereof, will be retired coincident with the end of Capacity Supply Obligation (or earlier as described in Section III.13.2.5.2.5.3(a)(ii)) unless the Commission directs that the obligation to retire be removed or the retirement date extended as part of an Incremental Cost of Reliability Service filing made pursuant to Section III.13.2.5.2.5.2. The interconnection rights, or relevant portion thereof, for the resource will terminate and the status of the resource, or portion thereof, will be converted to retired on the date of retirement, consistent with the provisions of Schedules 22 and 23 of the OATT.

(a)(ii) A resource, or portion thereof, that is to be retired pursuant to Section III.13.2.5.2.5.3(a)(i) may retire the resource, or portion thereof, earlier than the Capacity Commitment Period for which its Retirement De-List Bid was submitted if it is able to transfer the relevant Capacity Supply Obligation of the resource to another resource through one or more approved Capacity Supply Obligation Bilateral transactions as described in Section III.13.5.1 or reconfiguration auctions as described in Section III.13.4.1. A resource, or portion thereof, electing to retire pursuant to this provision must notify the ISO in writing of its election to retire and the date of retirement. The interconnection rights, or relevant portion thereof, for the resource will terminate and the status of the resource, or portion thereof, will be converted to retired on the date of retirement, consistent with the provisions of Schedules 22 and 23 of the OATT.

(b)(i) A resource, or portion thereof, will be permanently de-listed from the Forward Capacity Market as of the relevant Capacity Commitment Period, or earlier as described in Section III.13.2.5.2.5.3(b)(ii), if the resource: (1) submitted an Internal Market Monitor-approved Permanent De-List Bid at or above the Forward Capacity Auction Starting Price and was not retained for reliability pursuant to Section III.13.1.2.3.1.5.1; (2) elected conditional treatment pursuant to Section III.13.1.2.4.1(b) for a Permanent De-List Bid with a submitted price at or above the Capacity Clearing Price and was not retained for reliability pursuant to Section III.13.1.2.3.1.5.1; or (3) had a Commission-approved Permanent De-List Bid clear in the Forward Capacity Auction. The CNR Capability interconnection rights, or relevant portion thereof, for the resource will be adjusted downward to reflect the Permanent De-List Bid, consistent with the provisions of Schedules 22 and 23 of the OATT. A resource that permanently de-lists pursuant to this Section III.13.2.5.2.5.3(b)(i) is precluded from subsequent participation in the Forward Capacity Market unless it qualifies as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.2.

(b)(ii) A resource, or portion thereof, that is to be permanently de-listed pursuant to Section III.13.2.5.2.5.3(b)(i) may be permanently de-listed earlier than the Capacity Commitment Period for which its Permanent De-List Bid was submitted if it is able to transfer the entire Capacity Supply Obligation of the resource to another resource through one or more approved Capacity Supply Obligation Bilateral transactions as described in Section III.13.5.1 or reconfiguration auctions as described in Section III.13.4.

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

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

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

Except for Dynamic De-List Bids, Export Bids, and offers from New Import Capacity Resources that are subject to rationing pursuant to Section III.13.1.3.5.8 and Existing Import Capacity Resources that are subject to rationing pursuant to Section III.13.1.3.3.A, offers and bids in the Forward Capacity Auction must clear or not clear in whole, unless the offer or bid specifically indicates that it may be rationed. A resource may elect to be rationed to either its Economic Minimum Limit or a level above its Economic Minimum Limit. These levels are submitted pursuant to Section III.13.1.1.2.2.3. Offers from New Import Capacity Resources and Existing Import Capacity Resources will not be rationed where such rationing would violate any applicable physical minimum flow requirements on the associated interface. Export Bids may elect to be rationed generally, but regardless of such election will always be subject to potential rationing where the associated external interface binds. If more Dynamic De-List Bids are submitted at a price than are needed to clear the market, the bids shall be cleared pro-rata, subject to honoring the Economic Minimum Limit of the resources. Where an offer or bid may be rationed, such rationing may not result in procuring an amount of capacity that is below the associated resource’s Economic Minimum Limit.

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

The Capacity Clearing Price in each Capacity Zone shall be the price established by the descending clock Forward Capacity Auction as described in Section III.13.2.3, subject to the other provisions of this Section III.13.2. The Capacity Clearing Price for the Rest-of-Pool Capacity Zone and the Capacity Clearing Price for each import-constrained Capacity Zone shall not exceed the Forward Capacity Auction Starting Price. The Capacity Clearing Price for an export-constrained Capacity Zone shall not be less than zero.

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

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

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

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

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

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

(a) [Reserved.]

(b) The Capacity Clearing Price shall not fall below 0.6 times CONE (or in the case of the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2016 below $3.15). Where the Capacity Clearing Price reaches 0.6 times CONE (or in the case of the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2016 reaches $3.15), offers shall be prorated such that no more than the Installed Capacity Requirement (net of HQICCs) is procured in the Forward Capacity Auction, as follows:

(i) The total payment to all listed capacity resources during the associated Capacity Commitment Period shall be equal to 0.6 times CONE (or in the case of the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2016 shall be equal to $3.15) times the Installed Capacity Requirement (net of HQICCs) applicable in the Forward Capacity Auction.

(ii) Payments to individual listed resources shall be prorated based on the total number of MWs of capacity clearing in the Forward Capacity Auction (receiving a Capacity Supply Obligation for the associated Capacity Commitment Period).

(iii) Suppliers may instead prorate their bid MWs of participation in the Forward Capacity Market by partially de-listing one or more resources. Regardless of any such proration, the full amount of capacity that cleared in the Forward Capacity Auction will be ineligible for treatment as new capacity in subsequent Forward Capacity Auctions (except as provided under Section III.13.1.1.1.2).

(iv) Any proration shall be subject to reliability review. Where proration is rejected for reliability reasons, the resource’s payment shall not be prorated as described in subsection (ii) above, and the difference between its actual payment based on the Capacity Clearing Price and what its payment would have been had prorationing not been rejected for reliability reasons shall be allocated to Regional Network Load within the affected Reliability Region. In this case, the total payment described in subsection (i) above will increase accordingly.

(v) Any election to prorate bid MWs associated with a New Capacity Offer that clears in the Forward Capacity Auction shall also apply in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7.

**III.13.2.7.3A. Treatment of Imports.**

At the Capacity Clearing Price, if the amount of capacity offered from New Import Capacity Resources and Existing Import Capacity Resources over an interface between an external Control Area and the New England Control Area is greater than that interface’s approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF):

(a) the full amount of capacity offered at that price from Existing Import Capacity Resources associated with contracts listed in Section III.13.1.3.3(c) shall clear, unless that amount of capacity is greater than the interface’s approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF), in which case the capacity offered at that price from Existing Import Capacity Resources associated with contracts listed in Section III.13.1.3.3(c) shall be rationed such that the interface’s approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF) is not exceeded; and

(b) if there is space remaining over the interface after the allocation described in subsection (a) above, then the capacity offered at that price from New Import Capacity Resources and Existing Import Capacity Resources other than Existing Import Capacity Resources associated with the contracts listed in Section III.13.1.3.3(c) will be rationed such that the interface’s approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF) is not exceeded. If the capacity offered at that price by any single New Import Capacity Resource or Existing Import Capacity Resource that is not associated with the contracts listed in Section III.13.1.3.3(c) is greater than the interface’s approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF), then the capacity offered by that resource that is above the interface’s approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF) shall not be included in the rationing.

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

Where the requirement that offers and bids clear or not clear in whole (Section III.13.2.6) prohibits the descending clock auction in its normal progression from clearing one or more Capacity Zones at the precise amount of capacity determined by the Capacity Zone Demand Curves specified in Section III.13.2.2, then the auctioneer shall analyze the aggregate supply curve to determine cleared capacity offers and Capacity Clearing Prices that seek to maximize social surplus for the associated Capacity Commitment Period. The clearing algorithm may result in offers below the Capacity Clearing Price not clearing, and in de-list bids below the Capacity Clearing Price clearing.

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

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

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

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

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

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

(a) [Reserved.]

(b) If multiple projects may be rationed, they will be rationed proportionately.

(c) Where clearing either the offer associated with a resource with a higher queue priority at a Conditional Qualified New Resource’s location or the offer associated with the Conditional Qualified New Resource would result in equal costs, the offer associated with the resource with the higher queue priority shall clear.

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

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

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

**III.13.3.1.1. New Resources Electing Critical Path Schedule Monitoring.**

A Project Sponsor that submits a critical path schedule for a New Capacity Resource in the qualification process may request that the ISO monitor that resource’s compliance with its critical path schedule in accordance with the provisions of this Section III.13.3. The ISO will monitor the New Capacity Resource’s compliance from the time the ISO approves the request until the resource achieves FCM Commercial Operation, loses its Capacity Supply Obligation pursuant to Section III.13.3.4(c), or withdraws from critical path schedule monitoring pursuant to Section III.13.3.6.

In addition, a Lead Market Participant with a New Import Capacity Resource backed by one or more existing External Resources seeking to qualify for Capacity Commitment Period(s) prior to the Capacity Commitment Period associated with the Forward Capacity Auction for which it is qualifying must request monitoring under this Section III.13.3.1.1.

A request under this Section III.13.3.1.1 must be made in writing no later than five Business Days after the deadline for submission of the FCM Deposit pursuant to Section III.13.1.9.1.

**III.13.3.1.2. New Resources Clearing in the Forward Capacity Auction.**

For each new resource required to submit a critical path schedule in the qualification process, including but not limited to a New Generating Capacity Resource (pursuant to Section III.13.1.1.2.2), a New Import Capacity Resource backed by a new External Resource (pursuant to Section III.13.1.3.5), or a New Demand Capacity Resource (pursuant to Section III.13.1.4), if capacity from that resource clears in the Forward Capacity Auction, then the ISO shall monitor that resource’s compliance with its critical path schedule in accordance with the provisions of this Section III.13.3 (regardless of whether the Project Sponsor requested monitoring pursuant to Section III.13.3.1.1) from the time that the Forward Capacity Auction is conducted until the resource achieves FCM Commercial Operation, loses its Capacity Supply Obligation pursuant to Section III.13.3.4(c), or withdraws from critical path schedule monitoring pursuant to Section III.13.3.6.

**III.13.3.1.3. New Resources Not Offering or Not Clearing in the Forward Capacity Auction.**

If no capacity from a new resource that was required to submit a critical path schedule in the qualification process clears in the Forward Capacity Auction, or if such a resource does not submit an offer in the Forward Capacity Auction, then the ISO shall not monitor that resource’s compliance with its critical path schedule after the Forward Capacity Auction unless the Project Sponsor previously requested pursuant to Section III.13.3.1.1 that the ISO continue to monitor that resource’s compliance with its critical path schedule. However, if a New Generating Capacity Resource participated but did not clear in the Forward Capacity Auction either as: (i) a Conditional Qualified New Resource, or (ii) a New Generating Capacity Resource with a higher priority in the queue and overlapping interconnection impacts with a Conditional Qualified New Resource, the ISO will not continue to monitor that resource’s compliance with its critical path schedule even if that resource requested critical path schedule monitoring pursuant to Section III.13.3.1.1.

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

For each new resource that is being monitored for compliance with its critical path schedule, the Project Sponsor for that resource must provide a written critical path schedule report to the ISO no later than five Business Days after the end of each calendar quarter. If the Project Sponsor does not provide a written critical path schedule report to the ISO by the fifth Business Day after the end of the calendar quarter, then the ISO shall issue a notice thereof to the Project Sponsor. If the Project Sponsor fails to provide the critical path schedule report within five Business Days of issuance of that notice, then the resource will be subject to termination pursuant to Section III.13.3.4(c). Each critical path schedule report shall include the following:

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

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

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

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

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

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

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

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

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

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

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

(viii) **Commercial Operation.** The Project Sponsor is not required to provide documentation of Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff) to the ISO as part of the ISO’s critical path schedule monitoring. The ISO shall confirm that the resource has achieved Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff) as described in the critical path schedule through the resource’s compliance with the other relevant requirements of the Transmission, Markets and Services Tariff and the ISO New England System Rules.

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

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

(i) **Substantial Project Completion**. The Project Sponsor shall provide documentation showing the total offered demand reduction value achieved as of target dates which are: (a) the cumulative percentage of total demand reduction value achieved on target date 1 occurring five weeks prior to the first Forward Capacity Auction after the Forward Capacity Auction in which the Demand Capacity Resource supplier’s capacity award was made; (b) the cumulative percentage of total demand reduction value achieved on target date 2 occurring five weeks prior to the second Forward Capacity Auction after the Forward Capacity Auction in which the Demand Capacity Resource supplier’s capacity award was made; and (c) target date 3 which is the date the resource is expected to be ready to demonstrate to the ISO that the Demand Capacity Resource described in the Project Sponsor’s New Demand Capacity Resource Qualification Package has achieved its full demand reduction value, which must be on or before the first day of the relevant Capacity Commitment Period and by which date 100 percent of the total demand reduction value must be complete.

(ii) **Pipeline Analysis**. If the Project Sponsor proposes in its New Demand Capacity Resource Qualification Package a cumulative percentage of demand reduction value achieved that is 30 percent or less by the second critical path schedule target date, then the Project Sponsor shall provide a pipeline analysis to the ISO as specified in Section III.13.1.4.1.1.2.6 of Market Rule 1.

(iii) **Additional Requirements**. For each customer and each prospective customer the Project Sponsor shall provide: name, location, MW amount, and description of stage of negotiation. If the customer’s Asset has been registered with the ISO, then the Project Sponsor shall also provide the Asset identification number.

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

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

**III.13.3.2.4. Additional Information for Resources Previously Counted As Capacity.**

For each resource participating in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Sections III.13.1.1.1.2, III.13.1.1.1.3, or III.13.1.1.1.4 or New Demand Capacity Resource pursuant to Section III.13.1.4.1 and clearing in that auction, the Project Sponsor must provide information in the critical path schedule report demonstrating: (a) the shedding of the resource’s Capacity Supply Obligation in accordance with the provisions of Section III.13.1.1.2.2.5(c); and (b) that the relevant cost threshold (described in Sections III.13.1.1.1.2, III.13.1.1.1.3, and III.13.1.1.1.4) is being met.

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

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

**III.13.3.4. Covering Capacity Supply Obligation Where Resource Will Not Achieve All Critical Path Schedule Milestones by the Capacity Commitment Period.**

Except as described in Section III.13.3.7, if as a result of milestone date revisions, the date by which the resource will achieve all its critical path schedule milestones is:

* 1. after the start of any Capacity Commitment Period, for Capacity Commitment Periods beginning on or before June 1, 2019, or;
  2. after any Capacity Commitment Period, for Capacity Commitment Periods beginning on or after June 1, 2020;

in which the resource has a Capacity Supply Obligation (except for a New Generating Capacity Resource that has cleared in the Forward Capacity Auction and has completed construction but due to a planned transmission facility (e.g., a radial interconnection) not being in service is not able to achieve FCM Commercial Operation), then the Project Sponsor must take actions to cover the entire Capacity Supply Obligation for the portion of the Capacity Commitment Period for which the project will not have achieved all its critical path schedule milestones, as follows:

(a) The Project Sponsor may cover its Capacity Supply Obligation through reconfiguration auctions as described in Section III.13.4 or one or more Capacity Supply Obligation Bilaterals, subject to the satisfaction of the requirements in Section III.13.5.

(b) If, by the time demand bids are due for the third annual reconfiguration auction for the Capacity Commitment Period in which the resource has a Capacity Supply Obligation, the Project Sponsor has not covered its full Capacity Supply Obligation for the portion of the Capacity Commitment Period for which the project will not have achieved all its critical path schedule milestones, then the ISO shall submit a demand bid in that annual reconfiguration auction on the Project Sponsor’s behalf for a quantity equal to:

(i) for Capacity Commitment Periods beginning on or before June 1, 2019, the largest monthly Capacity Supply Obligation for the Capacity Commitment Period that has not been covered, or;

(ii) for Capacity Commitment Periods beginning on or after June 1, 2020, the smallest monthly Capacity Supply Obligation for the Capacity Commitment Period that has not been covered;

at the Forward Capacity Auction Starting Price, with all payments, charges, rights, obligations, and other results associated with such demand bid applying to the Project Sponsor as if the Project Sponsor itself had submitted the demand bid.

(c) If the Project Sponsor fails to comply with the requirements of Sections III.13.3.2 or III.13.3.3, or if the Capacity Supply Obligation is not covered as described in Sections III.13.3.4(a) and III.13.3.4(b), or if the Project Sponsor covers the Capacity Supply Obligation for two Capacity Commitment Periods, or if, as a result of milestone date revisions, the date by which a resource will have achieved all its critical path schedule milestones is more than two years after the beginning of the Capacity Commitment Period for which the resource first received a Capacity Supply Obligation, then the ISO, after consultation with the Project Sponsor, shall have the right, through a filing with the Commission, to terminate the resource’s Capacity Supply Obligation for any future Capacity Commitment Periods and the resource’s right to any payments associated with that Capacity Supply Obligation in the Capacity Commitment Period, and to adjust the resource’s qualified capacity for participation in the Forward Capacity Market; provided that, where a Project Sponsor voluntarily withdraws its resource from critical path schedule monitoring in accordance with Section III.13.3.6, no filing with the Commission shall be necessary to terminate the resource’s Capacity Supply Obligation. Upon Commission ruling, the Project Sponsor shall forfeit any financial assurance provided with respect to that Capacity Supply Obligation. If in these circumstances, however, the ISO does not take steps to terminate the resource’s Capacity Supply Obligation and instead permits the Project Sponsor to continue to cover its Capacity Supply Obligation, such continuation shall be subject to the ISO’s right to revoke that permission and to file with the Commission to terminate the resource’s Capacity Supply Obligation, and subject to continued reporting by the Project Sponsor as described in this Section III.13.3.

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

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

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

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

**III.13.3.7 Request to Defer Capacity Supply Obligation**

A resource that has not yet achieved FCM Commercial Operation and that is subject to critical path schedule monitoring by the ISO pursuant to this Section III.13.3 may seek to defer the applicability of its entire Capacity Supply Obligation by one year pursuant to the provisions of this Section III.13.3.7.

A Project Sponsor seeking such a deferral must notify the ISO in writing no later than the first Business Day in September of the year prior to the third annual reconfiguration auction for the Capacity Commitment Period in which the resource has a Capacity Supply Obligation. If, after consultation with the Project Sponsor, the ISO determines that the absence of the capacity in the first Capacity Commitment Period in which the resource has a Capacity Supply Obligation, as well as in the subsequent Capacity Commitment Period, would result in the violation of any NERC or NPCC (or their successors) criteria or of the ISO New England System Rules, not solely that it may result in the procurement of less capacity than the Installed Capacity Requirement (net of HQICCs) or the Local Sourcing Requirement for the Capacity Zone, then the ISO will review the specific reliability need with and seek feedback from the Reliability Committee and provide the Project Sponsor with a written determination to that effect within 30 days of the Project Sponsor’s notification to the ISO.

If the ISO provides such a written determination, then the Project Sponsor may file with the Commission, no later than the first Business Day in November of the year prior to the third annual reconfiguration auction, a request to defer the applicability of its Capacity Supply Obligation by one year. Any such filing must include the ISO’s written determination, and must also demonstrate that the deferral is critical to the resource’s ability to achieve FCM Commercial Operation and that the reasons for the deferral are beyond the control of the Project Sponsor.

If the Commission approves the request, all of the rights, obligations, payments, and charges associated with the Capacity Supply Obligation described in Section III.13.6 and Section III.13.7 shall only apply beginning one year after the start of the Capacity Commitment Period in which the resource has a Capacity Supply Obligation. Notwithstanding any other provision of this Section III.13, if the resource achieves FCM Commercial Operation prior to the deferred date, it will not be eligible to receive revenue in the Forward Capacity Market until the deferred date. Beginning on the deferred date, all of the rights, obligations, payments, and charges associated with the Capacity Supply Obligation shall apply, and the Capacity Supply Obligation and Capacity Clearing Price (indexed using the Handy-Whitman Index of Public Utility Construction Costs in effect as of December 31 of the year preceding the Capacity Commitment Period) associated with the Forward Capacity Auction in which the resource cleared as a new resource shall apply for the full duration of the Capacity Supply Obligation (including multi-year elections made pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7). Neither the Project Sponsor, nor the ISO on the Project Sponsor’s behalf, will take actions to cover the resource’s Capacity Supply Obligation for the deferral period as described in Section III.13.3.4, but the other requirements of III.13.3, including all reporting requirements and the ISO’s right to seek termination, shall continue to apply during the deferral period. Upon Commission approval of the deferral, the resource may not participate in any reconfiguration auctions or Capacity Supply Obligation Bilaterals for any portion of the deferral period. Beginning at 8:00 a.m. (Eastern Time) 30 days after Commission approval of the request, the Project Sponsor shall be required to provide an additional amount of financial assurance as described in Section VII.B.2.c of the ISO New England Financial Assurance Policy.

Notwithstanding any other provision of this Section III.13, if any of the resource’s Capacity Supply Obligation in the deferral period was shed in a reconfiguration auction or Capacity Supply Obligation Bilateral prior to Commission approval of the deferral request, then the resource’s settlements shall be adjusted by the ISO to ensure that the resource does not receive any payments associated with that transaction in excess of the charges associated with that transaction; the resource will be responsible for any charges in excess of payments.

**III.13.3.8 FCM Commercial Operation.**

A resource (or portion thereof) achieves FCM Commercial Operation when (1) the ISO has determined that the resource (or portion thereof) has achieved all its critical path schedule milestones, including completion of any transmission upgrades necessary for the resource to obtain the requisite interconnection service; and (2) the ISO verifies the resource’s (or a portion of the resource’s) summer capacity rating (or, for a resource with winter capacity only, its winter capacity rating).

* 1. For a Generating Capacity Resource (or portion thereof) that has achieved all its critical path schedule milestones, the ISO shall confirm FCM Commercial Operation as soon as practicable following the ISO’s verification of the resource’s summer capacity rating (or, for a resource with winter capacity only, its winter capacity rating), which may take place in any month of the year. The ISO shall verify the summer capacity rating of a Generating Capacity Resource that is an Intermittent Power Resource following no fewer than 30 consecutive calendar days of operation (for periods from October 1 through May 31, a Market Participant must request such verification).
  2. For a Demand Capacity Resource (or portion thereof) that has achieved all its critical path schedule milestones, the ISO shall confirm FCM Commercial Operation upon verifying that the Demand Capacity Resource described in the New Demand Capacity Resource Qualification Package has achieved its full demand reduction value, subject to the requirements of Section III.13.6.1.5.3(b).
  3. For an Import Capacity Resource (or portion thereof) that has achieved all its critical path schedule milestones, the ISO shall confirm FCM Commercial Operation upon demonstration that the Import Capacity Resource described in the New Capacity Qualification Package has achieved its full Qualified Capacity.

**III.13.4. Reconfiguration Auctions.**

For each Capacity Commitment Period, the ISO shall conduct annual and monthly reconfiguration auctions as described in this Section III.13.4. Reconfiguration auctions only permit the trading of Capacity Supply Obligations; load obligations are not traded in reconfiguration auctions. Each reconfiguration auction shall use a static double auction (respecting the interface limits and capacity requirements modeled as specified in Sections III.13.4.5 and III.13.4.7) to clear supply offers (i.e., offers to assume a Capacity Supply Obligation) and demand bids (i.e., bids to shed a Capacity Supply Obligation) for each Capacity Zone included in the reconfiguration auction. Supply offers and demand bids will be modeled in the Capacity Zone where the associated resources are electrically interconnected. Resources that are able to meet the requirements in other Capacity Zones shall be allowed to clear to meet such requirements, subject to the constraints modeled in the auction.

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

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

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

Each supply offer and demand bid in a reconfiguration auction must be associated with a specific resource, and must satisfy the requirements of this Section III.13.4.2. All resource types may submit supply offers and demand bids in reconfiguration auctions. In accordance with Section III.A.9.2 of ***Appendix A*** of this Market Rule 1, supply offers and demand bids submitted for reconfiguration auctions shall not be subject to mitigation by the Internal Market Monitor. A supply offer or demand bid submitted for a reconfiguration auction shall not be limited by the associated resource’s Economic Minimum Limit. Offers composed of separate resources may not participate in reconfiguration auctions. Participation in any reconfiguration auction is conditioned on full compliance with the applicable financial assurance requirements as provided in the ISO New England Financial Assurance Policy at the time of the offer and bid deadline. For annual reconfiguration auctions, the offer and bid deadline will be announced by the ISO no later than 30 days prior to that deadline. No later than 15 days before the offer and bid deadline for an annual reconfiguration auction, the ISO shall notify each resource of the amount of capacity that it may offer or bid in that auction, as calculated pursuant to this Section III.13.4.2. For monthly reconfiguration auctions, the offer and bid deadline will be announced by the ISO no later than 10 Business Days prior to that deadline. Upon issuance of the monthly bilateral results for the associated obligation month, the ISO shall notify each resource of the amount of capacity that it may offer or bid in that monthly auction, as calculated pursuant to this Section III.13.4.2. For monthly reconfiguration auctions in which the most recently approved Winter Seasonal Claimed Capability established as of the fifth Business Day in June of the relevant Capacity Commitment Period is greater than the Winter ARA Qualified Capacity for the third annual reconfiguration auction, the ISO shall apply the greater of these two values to offer limits starting with the first monthly reconfiguration auction in the winter delivery period for the relevant Capacity Commitment Period, limited, as applicable, by the resource’s CNR Capability.

**III.13.4.2.1. Supply Offers.**

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

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

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

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

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

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

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

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

(a) For capacity that has achieved FCM Commercial Operation, the higher of the resource’s summer Qualified Capacity as calculated for the Forward Capacity Auction for that Capacity Commitment Period and any summer Seasonal Claimed Capability values for summer periods completed after the Existing Capacity Retirement Deadline for the Forward Capacity Auction for the Capacity Commitment Period and before the start of the Capacity Commitment Period. The amount of capacity described in this Section III.13.4.2.1.2.1.1.1(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.1.2 and where the project has not achieved FCM Commercial Operation.

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

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

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

(a) For capacity that has achieved FCM Commercial Operation, the higher of the resource’s winter Qualified Capacity as calculated for the Forward Capacity Auction for that Capacity Commitment Period and any winter Seasonal Claimed Capability values for winter periods completed after the Existing Capacity Retirement Deadline for the Forward Capacity Auction for the Capacity Commitment Period and before the start of the Capacity Commitment Period. The amount of capacity described in this Section III.13.4.2.1.2.1.1.2(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.1.2 and where the project has not achieved FCM Commercial Operation.

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

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

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

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

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

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

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

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

(a) For capacity that has achieved FCM Commercial Operation, the resource’s most recently-determined winter Qualified Capacity. The amount of capacity described in this Section III.13.4.2.1.2.1.2.2(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.1.2 and the project has not achieved FCM Commercial Operation.

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

**III.13.4.2.1.2.1.3. Import Capacity Resources Backed By an External Control Area.**

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

**III.13.4.2.1.2.1.3.1. Import Capacity Resources Backed by One or More External Resources.**

For the first and second annual reconfiguration auctions associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity and Winter ARA Qualified Capacity of an Import Capacity Resource backed by one or more External Resources shall be the greater of:

(a) the summer Qualified Capacity and winter Qualified Capacity, respectively, as determined for the Forward Capacity Auction for that Capacity Commitment Period; and

(b) the amount of capacity available to back the import, if submitted by the Lead Market Participant and approved by the ISO by the fifth Business Day in October and, if submitted for a New Import Capacity Resource backed by one or more External Resources, also subject to the satisfaction of the requirements in Sections III.13.1.3.5.1(b), III.13.1.3.5.2, and III.13.3.1.1 and the relevant financial assurance requirements as described in Section III.13.1.9 and the ISO New England Financial Assurance Policy.

**III.13.4.2.1.2.1.4. Demand Capacity Resources.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) For capacity that has achieved FCM Commercial Operation, the lesser of its most recently-determined summer Qualified Capacity and its summer Seasonal Claimed Capability value in effect after the most recently competed summer period. The amount of capacity described in this Section III.13.4.2.1.2.2.2.1(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.1.2 and the project has not achieved FCM Commercial Operation.

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

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

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

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

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

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

**III.13.4.2.1.2.2.3.1 Import Capacity Resources Backed by an External Control Area.**

For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity of an Import Capacity Resource shall be equal to the lesser of its summer Qualified Capacity as determined for the Forward Capacity Auction for that Capacity Commitment Period and the amount of capacity available to back the import, if submitted by the Lead Market Participant and approved by the ISO by the fifth Business Day in October. For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Winter ARA Qualified Capacity of an Import Capacity Resource shall be equal to the lesser of its winter Qualified Capacity as determined for the Forward Capacity Auction for that Capacity Commitment Period and the amount of capacity available to back the import, if submitted by the Lead Market Participant and approved by the ISO by the fifth Business Day in October.

**III.13.4.2.1.2.2.3.2. Import Capacity Resources Backed by One or More External Resources.**

For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity and Winter ARA Qualified Capacity of an Import Capacity Resource backed by one or more External Resources shall be the lesser of:

(a) the summer Qualified Capacity and winter Qualified Capacity, respectively, as determined by the most recent Forward Capacity Auction that does not reflect a change to the Import Capacity Resource applicable to that Capacity Commitment Period; and

(b) the amount of capacity available to back the import, if submitted by the Lead Market Participant and approved by the ISO by the fifth Business Day in October and, if submitted for a New Import Capacity Resource backed by one or more External Resources, also subject to the satisfaction of the requirements in Sections III.13.1.3.5.1(b), III.13.1.3.5.2, and III.13.3.1.1 and the relevant financial assurance requirements as described in Section III.13.1.9 and the ISO New England Financial Assurance Policy.

**III.13.4.2.1.2.2.4. Demand Capacity Resources.**

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

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

(a) For capacity that has achieved FCM Commercial Operation, the lesser of: (i) its most recently-determined summer Qualified Capacity and (ii) its summer Seasonal DR Audit value or summer Passive DR Audit value in effect at the time of qualification for the third annual reconfiguration auction.

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

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

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

(a) For capacity that has achieved FCM Commercial Operation, the lesser of: (i) its most recently-determined winter Qualified Capacity and (ii) its winter Seasonal DR Audit value or winter Passive DR Audit value in effect at the time of qualification for the third annual reconfiguration auction.

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

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

For each month of the Capacity Commitment Period associated with the third annual reconfiguration auction, for each resource that has achieved FCM Commercial Operation, the ISO shall subtract the resource’s Summer ARA Qualified Capacity or Winter ARA Qualified Capacity, as applicable, from the amount of capacity from the resource that is subject to a Capacity Supply Obligation for the month. For the month associated with the greatest of these 12 values (for Capacity Commitment Periods beginning on or before June 1, 2019) or the least of these 12 values (for Capacity Commitment Periods beginning on or after June 1, 2020), if the resource’s Summer ARA Qualified Capacity or Winter ARA Qualified Capacity (as applicable) is below the amount of capacity from that resource that is subject to a Capacity Supply Obligation for that month by:

(1) for Capacity Commitment Periods beginning on or before June 1, 2019, more than the lesser of:

(i) 20 percent of the amount of capacity from that resource that is subject to a Capacity Supply Obligation for that month or:

(ii) 40 MW ;

(2) for Capacity Commitment Periods beginning on June 1, 2020, June 1, 2021 and June 1, 2022, more than the lesser of:

1. the greater of 20 percent of the amount of capacity from that resource that is subject to a Capacity Supply Obligation for that month or two MW, or:
2. 40 MW;
   1. for Capacity Commitment Periods beginning on or after June 1, 2023, more than the lesser of:
3. the greater of 10 percent of the amount of capacity from that resource that is subject to a Capacity Supply Obligation for that month or two MW, or;

(ii) 10 MW;

then the following provisions shall apply:

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

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

(1) for Capacity Commitment Periods beginning prior to June 1, 2020, the greatest of the 12 monthly values determined pursuant to this Section III.13.4.2.1.3 ;

(2) for Capacity Commitment Periods beginning on June 1, 2020, June 1, 2021 and June 1, 2022, where the Capacity Supply Obligation and Qualified Capacity values are those for the month in which the values as determined pursuant to Section III.13.4.2.1.3 vary the least, the greater of:

(i) the resource’s Capacity Supply Obligation minus (Qualified Capacity divided by 0.8), and;

(ii) the resource’s Capacity Supply Obligation minus Qualified Capacity minus 40 MW;

(3) for Capacity Commitment Periods beginning on or after June 1, 2023, where the Capacity Supply Obligation and Qualified Capacity values are those for the month in which the values as determined pursuant to Section III.13.4.2.1.3 vary the least, the greater of:

(i) the resource’s Capacity Supply Obligation minus (Qualified Capacity divided by 0.9), and;

(ii) the resource’s Capacity Supply Obligation minus Qualified Capacity minus 10 MW.

(c) For Capacity Commitment Periods beginning before June 1, 2020, if the ISO determines that the resource is not able to provide the necessary amount of capacity by the start of all months in the Capacity Commitment Period in which the resource has a Capacity Supply Obligation, and if the resource was part of an offer composed of separate resources when it qualified to participate in the relevant Forward Capacity Auction, then before a demand bid is entered for the resource pursuant to subsection (b) above, the resource may submit monthly Capacity Supply Obligation Bilaterals, subject to the satisfaction of the requirements in Section III.13.5, to cover the deficiency for the months of the Capacity Commitment Period in which the Capacity Supply Obligation is associated with participation in an offer composed of separate resource prior to the third annual reconfiguration auction, but in no case may such a Capacity Supply Obligation Bilateral for a month be for an amount of capacity greater than the difference between the resource’s Capacity Supply Obligation for the month and the resource’s lowest monthly Capacity Supply Obligation during the Capacity Commitment Period.

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

A resource that has not achieved FCM Commercial Operation may not submit a supply offer for that reconfiguration auction, unless the resource has a negative Capacity Supply Obligation, in which case it may submit a supply offer for that reconfiguration auction in an amount up to the absolute value of its Capacity Supply Obligation. The amount of capacity up to which a resource may submit a supply offer in a monthly reconfiguration auction shall be the difference (but in no case less than zero) between (i) the resource’s Summer ARA Qualified Capacity or Winter ARA Qualified Capacity as adjusted pursuant to Section III.13.4.2, as applicable, for the auction month for the third annual reconfiguration auction for the relevant Capacity Commitment Period; and (ii) the amount of capacity from that resource that is already subject to a Capacity Supply Obligation for that month. However, a resource may not submit a supply offer for a monthly reconfiguration auction if it is on an approved outage during that month.

**III.13.4.2.1.5. ISO Review of Supply Offers.**

Supply offers in reconfiguration auctions shall be reviewed by the ISO to ensure the regional and local adequacy achieved through the Forward Capacity Auction and other reliability needs are maintained. The ISO’s reviews will consider the location and operating and rating limitations of resources associated with cleared supply offers to ensure reliability standards will remain satisfied if the offer is accepted. The ISO shall reject supply offers that would otherwise clear in a reconfiguration auction that will result in a violation of any NERC or NPCC criteria, or ISO New England System Rules during the Capacity Commitment Period associated with the reconfiguration auction. The ISO’s reliability reviews will assess such offers, beginning with the marginal resource, based on operable capacity needs while considering any approved or interim approved transmission outage information and any approved generation or Demand Response Resource outage information, and will include transmission security studies. Supply offers that cannot meet the applicable reliability needs will be rejected in their entirety and the resource will not be rejected in part. Rejected resources will not be further included in clearing the reconfiguration auction and the Lead Market Participant or Project Sponsor, as appropriate, shall be notified as soon as practicable after the reconfiguration auction of the rejection and of the reliability need prompting such rejection.

**III.13.4.2.2. Demand Bids in Reconfiguration Auctions.**

Submission of demand bids in reconfiguration auctions shall be governed by this Section III.13.4.2.2. All demand bids in reconfiguration auctions shall be submitted by the Project Sponsor or Lead Market Participant, and shall specify the amount of capacity bid in MW, and the price, in dollars per kW/month.

(a) To submit a demand bid in a reconfiguration auction, a resource must have a Capacity Supply Obligation for the Capacity Commitment Period (or portion thereof, as applicable) associated with that reconfiguration auction. Where capacity associated with a Self-Supplied FCA Resource that cleared in the Forward Capacity Auction for the Capacity Commitment Period is offered in a reconfiguration auction for that Capacity Commitment Period, or any portion thereof, a resource acquiring a Capacity Supply Obligation shall not as a result become a Self-Supplied FCA Resource.

(b) Each demand bid submitted to the ISO for reconfiguration auction shall be no greater than the amount of the resource’s capacity that is already obligated for the Capacity Commitment Period (or portion thereof, as applicable) as of the offer and bid deadline for the reconfiguration auction.

(c) All demand bids in reconfiguration auctions shall be reviewed by the ISO to ensure the regional and local adequacy achieved through the Forward Capacity Auction and other reliability needs are maintained. The ISO’s reviews will consider the location and operating and rating limitations of resources associated with demand bids that would otherwise clear to ensure reliability standards will remain satisfied if the committed capacity is withdrawn. The ISO shall reject demand bids that would otherwise clear in a reconfiguration auction that will result in a violation of any NERC or NPCC criteria or ISO New England System Rules during the Capacity Commitment Period associated with the reconfiguration auction, provided that for annual reconfiguration auctions associated with a Capacity Commitment Period that begins on or after June 1, 2018, the ISO shall not reject a demand bid solely on the basis that acceptance of the demand bid may result in the procurement of less capacity than the Installed Capacity Requirement (net of HQICCs). For monthly reconfiguration auctions, the ISO shall obtain and consider information from the Local Control Center regarding whether the capacity associated with demand bids that would otherwise clear from resources with a Capacity Supply Obligation is needed for local system conditions. The ISO’s reliability reviews will assess such bids, beginning with the marginal resource, based on operable capacity needs while considering any approved or interim approved transmission outage information and any approved generation or Demand Response Resource outage information, and will include transmission security studies. Where the applicable reliability needs cannot be met if a Demand Bid is cleared, such Demand Bids will be rejected in their entirety and the resource will not be rejected in part. Demand Bids from rejected resources will not be further included in clearing the reconfiguration auction, and the Lead Market Participant or Project Sponsor, as appropriate, shall be notified as soon as practicable after the reconfiguration auction of the rejection and of the reliability need prompting such rejection.

**III.13.4.3. ISO Participation in Reconfiguration Auctions.**

Section III.13.4.3 is applicable for reconfiguration auctions associated with Capacity Commitment Periods beginning before June 1, 2020.

The ISO shall not submit supply offers or demand bids in monthly reconfiguration auctions. The ISO shall submit supply offers and demand bids in annual reconfiguration auctions as appropriate to address year-to-year changes in the Installed Capacity Requirement (net of HQICCs), Local Sourcing Requirements and Maximum Capacity Limits for the associated Capacity Commitment Period, to procure capacity not purchased in the Forward Capacity Auction as a result of the “Inadequate Supply” rule for Forward Capacity Auctions conducted prior to June 2015, to procure any shortfall in capacity resulting from a resource’s achieving FCM Commercial Operation at a level less than that resource’s Capacity Supply Obligation or other significant decreases in capacity, and to address any changes in external interface limits, as follows:

(a) For each Capacity Commitment Period, the ISO shall submit demand bids for the amount of additional capacity needed to meet the Local Sourcing Requirements and shall submit supply offers in the third annual reconfiguration auction for a Capacity Commitment Period to release capacity exceeding the Maximum Capacity Limits or external interface limits.

(b) No later than 15 days before the offer and bid deadline for an annual reconfiguration auction, the ISO shall provide notice regarding whether the ISO will be submitting supply offers or demand bids in that auction.

(c) Any demand bid submitted by the ISO in an annual reconfiguration auction shall be at the Forward Capacity Auction Starting Price.

(d) Any supply offer submitted by the ISO in an annual reconfiguration auction shall be in the form of a supply curve having the following characteristics:

(i) at prices equal to or greater than 0.75 times the Capacity Clearing Price, as adjusted pursuant to Section III.13.2.7.3(b), from the Forward Capacity Auction for the Capacity Commitment Period covered by the annual reconfiguration auction, the ISO shall offer the full amount of the surplus;

(ii) at prices between 0.75 times such Capacity Clearing Price and 0.25 times such Capacity Clearing Price, the amount of the surplus offered by the ISO shall decrease linearly (for example, at 0.5 times such Capacity Clearing Price, the ISO shall offer half of the amount of the surplus); and

(iii) At prices equal to or below 0.25 times such Capacity Clearing Price, the ISO shall offer no capacity.

(e) For purposes of this Section III.13.4.3, the Forward Capacity Auction Starting Price shall be the Forward Capacity Auction Starting Price associated with the Forward Capacity Auction for the same Capacity Commitment Period addressed by the reconfiguration auction, as determined pursuant to Section III.13.2.4.

(f) Supply offers and demand bids submitted by the ISO in annual reconfiguration auctions are not subject to the requirements and limitations described in Section III.13.4.2.

(g) Supply offers and demand bids submitted by the ISO in annual reconfiguration auctions are not associated with a resource.

**III.13.4.4. Clearing Offers and Bids in Reconfiguration Auctions.**

All supply offers and demand bids may be cleared in whole or in part in all reconfiguration auctions. If after clearing, a resource has a Capacity Supply Obligation below its Economic Minimum Limit, it must meet the requirements of Section III.13.6.1.1.1.

**III.13.4.5. Annual Reconfiguration Auctions.**

Except as provided below, after the Forward Capacity Auction for a Capacity Commitment Period, and before the start of that Capacity Commitment Period, the ISO shall conduct three annual reconfiguration auctions for capacity commitments covering the whole of that Capacity Commitment Period. For each annual reconfiguration auction, the capacity demand curves, New England Control Area and Capacity Zone capacity requirements and external interface limits, as updated pursuant to Section III.12, shall be modeled in the auction consistent with the Forward Capacity Auction for the associated Capacity Commitment Period. For purposes of the annual reconfiguration auctions, the Forward Capacity Auction Starting Price used to define the System-Wide Capacity Demand Curve shall be the Forward Capacity Auction Starting Price associated with the Forward Capacity Auction for the same Capacity Commitment Period addressed by the reconfiguration auction.

**III.13.4.5.1. Timing of Annual Reconfiguration Auctions.**

The first annual reconfiguration auction for the Capacity Commitment Period shall be held in the month of June that is approximately 24 months before the start of the Capacity Commitment Period. The second annual reconfiguration auction for the Capacity Commitment Period shall be held in the month of August that is approximately 10 months before the start of the Capacity Commitment Period. The third annual reconfiguration auction for the Capacity Commitment Period shall be held in the month of March that is approximately 3 months before the start of the Capacity Commitment Period.

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

If the difference between the forecasted Installed Capacity Requirement (net of HQICCs) for a Capacity Commitment Period and the amount of capacity obligated for that Capacity Commitment Period is sufficiently large, then the ISO may, upon reasonable notice to Market Participants, conduct an annual reconfiguration auction as much as six months earlier than its normally-scheduled time.

**III.13.4.6. [Reserved.]**

**III.13.4.7. Monthly Reconfiguration Auctions.**

Prior to each month in the Capacity Commitment Period, the ISO shall conduct a monthly reconfiguration auction for whole-month capacity commitments during that month. For each monthly reconfiguration auction for Capacity Commitment Periods beginning before June 1, 2020, the Local Sourcing Requirement and Maximum Capacity Limit applicable for each Capacity Zone and external interface limits, as updated pursuant to Section III.12, shall be modeled as constraints in the auction. For each monthly reconfiguration auction for Capacity Commitment Periods beginning or after June 1, 2020, the truncation points for import-constrained Capacity Zones and export-constrained Capacity Zones specified in Section III.13.2.2.2 and Section III.13.2.2.3, and external interface limits, as updated pursuant to Section III.12, shall be modeled as constraints in the auction. The System-Wide Capacity Demand Curve is not modeled in monthly reconfiguration auctions.

**III.13.4.8. Adjustment to Capacity Supply Obligations**.

For each supply offer that clears in a reconfiguration auction, the resource’s Capacity Supply Obligation for the relevant Capacity Commitment Period (or portion thereof, as applicable) shall be increased by the amount of capacity that clears. For each demand bid that clears in a reconfiguration auction, the resource’s Capacity Supply Obligation for the relevant Capacity Commitment Period (or portion thereof, as applicable) shall be decreased by the amount of capacity that clears.

**III.13.5. Bilateral Contracts in the Forward Capacity Market.**

Market Participants shall be permitted to enter into Annual Reconfiguration Transactions, Capacity Supply Obligation Bilaterals, Capacity Load Obligation Bilaterals and Capacity Performance Bilaterals in accordance with this Section III.13.5, with the ISO serving as Counterparty in each such transaction. Market Participants may not offset a Capacity Load Obligation with a Capacity Supply Obligation.

**III.13.5.1. Capacity Supply Obligation Bilaterals.**

Capacity Supply Obligation Bilaterals are available for monthly, seasonal and annual periods. Capacity Supply Obligation Bilaterals for seasonal and annual periods are only available for periods prior to June 1, 2020. The qualification of resources subject to a Capacity Supply Obligation Bilateral is determined in the same manner as the qualification of resources is determined for reconfiguration auctions as specified in Section III.13.4.2.

A resource having a Capacity Supply Obligation seeking to shed that obligation (Capacity Transferring Resource) may enter into a bilateral transaction to transfer its Capacity Supply Obligation, in whole or in part (Capacity Supply Obligation Bilateral), to a resource, or portion thereof, having Qualified Capacity for that Capacity Commitment Period that is not already obligated (Capacity Acquiring Resource), subject to the following limitations.

(a) A monthly Capacity Supply Obligation Bilateral must be coterminous with a calendar month, and an annual Capacity Supply Obligation Bilateral must be coterminous with a Capacity Commitment Period. A seasonal Capacity Supply Obligation Bilateral can be entered into only during the Capacity Supply Obligation Bilateral window associated with the third Annual Reconfiguration Auction, must be contained within a single Capacity Commitment Period, and must contain all the months in the summer or winter season identified by the Capacity Transferring Resource and only those months. For the purposes of this Section III.13.5, the summer season of a Demand Capacity Resource is all of the months from June through November and April through May of the same Capacity Commitment Period and the winter season of a Demand Capacity Resource is all of the months from December through March; for all other resource types, the summer season is all of the months from June through September and the winter season is all of the months October through May.

(b) A Capacity Supply Obligation Bilateral may not transfer a Capacity Supply Obligation amount that is greater than the lowest monthly Capacity Supply Obligation of the Capacity Transferring Resource during the month, season or Capacity Commitment Period covered by the Capacity Supply Obligation Bilateral. A Capacity Supply Obligation Bilateral may not transfer a Capacity Supply Obligation amount that is greater than the lowest monthly amount of unobligated Qualified Capacity (that is, Qualified Capacity as determined in the most recent Forward Capacity Auction or reconfiguration auction qualification process that is not subject to a Capacity Supply Obligation for the relevant time period) of the Capacity Acquiring Resource during the month, season or Capacity Commitment Period covered by the Capacity Supply Obligation Bilateral, as determined in the qualification process for the most recent Forward Capacity Auction or annual reconfiguration auction prior to the submission of the Capacity Supply Obligation Bilateral to the ISO. If the season of the Capacity Transferring Resource is not aligned with the season of the Capacity Acquiring Resource and the seasonal Capacity Supply Obligation Bilateral spans more than one season of the Capacity Acquiring Resource, the lowest monthly amount of unobligated Qualified Capacity of the Capacity Acquiring Resource will be used.

(c) A Capacity Supply Obligation Bilateral may not transfer a Capacity Supply Obligation to a Capacity Acquiring Resource where that Capacity Acquiring Resource’s unobligated Qualified Capacity is unobligated as a result of an Export Bid or Administrative Export De-List Bid that cleared in the Forward Capacity Auction.

(d) [Reserved.]

(e) [Reserved.]

(f) [Reserved.]

(g) [Reserved.]

(h) A resource, or a portion thereof, that has been designated as a Self-Supplied FCA Resource may transfer the self-supplied portion of its Capacity Supply Obligation by means of Capacity Supply Obligation Bilateral. In such a case, however, the Capacity Acquiring Resource shall not become a Self-Supplied FCA Resource as a result of the transaction.

(i) A monthly Capacity Supply Obligation may not be acquired by any resource on an approved outage for the relevant Capacity Commitment Period month.

(j) A resource that has not achieved FCM Commercial Operation may not submit a transaction as a Capacity Acquiring Resource for that Capacity Commitment Period month, unless the resource has a negative Capacity Supply Obligation, in which case it may submit a Capacity Supply Obligation Bilateral in an amount up to the absolute value of its Capacity Supply Obligation.

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

**III.13.5.1.1.1. Timing of Submission and Prior Notification to the ISO.**

The Lead Market Participant or Project Sponsor for either the Capacity Transferring Resource or the Capacity Acquiring Resource may submit a Capacity Supply Obligation Bilateral to the ISO in accordance with posted schedules. The ISO will issue a schedule of the submittal windows for Capacity Supply Obligation Bilaterals as soon as practicable after the issuance of Forward Capacity Auction results. A Capacity Supply Obligation Bilateral must be confirmed by the party other than the party submitting the Capacity Supply Obligation Bilateral to the ISO no later than the end of the relevant submittal window.

A Lead Market Participant or Project Sponsor seeking to submit a monthly Capacity Supply Obligation Bilateral pursuant to Section III.13.3.4 (covering where resource will not achieve all critical path schedule milestones by Capacity Commitment Period) or a monthly Capacity Supply Obligation bilateral pursuant to Section III.13.4.2.1.3(c) (significant decrease of offers composed of separate resources) must notify the ISO in writing of its intention to do so no later than four Business Days prior to the start of the relevant annual Capacity Supply Obligation Bilateral submittal window.

**III.13.5.1.1.2. Application.**

The submission of a Capacity Supply Obligation Bilateral to the ISO shall include the following: (i) the resource identification number of the Capacity Transferring Resource; (ii) the amount of the Capacity Supply Obligation being transferred in MW amounts up to three decimal places; (iii) the term of the transaction; and (iv) the resource identification number of the Capacity Acquiring Resource. If the parties to a Capacity Supply Obligation Bilateral so choose, they may also submit a price, in $/kW-month, to be used by the ISO in settling the Capacity Supply Obligation Bilateral. If no price is submitted, the ISO shall use a default price of $0.00/kW-month.

**III.13.5.1.1.3. ISO Review.**

(a) The ISO shall review the information provided in support of the Capacity Supply Obligation Bilateral, and shall reject the Capacity Supply Obligation Bilateral if any of the provisions of this Section III.13.5.1 are not met. For a Capacity Supply Obligation Bilateral submitted before the relevant submittal window opens, this review shall occur once the submittal window opens. For a Capacity Supply Obligation Bilateral submitted after the submittal window opens, this review shall occur upon submission.

(b) After the close of the relevant submittal window, each Capacity Supply Obligation Bilateral shall be subject to a reliability review by the ISO to determine whether the transaction would result in a violation of any NERC or NPCC (or their successors) criteria, or ISO New England System Rules, during the Capacity Commitment Period associated with the transaction. Capacity Supply Obligation Bilaterals shall be reviewed by the ISO to ensure the regional and local adequacy achieved through the Forward Capacity Auction and other reliability needs are maintained. The ISO’s review will consider the location and operating and rating limitations of resources associated with the Capacity Supply Obligation Bilateral to ensure reliability standards will remain satisfied if the capacity associated with the Capacity Transferring Resource is withdrawn and the capacity associated with the Capacity Acquiring Resource is accepted. The ISO’s reliability reviews will assess transactions based on operable capacity needs while considering any approved or interim approved transmission outage information and any approved generation or Demand Response Resource outage information, and will include transmission security studies. The ISO will review all confirmed monthly Capacity Supply Obligation Bilaterals for each upcoming Obligation Month for reliability needs immediately preceding the monthly reconfiguration auction. For a monthly Capacity Supply Obligation Bilateral, the ISO shall obtain and consider information from the Local Control Center regarding whether the Capacity Supply Obligation of the Capacity Transferring Resource is needed for local system conditions and whether it is adequately replaced by the Acquiring Resource.

The ISO will review the net impact of all annual and seasonal Capacity Supply Obligation Bilaterals to ensure that the regional and local adequacy and other reliability needs achieved through the Forward Capacity Auction are maintained in the Capacity Transferring Resource’s Capacity Zone and the Capacity Acquiring Resource’s Capacity Zone or across the external interface.

If after its review of the net impact of all annual and seasonal Capacity Supply Obligation Bilaterals the ISO determines that the regional and local adequacy and other reliability needs achieved through the Forward Capacity Auction are not maintained, and for all monthly Capacity Supply Obligation Bilaterals, the ISO will approve or reject Capacity Supply Obligation Bilaterals based on the order in which they are confirmed. If multiple Capacity Supply Obligation Bilaterals are submitted between the same resources, they may be reviewed together as one transaction and the most recent confirmation time among the related transactions will be used to determine the review order of the grouped transaction. Transactions that cannot meet the applicable reliability needs will only be accepted or rejected in their entirety and the resources will not be accepted or rejected in part for purposes of that transaction. Where the ISO has determined that a Capacity Supply Obligation Bilateral must be rejected for reliability reasons the Lead Market Participant or Project Sponsor, as appropriate, for the Capacity Transferring Resource and the Capacity Acquiring Resource shall be notified as soon as practicable of the rejection and of the reliability need prompting such rejection.

(c) Each Capacity Supply Obligation Bilateral shall be subject to a financial assurance review by the ISO. If the Capacity Transferring Resource and the Capacity Acquiring Resource are not both in compliance with all applicable provisions of the ISO New England Financial Assurance Policy, including those regarding Capacity Supply Obligation Bilaterals, the ISO shall reject the Capacity Supply Obligation Bilateral.

**III.13.5.1.1.4. Approval.**

Upon approval of a Capacity Supply Obligation Bilateral, the Capacity Supply Obligation of the Capacity Transferring Resource shall be reduced by the amount set forth in the Capacity Supply Obligation Bilateral, and the Capacity Supply Obligation of the Capacity Acquiring Resource shall be increased by the amount set forth in the Capacity Supply Obligation Bilateral.

**III.13.5.2. Capacity Load Obligations Bilaterals.**

A Market Participant having a Capacity Load Obligation seeking to shed that obligation (“Capacity Load Obligation Transferring Participant”) may enter into a bilateral transaction to transfer all or a portion of its Capacity Load Obligation in a Capacity Zone (“Capacity Load Obligation Bilateral”) to any Market Participant seeking to acquire a Capacity Load Obligation (“Capacity Load Obligation Acquiring Participant”). A Capacity Load Obligation Bilateral must be in whole calendar month increments, may not exceed one year in duration, and must begin and end within the same Capacity Commitment Period. A Capacity Load Obligation Transferring Participant will be permitted to transfer, and a Capacity Load Obligation Acquiring Participant will be permitted to acquire, a Capacity Load Obligation if after entering into a Capacity Load Obligation Bilateral and submitting related information to the ISO within the specified submittal time period, the ISO approves such Capacity Load Obligation Bilateral.

**III.13.5.2.1. Process for Approval of Capacity Load Obligation Bilaterals.**

**III.13.5.2.1.1. Timing.**

Either the Capacity Load Obligation Transferring Participant or the Capacity Load Obligation Acquiring Participant may submit a Capacity Load Obligation Bilateral to the ISO. All Capacity Load Obligation Bilaterals must be submitted to the ISO in accordance with resettlement provisions as described in ISO New England Manuals. However, to be included in the initial settlement of payments and charges associated with the Forward Capacity Market for the first month of the term of the Capacity Load Obligation Bilateral, a Capacity Load Obligation Bilateral must be submitted to the ISO no later than 12:00 pm on the second Business Day after the end of that month (though a Capacity Load Obligation Bilateral submitted at that time may be revised by the parties to the transaction throughout the resettlement process). A Capacity Load Obligation Bilateral must be confirmed by the party other than the party submitting the Capacity Load Obligation Bilateral to the ISO no later than the same deadline that applies to submission of the Capacity Load Obligation Bilateral.

**III.13.5.2.1.2. Application.**

The submission of a Capacity Load Obligation Bilateral to the ISO shall include the following : (i) the amount of the Capacity Load Obligation being transferred in MW amounts up to three decimal places; (ii) the term of the transaction; (iii) identification of the Capacity Load Obligation Transferring Participant and the Capacity Load Obligation Acquiring Participant; and (iv) the Capacity Zone in which the Capacity Load Obligation is being transferred is located.

**III.13.5.2.1.3. ISO Review.**

The ISO shall review the information provided in support of the Capacity Load Obligation Bilateral and shall reject the Capacity Load Obligation Bilateral if any of the provisions of this Section II.13.5.2 are not met.

**III.13.5.2.1.4. Approval.**

Upon approval of a Capacity Load Obligation Bilateral, the Capacity Load Obligation of the Capacity Load Obligation Transferring Participant in the Capacity Zone specified in the submission to the ISO shall be reduced by the amount set forth in the Capacity Load Obligation Bilateral and the Capacity Load Obligation of the Capacity Load Obligation Acquiring Participant in the specified Capacity Zone shall be increased by the amount set forth in the Capacity Load Obligation Bilateral.

**III.13.5.3. Capacity Performance** **Bilaterals.**

A resource’s Capacity Performance Score during a Capacity Scarcity Condition may be adjusted by entering into a Capacity Performance Bilateral as described in this Section III.13.5.3.

**III.13.5.3.1.**  **Eligibility**.

If a resource has a Capacity Performance Score that is greater than zero in a five-minute interval that is subject to a Capacity Scarcity Condition, that resource may transfer all or some of that Capacity Performance Score to another resource for that same five-minute interval so long as both resources were subject to the same Capacity Scarcity Condition.

**III.13.5.3.2. Submission of Capacity Performance Bilaterals.**

The Lead Market Participant for a resource having a Capacity Performance Score that is greater than zero in a five-minute interval that is subject to a Capacity Scarcity Condition may submit a Capacity Performance Bilateral to the ISO assigning all or a portion of its Capacity Performance Score for that interval to another resource, subject to the eligibility requirements specified in Section III.13.5.3.1. The Capacity Performance Bilateral must be confirmed by the Lead Market Participant for the resource receiving the Capacity Performance Score.

**III.13.5.3.2.1. Timing.**

A Capacity Performance Bilateral must be submitted in accordance with resettlement provisions as described in ISO New England Manuals. However, to be included in the initial settlement of payments and charges associated with the Forward Capacity Market for the month associated with the Capacity Performance Bilateral, a Capacity Performance Bilateral must be submitted to the ISO no later than 12:00 pm on the second Business Day after the end of that month, or at such later deadline as specified by the ISO upon notice to Market Participants (though a Capacity Performance Bilateral may be revised by the parties to the transaction throughout the resettlement process).

**III.13.5.3.2.2. Application.**

The submission of a Capacity Performance Bilateral to the ISO shall include the following: (i) the resource identification number for the resource transferring its Capacity Performance Score; (ii) the resource identification number for the resource receiving the Capacity Performance Score; (iii) the MW amount of Capacity Performance Score being transferred; (iv) the specific five-minute interval or intervals for which the Capacity Performance Bilateral applies.

**III.13.5.3.2.3. ISO Review.**

The ISO shall review the information provided in submission of the Capacity Performance Bilateral, and shall reject the Capacity Performance Bilateral if any of the provisions of this Section III.13.5.3 are not met.

**III.13.5.3.3. Effect of Capacity Performance Bilateral.**

A Capacity Performance Bilateral does not affect in any way either party’s Capacity Supply Obligation or the rights and obligations associated therewith. The sole effect of a Capacity Performance Bilateral is to modify the Capacity Performance Scores of the transferring and receiving resources for the Capacity Scarcity Conditions subject to the Capacity Performance Bilateral for purposes of calculating Capacity Performance Payments as described in Section III.13.7.2.

**III.13.5.4 Annual Reconfiguration Transactions.**

Annual Reconfiguration Transactions are available for annual reconfiguration auctions for Capacity Commitment Periods beginning on or after June 1, 2020, except that Annual Reconfiguration Transactions are not available for the first annual reconfiguration auction for the Capacity Commitment Period beginning on June 1, 2020.

**III.13.5.4.1 Timing of Submission.**

The Lead Market Participant or Project Sponsor for either a Capacity Transferring Resource or a Capacity Acquiring Resource may submit an Annual Reconfiguration Transaction to the ISO in accordance with posted schedules. The ISO will issue a schedule of the submittal windows for Annual Reconfiguration Transactions as soon as practicable after the issuance of Forward Capacity Auction results. An Annual Reconfiguration Transaction must be confirmed by the party other than the party submitting the Annual Reconfiguration Transaction to the ISO no later than the end of the relevant submittal window.

**III.13.5.4.2 Components of an Annual Reconfiguration Transaction.**

The submission of an Annual Reconfiguration Transaction must include the following:

* + - 1. the resource identification number of the Capacity Transferring Resource;
      2. the applicable Capacity Commitment Period;

(3) the resource identification number of the Capacity Acquiring Resource, and;

(4) a price ($/kW-month), quantity (MW) and Capacity Zone, to be used in settling the Annual Reconfiguration Transaction.

The maximum quantity of an Annual Reconfiguration Transaction is the higher of:

(1) the Capacity Transferring Resource’s maximum demand bid quantity determined pursuant to Section III.13.4.2.2(b), less the quantity of any previously confirmed Annual Reconfiguration Transactions, and;

(2) the Capacity Acquiring Resource’s maximum supply offer quantity determined pursuant to Section III.13.4.2.1.1, less the quantity of any previously confirmed Annual Reconfiguration Transactions.

An Annual Reconfiguration Transaction may not be submitted unless the maximum demand bid quantity and maximum supply offer quantity are each greater than zero.

Each Annual Reconfiguration Transaction is limited to a single Capacity Acquiring Resource and a single Capacity Transferring Resource.

If any demand bid of a Capacity Transferring Resource or supply offer of a Capacity Acquiring Resource that is associated with an Annual Reconfiguration Transaction is rejected for reliability reasons pursuant to Section III.13.2.2(c) or Section III.13.4.2.1.5, respectively, the Annual Reconfiguration Transaction is cancelled.

**III.13.5.4.3 Settlement of Annual Reconfiguration Transactions.**

Annual Reconfiguration Transactions are settled on a monthly basis during the applicable Capacity Commitment Period. The monthly payment amount is equal to the transaction quantity multiplied by the difference between the annual reconfiguration auction clearing price and the transaction price. If the payment amount is positive, payment is made to the Lead Market Participant with the Capacity Transferring Resource and charged to the Lead Market Participant with the Capacity Acquiring Resource. If the payment amount is negative, payment is made to the Lead Market Participant with the Capacity Acquiring Resource and charged to the Lead Market Participant with the Capacity Transferring 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 with Capacity Supply Obligations.**

**III.13.6.1.1.1. Energy Market Offer Requirements**.

(a) 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:

(i) 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

(ii) if the Generating Capacity Resource cannot meet the offer requirements in Section III.13.6.1.1.1(a)(i) 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.

(b) Notwithstanding the foregoing, if the Generating Capacity Resource is a Settlement Only Resource, it may not submit Supply Offers into the Day-Ahead Energy Market or Real-Time Energy Market.

**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.

**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 (except that Settlement Only Resources are not subject to outage requirements), 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 with Capacity Supply Obligations.**

**III.13.6.1.2.1. Energy Market Offer Requirements.**

The Real-Time Energy Market offer requirements in this Section III.13.6.1.2.1 do not apply to Import Capacity Resources with Capacity Supply Obligations at an external interface for which the enhanced scheduling provisions in Section III.1.10.7.A are implemented unless the Import Capacity Resource qualified for participation in the Forward Capacity Market under Section III.13.1.3.5.3.1.

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 for failing to deliver the External Transaction or External Transactions in the energy market as described in the ISO New England System Rules.

(a) 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.

(b) 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.

(c) 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.

**III.13.6.1.2.2. Additional Requirements for Certain Import Capacity Resources.**

The additional requirements for Import Capacity Resources in this Section III.13.6.1.2.2 do not apply to Import Capacity Resources with Capacity Supply Obligations at an external interface for which the enhanced scheduling provisions in Section III.1.10.7.A are implemented unless the Import Capacity Resource qualified for participation in the Forward Capacity Market under Section III.13.1.3.5.3.1.

(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.13.6.1.2.3. Additional Requirements for Import Capacity Resources at External Interfaces with Enhanced Scheduling.**

Import Capacity Resources with Capacity Supply Obligations at an external interface for which the enhanced scheduling provisions in Section III.1.10.7.A are implemented are subject to the following additional requirements unless the Import Capacity Resource qualified for participation in the Forward Capacity Market under Section III.13.1.3.5.3.1. 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 the requirements in this Section III.13.6.1.2.3 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.

(a) The resource must comply with all information submittal requirements for Day-Ahead Energy Market Coordinated External Transactions associated with resource or Control Area backed Import Capacity Resources as detailed in the ISO New England Manuals.

(b) Where the Import Capacity Resource is physically located in a Control Area with which the New England Control Area has implemented the enhanced scheduling procedures in Section III.1.10.7.A, the resource must comply with all offer, outage scheduling and operating requirements applicable to capacity resources in the native Control Area.

(c) The resource must notify the ISO of all outages impacting the Capacity Supply Obligation of the resource in accordance with the outage notification requirements in ISO New England Operating Procedures.

(d) At the time of submittal, each Coordinated External Transaction submitted to the Day-Ahead Energy Market must reference the associated Import Capacity Resource.

**III.13.6.1.3. Intermittent Power Resources with Capacity Supply Obligations.**

**III.13.6.1.3.1. Energy Market Offer Requirements**.

(a) 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.

(b) Notwithstanding the foregoing, an Intermittent Power Resource that is a Settlement Only Resource may not submit Supply Offers into the Day-Ahead Energy Market or Real-Time Energy Market.

**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 (except that Intermittent Power Resources that are Settlement Only Resources need not comply with outage requirements).

**III.13.6.1.4. [Reserved.]**

**III.13.6.1.5. Demand Capacity Resources with Capacity Supply Obligations.**

**III.13.6.1.5.1. Energy Market Offer Requirements.**

(a) A Market Participant with an Active Demand 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 Active Demand 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 Active Demand 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:

(i) 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) Seasonal Peak Demand Resources and On-Peak Demand Resources may not submit Demand Reduction Offers into the Day-Ahead Energy Market or Real-Time Energy Market.

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

For each day, Demand Reduction Offers submitted into the Day-Ahead Energy Market and Real-Time Energy Market for a Demand Response Resource associated with an Active Demand Capacity Resource must reflect the then-known operating characteristics of the resource. Consistent with Section III.1.10.9(d), Demand Response Resources must re-declare to the ISO any changes to 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.

**III.13.6.1.5.3. Additional Requirements for Demand Capacity Resources.**

(a) A Market Participant may not associate an Asset with a non-commercial Demand Capacity Resource during a Capacity Commitment Period if the Asset can be associated with a commercial Demand Capacity Resource whose capability is less than its Capacity Supply Obligation during that Capacity Commitment Period.

(b) For purposes of confirming FCM Commercial Operation as described in Section III.13.3.2.2(c), the ISO shall use a summer Seasonal DR Audit value or summer Passive DR Audit value to verify the capacity rating of a Demand Capacity Resource with summer Qualified Capacity. A winter Seasonal DR Audit value or winter Passive DR Audit value may only be used to verify the winter commercial capacity of a Demand Capacity Resource. The summer and winter commercial capacity of a Demand Capacity Resource consisting solely of Energy Efficiency measures may be verified in any month of the year.

(c) For Active Demand Capacity Resources, a summer Seasonal DR Audit value shall be established for use from April 1 through November 30 and a winter Seasonal DR Audit value shall be established for use from December 1 through March 31. The summer or winter Seasonal DR Audit value of an Active Demand Capacity Resource is equal to the sum of the like-season Seasonal DR Audit values of its constituent Demand Response Resources as determined pursuant to Section III.1.5.1.3.1. The Seasonal DR Audit value of an Active Demand Capacity Resource shall automatically update whenever a new Seasonal DR Audit value is approved for a constituent Demand Response Resource or with changes to the makeup of the constituent Demand Response Resources.

(d) On-Peak Demand Resources and Seasonal Peak Demand Resources shall in addition: (i) comply with the ISO’s measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals; and (ii) comply with the auditing and rating requirements as detailed in Sections III.13.6.1.5.4 and III.13.6.1.5.5 and the ISO New England Manuals.

(e) Active Demand Capacity Resources shall in addition: (i) comply with the measurement and verification requirements and the Operating Data collection requirements as detailed in the ISO New England Manuals and Market Rule 1, and with 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; and (ii) comply with the auditing and rating requirements as detailed in Section III.13.6.1.5.5 and the ISO New England Manuals.

**III.13.6.1.5.4. On-Peak Demand Resource and Seasonal Peak Demand Resource Auditing Requirements.**

1. A summer Passive DR Audit and a winter Passive DR Audit must be performed by each On-Peak Demand Resource and Seasonal Peak Demand Resource in every Capacity Commitment Period during which the On-Peak Demand Resource or Seasonal Peak Demand Resource has an annual or monthly Capacity Supply Obligation.

(b) Summer Passive DR Audits shall be performed during the summer Passive DR Auditing Period (June 1 through August 31). Winter Passive DR Audits shall be performed during the winter Passive DR Auditing Period (December 1 through January 31).

(c) Passive DR Audits are performed following the request of the Market Participant. Audits will be performed within 20 Business Days of the date requested by the Market Participant.

(d) Audits of an On-Peak Demand Resource are conducted by evaluating the Average Hourly Output or Average Hourly Load Reduction of each Asset associated with the On-Peak Demand Resource during the Demand Resource On-Peak Hours.

1. Audits of a Seasonal Peak Demand Resource are conducted by evaluating the Average Hourly Output or Average Hourly Load Reduction of each Asset associated with the Seasonal Peak Demand Resource during the Demand Resource Seasonal Peak Hours. If there are no Demand Resource Seasonal Peak Hours in a month during the DR Auditing Period, performance during Demand Resource On-Peak Hours in that month may be used.
2. The Passive DR Audit value of an On-Peak Demand Resource or Seasonal Peak Demand Resource is valid beginning with the month for which performance data is submitted and remains valid until the earlier of: (i) the next like-season Passive DR Audit or (ii) the end of the next like-season Passive DR Auditing Period.
3. For On-Peak Demand Resources consisting solely of Energy Efficiency measures and Seasonal Peak Demand Resources consisting solely of Energy Efficiency measures, the ISO will calculate a summer Passive DR Audit value and a winter Passive DR Audit value in each month of the year. All other On-Peak Demand Resources and Seasonal Peak Demand Resources may request that an audit be performed outside of the summer Passive DR Auditing Period or winter Passive DR Auditing Period. Such an audit shall not satisfy the Passive DR Audit requirement, however the results of such an audit conducted during the months of September, October, November, April, or May shall be used in the calculation of the Demand Capacity Resource’s summer Passive DR Audit value and the results of such an audit conducted during the months of February or March shall be used in the calculation of the Demand Capacity Resource’s winter Passive DR Audit value.
4. If by August 1 for the summer Passive DR Auditing Period or by January 1 for the winter Passive DR Auditing Period a Market Participant has not requested a Passive DR Audit, the Market Participant shall be deemed to have requested a Passive DR Audit on those respective dates. An On-Peak Demand Resource or Seasonal Peak Demand Resource that does not successfully perform a Passive DR Audit for a Passive DR Auditing Period shall have its audit results set to zero.

**III.13.6.1.5.5. Additional Demand Capacity Resource Audits.**

The ISO may perform additional audits for a Demand Capacity Resource to establish or verify the capability of the Demand Capacity Resource and its underlying assets and measures. 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 Assets and measures to verify that the reported Assets and 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 will establish the audit results by initiating or conducting an on-site field audit to verify the installation of measures and/or the performance of the Assets and measures. 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 Capacity Resource is less than or greater than its most recent like-season Passive DR Audit value or Seasonal DR Audit value, then the Demand Capacity Resource’s audit value shall be adjusted accordingly.

**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 without a Capacity Supply Obligation.**

**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. A Generating Capacity Resource that is a Settlement Only Resource may not offer into the Day-Ahead Energy Market or Real-Time Energy Market.

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

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

**III.13.6.2.1.1.2. Real-Time Energy Market Participation.**

A Generating Capacity Resource having no Capacity Supply Obligation may submit an offer into the Real-Time Energy Market. If any portion of the offered energy clears in the Real-Time Energy Market, the entire Supply Offer, up to the Economic Maximum Limit offered into the Real-Time 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 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 without a Capacity Supply Obligation.**

**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. An Intermittent Power Resource that is a Settlement Only Resource may not 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. [Reserved.]**

**III.13.6.2.5. Demand Capacity Resources without a Capacity Supply Obligation.**

**III.13.6.2.5.1. Energy Market Offer Requirements.**

A Market Participant with a Demand Response Resource associated with an Active Demand 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. Seasonal Peak Demand Resources and On-Peak Demand Resources may not submit Demand Reduction Offers into the Day-Ahead Energy Market or Real-Time Energy Market.

**III.13.6.2.5.1.1. Day-Ahead Energy Market Participation.**

A Market Participant with a Demand Response Resource associated with an Active Demand 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 associated with an Active Demand 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 Capacity Resources Having No Capacity Supply Obligation**.

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

(a) complying with Section III.13.6.1.5.3(a) and (b) and with the auditing and rating requirements described in Section III.13.6.1.5.5 and the ISO New England Manuals; and

(b) for Active Demand Capacity Resources, complying with the Operating Data collection requirements detailed in the ISO New England Manuals; and

(c) for Active Demand Capacity Resources, complying with outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals. Active Demand 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 and Demand Capacity 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 an Active Demand Capacity Resource or a Generating Capacity Resource having capacity that is not subject to a Capacity Supply Obligation provide energy for reliability purposes in the Real-Time Energy Market, but such resource shall not be obligated under Section III.13 of this Tariff by such a request to provide energy from that capacity. 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.13.7. Performance, Payments and Charges in the FCM.**

Revenue in the Forward Capacity Market for resources providing capacity shall be composed of Capacity Base Payments as described in Section III.13.7.1 and Capacity Performance Payments as described in Section III.13.7.2, adjusted as described in Section III.13.7.3 and Section III.13.7.4. Market Participants with a Capacity Load Obligation will be subject to charges as described in Section III.13.7.5.

In the event of a change in the Lead Market Participant for a resource that has a Capacity Supply Obligation, the Capacity Supply Obligation shall remain associated with the resource and the new Lead Market Participant for the resource shall be bound by all provisions of this Section III.13 arising from such Capacity Supply Obligation. The Lead Market Participant for the resource at the start of an Obligation Month shall be responsible for all payments and charges associated with that resource in that Obligation Month.

**III.13.7.1. Capacity Base Payments**.

Resources acquiring or shedding a Capacity Supply Obligation for the Obligation Month shall receive a Capacity Base Payment for the Obligation Month reflecting the payments and charges described in Section III.13.7.1.1, as adjusted to account for peak energy rents as described in Section III.13.7.1.2.

**III.13.7.1.1. Monthly Payments and Charges Reflecting Capacity Supply Obligations.**

Each resource that has: (i) cleared in a Forward Capacity Auction, except for the portion of resources designated as Self-Supplied FCA Resources; (ii) cleared in a reconfiguration auction; or (iii) entered into a Capacity Supply Obligation Bilateral shall be entitled to a monthly payment or charge during the Capacity Commitment Period based on the following amounts:

(a) **Forward Capacity Auction**. For a resource whose offer has cleared in a Forward Capacity Auction, the monthly capacity payment shall equal the product of its cleared capacity (or in the case of a New Generating Capacity Resource that has cleared in the Forward Capacity Auction and has completed construction but due to a planned transmission facility (e.g., a radial interconnection) not being in service is not able to achieve FCM Commercial Operation, and is able to conduct a capability audit, the lesser of the resource’s Capacity Supply Obligation or its audited amount) and the Capacity Clearing Price in the appropriate Capacity Zone in the New England Control Area as adjusted by applicable indexing for resources with additional Capacity Commitment Period elections pursuant to Section III.13.1.1.2.2.4 in the manner described below. For a resource that has elected to have the Capacity Clearing Price and the Capacity Supply Obligation apply for more than one Capacity Commitment Period, payments associated with the Capacity Supply Obligation and Capacity Clearing Price (indexed using the Handy-Whitman Index of Public Utility Construction Costs in effect as of December 31 of the year preceding the Capacity Commitment Period) shall continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, for up to four additional and consecutive Capacity Commitment Periods, in whole Capacity Commitment Period increments only.

(b) **Reconfiguration Auctions**. For a resource whose offer or bid has cleared in an annual or monthly reconfiguration auction, the monthly capacity payment or charge shall be equal to the product of its cleared capacity and the appropriate reconfiguration auction clearing price in the Capacity Zone in which the resource cleared.

(c)  **Capacity Supply Obligation Bilaterals**. For resources that have acquired or shed a Capacity Supply Obligation through a Capacity Supply Obligation Bilateral, the monthly capacity payment or charge shall be equal to the product of the Capacity Supply Obligation being assumed or shed and price associated with the Capacity Supply Obligation Bilateral.

**III.13.7.1.2 Peak Energy Rents.**

Capacity Base Payments to resources with Capacity Supply Obligations, except for (1) On-Peak Demand Resources, (2) Seasonal Peak Demand Resources, and (3) New Generating Capacity Resources that have cleared in the Forward Capacity Auction and have completed construction but due to a planned transmission facility (e.g., a radial interconnection) not being in service are not able to achieve FCM Commercial Operation, shall be decreased by Peak Energy Rents (“PER”) calculated in each Capacity Zone, as determined pursuant to Section III.13.2.3.4 in the Forward Capacity Auction, as provided below. The PER calculation shall utilize hourly integrated Real-Time LMPs. For each Capacity Zone in the Forward Capacity Auction, as determined pursuant to Section III.13.2.3.4, PER shall be computed based on the load-weighted Real-Time LMPs for each Capacity Zone, using the Real-Time Hub Price for the Rest-of-Pool Capacity Zone. Self-Supplied FCA Resources shall not be subject to a PER adjustment on the portion of the resource that is self-supplied.

**III.13.7.1.2.1 Hourly PER Calculations**.

(a) For hours with a positive difference between the hourly Real-Time energy price and a strike price, the ISO shall compute PER for each hour ("Hourly PER") equal to this positive difference in accordance with the following formula, which includes scaling adjustments for system load and availability:

Hourly PER($/kW) = [LMP - Strike Price] \* [Scaling Factor] \* [Availability Factor]

Where:

Strike Price = the heat rate x fuel cost of the PER Proxy Unit described below.

Scaling Factor = the ratio of actual hourly integrated system load (calculated as the sum of Real-Time Load Obligations for the system as calculated in the settlement of the Real-Time Energy Market and adjusted for losses and including imports delivered in the Real-Time Energy Market) and the 50/50 predicted peak system load reduced appropriately for Demand Capacity Resources, used in the most recent calculation of the Installed Capacity Requirement for that Capacity Commitment Period, capped at an hourly ratio of 1.0.

Availability Factor = 0.95.

(b) PER Proxy Unit characteristics shall be as follows:

(i) The PER Proxy Unit shall be indexed to the marginal fuel, which shall be the higher of ultra low-sulfur No. 2 oil measured at New York Harbor plus a seven percent mark­up for transportation or day-ahead gas measured at the Algonquin City Gate, as determined on a daily basis;

(ii) The PER Proxy Unit shall be assumed to have no start-up, ramp rate or minimum run time constraints;

(iii) The PER Proxy Unit shall have a 22,000 Btu/kWh heat rate. This assumption shall be periodically reviewed after the first Capacity Commitment Period by the ISO to ensure that the heat rate continues to reflect a level slightly higher than the marginal generating unit in the region that would be dispatched as the system enters a scarcity condition. Any changes to the heat rate of the PER Proxy Unit shall be considered in the stakeholder process in consultation with the state utility regulatory agencies, shall be filed pursuant to Section 205 of the Federal Power Act, and shall be applied prospectively to the settlement of future Forward Capacity Auctions.

**III.13.7.1.2.2. Monthly PER Application.**

The Hourly PER shall be summed for each calendar month to determine the total PER for that month ("Monthly PER"). The ISO shall then calculate the Average Monthly PER earned by the proxy unit. The Average Monthly PER shall be equal to the average of the Monthly PER values for the 12 months prior to the Obligation Month. The PER deduction for each resource shall be calculated as the Average Monthly PER multiplied by the resource’s Capacity Supply Obligation for the Obligation Month (less any Capacity Supply Obligation MW from any portion of a Self-Supplied FCA Resource); provided, however, that in no case shall a resource’s PER deduction for an Obligation Month be less than zero or greater than the product of the resource’s Capacity Supply Obligation and the relevant Forward Capacity Auction Capacity Clearing Price.

**III.13.7.1.3. Export Capacity.**

If there are any Export Bids or Administrative Export De-list Bids from resources located in an export-constrained Capacity Zone or in the Rest-of-Pool Capacity Zone that have cleared in the Forward Capacity Auction and if the resource is exporting capacity at an export interface that is connected to an import-constrained Capacity Zone or the Rest-of-Pool Capacity Zone that is different than the Capacity Zone in which the resource is located, then charges and credits are applied as follows (for the following calculation, the Capacity Clearing Price will be the value prior to PER adjustments).

Charge Amount to Resource Exporting = [Capacity Clearing Price location of the interface - Capacity Clearing Price location of the resource ] x Cleared MWs of Export Bid or Administrative Export De-List Bid]

Credit Amount to Capacity Load Obligations in the Capacity Zone where the export interface is located= [Capacity Clearing Price location of the interface - Capacity Clearing Price location of the resource ] x Cleared MWs of Export Bid or Administrative Export De-list Bid]

Credits and charges to load in the applicable Capacity Zones, as set forth above, shall be allocated in proportion to each LSE’s Capacity Load Obligation as calculated in Section III.13.7.5.1.

**III.13.7.1.4. [Reserved.]**

**III.13.7.2 Capacity Performance Payments.**

**III.13.7.2.1 Definition of Capacity Scarcity Condition.**

A Capacity Scarcity Condition shall exist in a Capacity Zone for any five-minute interval in which the Real-Time Reserve Clearing Price for that entire Capacity Zone is set based on the Reserve Constraint Penalty Factor pricing for: (i) the minimum Thirty-Minute Operating Reserve requirement sub-category of the system-wide Thirty-Minute Operating Reserves requirement; (ii) the system-wide Ten-Minute Non-Spinning Reserve requirement; or (iii) the local Thirty-Minute Operating Reserve requirement, each as described in Section III.2.7A(c); provided, however, that a Capacity Scarcity Condition shall not exist if the Reserve Constraint Penalty Factor pricing results only because of resource ramping limitations that are not binding on the energy dispatch.

**III.13.7.2.2 Calculation of Actual Capacity Provided During a Capacity Scarcity Condition.**

For each five-minute interval in which a Capacity Scarcity Condition exists, the ISO shall calculate the Actual Capacity Provided by each resource, whether or not it has a Capacity Supply Obligation, in any Capacity Zone that is subject to the Capacity Scarcity Condition. For resources not having a Capacity Supply Obligation (including External Transactions), the Actual Capacity Provided shall be calculated using the provision below applicable to the resource type.

(a) A Generating Capacity Resource’s Actual Capacity Provided during a Capacity Scarcity Condition shall be the sum of the resource’s output during the interval plus the resource’s Real-Time Reserve Designation (including any regulation capability available but not used for energy) during the interval; provided, however, that if the resource’s output was limited during the Capacity Scarcity Condition as a result of a transmission system limitation, then the resource’s Actual Capacity Provided may not be greater than the sum of the resource’s Desired Dispatch Point during the interval, plus the resource’s Real-Time Designation (including any regulation capability available but not used for energy) during the interval. Where the resource is associated with one or more External Transaction sales submitted in accordance with Section III.1.10.7(f), the resource will have its hourly Actual Capacity Provided reduced by the hourly integrated delivered MW for the External Transaction sale or sales.  
  
(b) An Import Capacity Resource’s Actual Capacity Provided during a Capacity Scarcity Condition shall be the net energy delivered (but not less than zero) during the interval in which the Capacity Scarcity Condition occurred. Where a single Market Participant owns more than one Import Capacity Resource, then the difference between the total net energy delivered from those resources and the total of the Capacity Supply Obligations of those resources shall be allocated to those resources pro rata.

(c) An On-Peak Demand Resource’s Actual Capacity Provided during a Capacity Scarcity Condition

shall be the resource’s Average Hourly Output or Average Hourly Load Reduction, where the MWhs of reduction, other than MWhs associated with Net Supply, are increased by average avoided peak transmission and distribution losses.

(d) A Seasonal Peak Demand Resource’s Actual Capacity Provided during a Capacity Scarcity Condition shall be the resource’s Average Hourly Output or Average Hourly Load Reduction, where the MWhs of reduction, other than MWhs associated with Net Supply, are increased by average avoided peak transmission and distribution losses.

(e) [Reserved.]

(f) An Active Demand Capacity Resource’s Actual Capacity Provided during a Capacity Scarcity Condition shall be the sum of the Real-Time demand reduction of each associated Demand Response Resource (where the MWhs of reduction, other than the MWhs associated with Net Supply, are increased by average avoided peak transmission and distribution losses) plus the resource’s Real-Time Reserve Designation (adjusted as described in III.9.6.5(h)).

**III.13.7.2.3 Capacity Balancing Ratio.**

For each five-minute interval in which a Capacity Scarcity Condition exists, the ISO shall calculate a Capacity Balancing Ratio using the following formula:

(Load + Reserve Requirement) / Total Capacity Supply Obligation

(a) If the Capacity Scarcity Condition is a result of a violation of the minimum Thirty-Minute Operating Reserve requirement sub-category of the system-wide Thirty-Minute Operating Reserves requirement such that the associated system-wide Reserve Constraint Penalty Factor pricing applies, then the terms used in the formula above shall be calculated as follows:

Load = the total amount of Actual Capacity Provided (excluding reserve designations) from all resources in the New England Control Area during the interval.

Reserve Requirement = the Ten-Minute Spinning Reserve requirement during the interval plus the Ten-Minute Non-Spinning Reserve requirement during the interval plus the minimum Thirty-Minute Operating Reserve requirement sub-category of the system-wide Thirty-Minute Operating Reserves requirement during the interval.

Total Capacity Supply Obligation = the total amount of Capacity Supply Obligations in the New England Control Area during the interval.

(b) If the Capacity Scarcity Condition is a result of a violation of the system-wide Ten-Minute Non-Spinning Reserve requirement such that the associated system-wide Reserve Constraint Penalty Factor pricing applies, then the terms used in the formula above shall be calculated as follows:

Load = the total amount of Actual Capacity Provided (excluding reserve designations) from all resources in the New England Control Area during the interval.

Reserve Requirement = the Ten-Minute Spinning Reserve requirement during the interval plus the Ten-Minute Non-Spinning Reserve requirement during the interval.

Total Capacity Supply Obligation = the total amount of Capacity Supply Obligations in the New England Control Area during the interval.

(c) If the Capacity Scarcity Condition is a result of a violation of the local Thirty-Minute Operating Reserves requirement such that the associated Reserve Constraint Penalty Factor pricing applies, then the terms used in the formula above shall be calculated as follows:

Load = the total amount of Actual Capacity Provided (excluding reserve designations) from all resources in the Capacity Zone during the interval plus the net amount of energy imported into the Capacity Zone from outside the New England Control Area during the interval (but not less than zero).

Reserve Requirement = the local Thirty-Minute Operating Reserve requirement minus any reserve support coming into the Capacity Zone over the internal transmission interface.

Total Capacity Supply Obligation = the total amount of Capacity Supply Obligations in the Capacity Zone during the interval.

(d) The following provisions shall be used to determine the applicable Capacity Balancing Ratio where more than one of the conditions described in subsections (a), (b), and (c) apply in a Capacity Zone.

(i) In any Capacity Zone subject to Reserve Constraint Penalty Factor pricing associated with both the local Thirty-Minute Operating Reserves requirement and either the minimum Thirty-Minute Operating Reserve requirement sub-category of the system-wide Thirty-Minute Operating Reserves requirement or the system-wide Ten-Minute Non-Spinning Reserve requirement, then for resources in that Capacity Zone the Capacity Balancing Ratio shall be calculated as described in Section III.13.7.2.3(c).

(ii) In any Capacity Zone subject to both the minimum Thirty-Minute Operating Reserve requirement sub-category of the system-wide Thirty-Minute Operating Reserves requirement and the system-wide Ten-Minute Non-Spinning Reserve requirement, but not to Reserve Constraint Penalty Factor pricing associated with the local Thirty-Minute Operating Reserves requirement, then for resources in that Capacity Zone the Capacity Balancing Ratio shall be calculated as described in Section III.13.7.2.3(a).

**III.13.7.2.4 Capacity Performance Score.**

Each resource, whether or not it has a Capacity Supply Obligation, will be assigned a Capacity Performance Score for each five-minute interval in which a Capacity Scarcity Condition exists in the Capacity Zone in which the resource is located. A resource’s Capacity Performance Score for the interval shall equal the resource’s Actual Capacity Provided during the interval minus the product of the resource’s Capacity Supply Obligation and the applicable Capacity Balancing Ratio; provided, however, that for an On-Peak Demand Resource or a Seasonal Peak Demand Resource, if the Capacity Scarcity Condition occurs in an interval outside of Demand Resource On-Peak Hours or Demand Resource Seasonal Peak Hours, as applicable, then the Actual Capacity Provided and Capacity Supply Obligation associated with any On-Peak Demand Resource or Seasonal Peak Demand Resource comprised exclusively of Energy Efficiency measures shall be excluded from the calculation of the resource’s Capacity Performance Score. The resulting Capacity Performance Score may be positive, zero, or negative.

**III.13.7.2.5 Capacity Performance Payment Rate.**

For the three Capacity Commitment Periods beginning June 1, 2018 and ending May 31, 2021, the Capacity Performance Payment Rate shall be $2000/MWh. For the three Capacity Commitment Periods beginning June 1, 2021 and ending May 31, 2024, the Capacity Performance Payment Rate shall be $3500/MWh. For the Capacity Commitment Period beginning on June 1, 2024 and ending on May 31, 2025 and thereafter, the Capacity Performance Payment Rate shall be $5455/MWh. The ISO shall review the Capacity Performance Payment Rate in the stakeholder process as needed and shall file with the Commission a new Capacity Performance Payment Rate if and as appropriate.

**III.13.7.2.6 Calculation of Capacity Performance Payments.**

For each resource, whether or not it has a Capacity Supply Obligation, the ISO shall calculate a Capacity Performance Payment for each five-minute interval in which a Capacity Scarcity Condition exists in the Capacity Zone in which the resource is located. A resource’s Capacity Performance Payment for an interval shall equal the resource’s Capacity Performance Score for the interval multiplied by the Capacity Performance Payment Rate. The resulting Capacity Performance Payment for an interval may be positive or negative.

**III.13.7.3 Monthly Capacity Payment and Capacity Stop-Loss Mechanism.**

Each resource’s Monthly Capacity Payment for an Obligation Month, which may be positive or negative, shall be the sum of the resource’s Capacity Base Payment for the Obligation Month plus the sum of the resource’s Capacity Performance Payments for all five-minute intervals in the Obligation Month, except as provided in Section III.13.7.3.1 and Section III.13.7.3.2 below.

**III.13.7.3.1 Monthly Stop-Loss.**

If the sum of the resource’s Capacity Performance Payments (excluding any Capacity Performance Payments associated with Actual Capacity Provided above the resource’s Capacity Supply Obligation in any interval) for all five-minute intervals in the Obligation Month is negative, the amount subtracted from the resource’s Capacity Base Payment for the Obligation Month will be limited to an amount equal to the product of the applicable Forward Capacity Auction Starting Price multiplied by the resource’s Capacity Supply Obligation for the Obligation Month (or, in the case of a resource subject to a multi-year Capacity Commitment Period election made in a Forward Capacity Auction prior to the ninth Forward Capacity Auction as described in Sections III.13.1.1.2.2.4 and III.13.1.4.1.1.2.7, the amount subtracted from the resource’s Capacity Base Payment for the Obligation Month will be limited to an amount equal to the product of the applicable Capacity Clearing Price (indexed for inflation) multiplied by the resource’s Capacity Supply Obligation for the Obligation Month).

**III.13.7.3.2 Annual Stop-Loss.**

(a) For each Obligation Month, the ISO shall calculate a stop-loss amount equal to:

MaxCSO x [3 months x (FCAcp – FCAsp) – (12 months x FCAcp)]

Where:

MaxCSO = the resource’s highest monthly Capacity Supply Obligation in the Capacity Commitment Period to date.

FCAcp = the Capacity Clearing Price for the relevant Forward Capacity Auction.

FCAsp = the Forward Capacity Auction Starting Price for the relevant Forward Capacity Auction.

(b) For each Obligation Month, the ISO shall calculate each resource’s cumulative Capacity Performance Payments as the sum of the resource’s Capacity Performance Payments for all months in the Capacity Commitment Period to date, with those monthly amounts limited as described in Section III.13.7.3.1.

(c) If the sum of the resource’s Capacity Performance Payments (excluding any Capacity Performance Payments associated with Actual Capacity Provided above the resource’s Capacity Supply Obligation in any interval) for all five-minute intervals in the Obligation Month is negative, the amount subtracted from the resource’s Capacity Base Payment for the Obligation Month will be limited to an amount equal to the difference between the stop-loss amount calculated as described in Section III.13.7.3.2(a) and the resource’s cumulative Capacity Performance Payments as described in Section III.13.7.3.2(b).

**III.13.7.4 Allocation of Deficient or Excess Capacity Performance Payments.**

For each type of Capacity Scarcity Condition as described in Section III.13.7.2.1 and for each Capacity Zone, the ISO shall allocate deficient or excess Capacity Performance Payments as described in subsections (a) and (b) below. Where more than one type of Capacity Scarcity Condition applies, then the provisions below shall be applied in proportion to the duration of each type of Capacity Scarcity Condition.

(a) If the sum of all Capacity Performance Payments to all resources subject to the Capacity Scarcity Condition in the Capacity Zone in an Obligation Month is positive, the deficiency will be charged to resources in proportion to each such resource’s Capacity Supply Obligation for the Obligation Month, excluding any resources subject to the stop-loss mechanism described in Section III.13.7.3 for the Obligation Month. If the charge described in this Section III.13.7.4(a) causes a resource to reach the stop-loss limit described in Section III.13.7.3, then the stop-loss cap described in Section III.13.7.3 will be applied to that resource, and the remaining deficiency will be further allocated to other resources in the same manner as described in this Section III.13.7.4(a).

(b) If the sum of all Capacity Performance Payments to all resources subject to the Capacity Scarcity Condition in the Capacity Zone in an Obligation Month is negative, the excess will be credited to all such resources in proportion to each resource’s Capacity Supply Obligation for the Obligation Month. For a resource subject to the stop-loss mechanism described in Section III.13.7.3 for the Obligation Month, any such credit shall be reduced (though not to less than zero) by the amount not charged to the resource as a result of the application of the stop-loss mechanism described in Section III.13.7.3, and the remaining excess will be further allocated to other resources in the same manner as described in this Section III.13.7.4(b)

**III.13.7.5. Charges to Market Participants with Capacity Load Obligations.**

A load serving entity with a Capacity Load Obligation as of the end of the Obligation Month shall be subject to a charge equal to the product of: (a) its Capacity Load Obligation in the Capacity Zone; and (b) the applicable Net Regional Clearing Price. The Net Regional Clearing Price is defined as the sum of the total payments as defined in Section III.13.7 paid to resources with Capacity Supply Obligations in the Capacity Zone (excluding any capacity payments and charges made for Capacity Supply Obligation Bilaterals and excluding any Capacity Performance Payments), less PER adjustments for resources in the zone as defined in Section III.13.7.1.2, and including any applicable export charges or credits as determined pursuant to Section III.13.7.1.3 divided by the sum of all Capacity Supply Obligations (excluding (i) the quantity of capacity subject to Capacity Supply Obligation Bilaterals and (ii) the quantity of capacity clearing as Self-Supplied FCA Resources) assumed by resources in the zone. A load serving entity satisfying its Capacity Load Obligation by a Self-Supplied FCA Resource shall not receive a credit for any PER payment for its Capacity Load Obligation so satisfied.

**III.13.7.5.1. Calculation of Capacity Requirement and Capacity Load Obligation.**

The ISO shall assign each load serving entity a Capacity Requirement prior to the commencement of each Obligation Month for each Capacity Zone established in the Forward Capacity Auction pursuant to Section III.13.2.3.4. The Capacity Requirement for each month and Capacity Zone shall equal the product of: (i) the total of the system-wide Capacity Supply Obligations (excluding the quantity of capacity subject to Capacity Supply Obligation Bilaterals) plus HQICCs; and (ii) the ratio of the sum of all load serving entities’ annual coincident contributions to the system-wide annual peak load in that Capacity Zone from the calendar year two years prior to the start of the Capacity Commitment Period to the system-wide sum of all load serving entities’ annual coincident contributions to the system-wide annual peak load from the calendar year two years prior to the start of the Capacity Commitment Period. The following loads are assigned a peak contribution of zero for the purposes of assigning obligations and tracking load shifts: load associated with pumping of pumped hydro generators, if the resource was pumping; Station service load that is modeled as a discrete Load Asset and the Resource is complying with the maintenance scheduling procedures of the ISO; load that is modeled as an Asset Related Demand or discrete load asset and is exclusively related to an Alternative Technology Regulation Resource following AGC dispatch instructions; and transmission losses associated with delivery of energy over the Control Area tie lines.

A load serving entity’s Capacity Requirement for each month and Capacity Zone shall equal the product of: (i) the Capacity Zone’s Capacity Requirement as calculated above and (ii) the ratio of the sum of the load serving entity’s annual coincident contributions to the system-wide annual peak load in that Capacity Zone from the calendar year prior to the start of the Capacity Commitment Period to the sum of all load serving entities’ annual coincident contributions to the system-wide annual peak load in that Capacity Zone from the calendar year prior to the start of the Capacity Commitment Period.

A load serving entity’s Capacity Load Obligation shall be its Capacity Requirement, adjusted as appropriate to account for any relevant Capacity Load Obligation Bilaterals, HQICCs, and Self-Supplied FCA Resource designations. A Capacity Load Obligation can be a positive or negative value. A Market Participant that is not a load serving entity shall have a Capacity Load Obligation equal to the net obligation resulting from Capacity Load Obligation Bilaterals, HQICC, and Self-Supplied FCA Resource designations.

A load serving entity’s Capacity Requirement will not be reconstituted to include the demand reduction of a Demand Capacity Resource or Demand Response Resource.

**III.13.7.5.1.1. HQICC Used in the Calculation of Capacity Requirements.**

In order to treat HQICCs as a load reduction, each holder of HQICCs shall have its Capacity Requirement in the Capacity Zone in which the HQ Phase I/II external node is located as specified in Section III.13.1.3 adjusted by its share of the total monthly HQICC amount.

**III.13.7.5.1.2. Charges Associated with Self-Supplied FCA Resources.**

The capacity associated with a Self-Supplied FCA Resource shall be treated as a credit toward the Capacity Load Obligation of the load serving entity so designated by such resources as described in Section III.13.1.6. The amount of Self-Supplied FCA Resources shall be determined pursuant to Section III.13.1.6.

**III.13.7.5.1.3. Charges Associated with Dispatchable Asset Related Demands.**

Dispatchable Asset Related Demand resources will not receive Forward Capacity Market payments, but instead each Dispatchable Asset Related Demand resource will receive an adjustment to its share of the associated Coincident Peak Contribution based on the ability of the Dispatchable Asset Related Demand resource to reduce consumption. The adjustment to a load serving entity’s Coincident Peak Contribution resulting from Dispatchable Asset Related Demand resource reduction in consumption shall be based on the Nominated Consumption Limit submitted for the Dispatchable Asset Related Demand resource.

The Nominated Consumption Limit value of each Dispatchable Asset Related Demand resource is subject to adjustment as further described in the ISO New England Manuals, including adjustments based on the results of Nominated Consumption Limit audits performed in accordance with the ISO New England Manuals.

**III.13.7.5.2. Excess Revenues**.

(a) Revenues collected from load serving entities in excess of revenues paid by the ISO to resources shall be paid by the ISO to the holders of Capacity Transfer Rights, as detailed in Section III.13.7.5.3.

(b) Any payment associated with a Capacity Supply Obligation Bilateral that was to accrue to a Capacity Acquiring Resource for a Capacity Supply Obligation that is terminated pursuant to Section III.13.3.4(c) shall instead be allocated to Market Participants based on their pro rata share of all Capacity Load Obligations in the Capacity Zone in which the terminated resource is located.

**III.13.7.5.3. Capacity Transfer Rights.**

**III.13.7.5.3.1. Definition and Payments to Holders of Capacity Transfer Rights.**

The ISO shall create Capacity Transfer Rights (“CTRs”) for each internal interface associated with a Capacity Zone established in the Forward Capacity Auction (as determined pursuant to Section III.13.2.3.4). Based upon results of the Forward Capacity Auction and reconfiguration auctions, the total CTR fund will be calculated as the difference between the charges to load serving entities with Capacity Load Obligations and the payments to Capacity Resources as follows: The system-wide sum of the product of each Capacity Zone’s Net Regional Clearing Price and absolute value of each Capacity Zone’s Capacity Load Obligations, as calculated in Section III.13.7.5.1, minus the sum of the monthly capacity payments to Capacity Resources within each zone, as adjusted for PER.

Each Capacity Zone established in the Forward Capacity Auction (as determined pursuant to Section III.13.2.3.4) will be assigned its portion of the CTR fund.

For CTRs resulting from an export constrained zone, the assignment will be calculated as the product of: (i) the Net Regional Clearing Price for the Capacity Zone to which the applicable interface limits the transfer of capacity minus the Net Regional Clearing Price for the Capacity Zone from which the applicable interface limits the transfer of capacity; and (ii) the difference between the absolute value of the total Capacity Supply Obligations obtained in the exporting Capacity Zone, adjusted for Capacity Supply Obligations associated with Self-Supplied FCA Resources, and the absolute value of the total Capacity Load Obligations in the exporting Capacity Zone.

For CTRs resulting from an import constrained zone, the assignment will be calculated as the product of: (i) the Net Regional Clearing Price for the Capacity Zone to which the applicable interface limits the transfer of capacity minus the Net Regional Clearing Price for the absolute value of the Capacity Zone from which the applicable interface limits the transfer of capacity; and (ii) the difference between absolute value of the total Capacity Load Obligations in the importing Capacity Zone and the total Capacity Supply Obligations obtained in the importing Capacity Zone, adjusted for Capacity Supply Obligations associated with Self-Supplied FCA Resources.

The value of CTRs specifically allocated pursuant to Sections III.13.7.5.3.2(c), III.13.7.5.3.4, and III.13.7.5.3.6 shall be calculated as the product of: (i) the Capacity Clearing Price (as adjusted pursuant to Section III.13.2.7.3(b)), or, if applicable, the lower of (1) the Capacity Clearing Price and (2) the administratively-determined payment rate (due to “Inadequate Supply” or “Insufficient Competition”) that applies to certain resources for Forward Capacity Auctions conducted prior to June 2015 for the Capacity Zone to which the applicable interface limits the transfer of capacity minus the Capacity Clearing Price (as adjusted pursuant to Section III.13.2.7.3(b)), or, if applicable, minus the lower of (1) the Capacity Clearing Price and (2) the administratively-determined payment rate (due to “Inadequate Supply” or “Insufficient Competition”) that applies to certain resources for Forward Capacity Auctions conducted prior to June 2015 for the Capacity Zone from which the applicable interface limits the transfer of capacity; and (ii) the MW quantity of the specifically allocated CTRs across the applicable interface. The value of the specifically allocated CTRs will be deducted from the associated Capacity Zone’s portion of the CTR fund. The balance of the CTR fund will then be allocated to the load serving entities as set forth in Section III.13.7.5.3.2.

**III.13.7.5.3.2. Allocation of Capacity Transfer Rights.**

For Capacity Zones established in the Forward Capacity Auction as determined pursuant to Section III.13.2.3.4, the CTR fund shall be allocated among load serving entities using their Capacity Load Obligation (net of HQICCs) described in Section III.13.7.5.1. Market Participants with CTRs specifically allocated under Section III.13.7.5.3.6 will have their specifically allocated CTR MWs netted from their Capacity Load Obligation used to establish their share of the CTR fund.

(a) **Connecticut Import Interface**. The allocation of the CTR fund associated with the Connecticut Import Interface shall be made to load serving entities based on their Capacity Load Obligation in the Connecticut Capacity Zone.

(b) **NEMA/Boston Import Interface**. Except as provided in Section III.13.7.5.3.6 of Market Rule 1, the allocation of the CTR fund associated with the NEMA/Boston Import Interface shall be made to load serving entities based on their Capacity Load Obligation in the NEMA/Boston Capacity Zone.

(c) **Maine Export Interface**. Casco Bay shall receive specifically allocated CTRs of 325 MW across the Maine Export Interface for as long as Casco Bay continues to pay to support the transmission upgrades. Each municipal utility entitlement holder of a resource constructed as a Pool-Planned Unit in Maine shall receive specifically allocated CTRs across the Maine Export Interface equal to the applicable seasonal claimed capability of its ownership entitlements in such unit as described in Section III.13.7.5.3.6. The balance of the CTR fund associated with the Maine Export Interface shall be allocated to load serving entities with a Capacity Load Obligation on the import-constrained side of the Maine Export Interface.

**III.13.7.5.3.3. Allocations of CTRs Resulting From Revised Capacity Zones.**

The portion of the CTR fund associated with revised definitions of Capacity Zones shall be fully allocated to load serving entities after deducting the value of applicable CTRs that have been specifically allocated. Allocations of the CTR fund among load serving entities will be made using their Capacity Load Obligations (net of HQICCs) as described in Section III.13.7.5.3.1. Market Participants with CTRs specifically allocated under Section III.13.7.5.3.6 will have their specifically allocated CTR MWs netted from the Capacity Load Obligation used to establish their share of the CTR fund.

(a) **Import Constraints.** The allocation of the CTR fund associated with newly defined import-constrained Capacity Zones restricting the transfer of capacity into a single adjacent import-constrained Capacity Zone shall be allocated to load serving entities with Capacity Load Obligations in that import-constrained Capacity Zone.

(b) **Export Constraints.** The allocation of the CTR fund associated with newly defined export-constrained Capacity Zones shall be allocated to load serving entities with Capacity Load Obligations on the import-constrained side of the interface.

**III.13.7.5.3.4. Specifically Allocated CTRs Associated with Transmission Upgrades.**

(a) A Market Participant that pays for transmission upgrades not funded through the Pool PTF Rate and which increase transfer capability across existing or potential Capacity Zone interfaces may request a specifically allocated CTR in an amount equal to the number of CTRs supported by that increase in transfer capability.

(b) The allocation of additional CTRs created through generator interconnections completed after February 1, 2009 shall be made in accordance with the provisions of the ISO generator interconnection or planning standards. In the event the ISO interconnection or planning standards do not address this issue, the CTRs created shall be allocated in the same manner as described in Section III.13.7.5.3.2.

(c) Specifically allocated CTRs shall expire when the Market Participant ceases to pay to support the transmission upgrades.

(d) CTRs resulting from transmission upgrades funded through the Pool PTF Rate shall not be specifically allocated but shall be allocated in the same manner as described in Section III.13.7.5.3.2.

**III.13.7.5.3.5. [Reserved.]**

**III.13.7.5.3.6. Specifically Allocated CTRs for Pool Planned Units.**

In import-constrained Capacity Zones, in recognition of longstanding life of unit contracts, the municipal utility entitlement holder of a resource constructed as Pool-Planned Units shall receive an initial allocation of CTRs equal to the applicable seasonal claimed capability of the ownership entitlements in such unit. Municipal utility entitlements are set as shown in the table below and are not transferrable.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Millstone 3** | | **Seabrook** | **Stonybrook GT 1A** | | | **Stonybrook GT 1B** | | **Stonybrook GT 1C** | **Stonybrook 2A** | | **Stonybrook 2B** | | | **Wyman 4** | **Summer** | | **Winter** | |
| **(MW)** | | **(MW)** | |
| Nominal Summer (MW) | 1155.001 | | 1244.275 | 104.000 | | | 100.000 | | 104.000 | 67.400 | | 65.300 | | | 586.725 |  | |  | |
| Nominal Winter (MW) | 1155.481 | | 1244.275 | 119.000 | | | 116.000 | | 119.000 | 87.400 | | 85.300 | | | 608.575 |  | |  | |
|  |  | |  |  | | |  | |  |  | |  | | |  |  | |  | |
| Danvers | 0.2627% | | 1.1124% | 8.4569% | | | 8.4569% | | 8.4569% | 11.5551% | | 11.5551% | | | 0.0000% | 58.26 | | 63.73 | |
| Georgetown | 0.0208% | | 0.0956% | 0.7356% | | | 0.7356% | | 0.7356% | 1.0144% | | 1.0144% | | | 0.0000% | 5.04 | | 5.55 | |
| Ipswich | 0.0608% | | 0.1066% | 0.2934% | | | 0.2934% | | 0.2934% | 0.0000% | | 0.0000% | | | 0.0000% | 2.93 | | 2.37 | |
| Marblehead | 0.1544% | | 0.1351% | 2.6840% | | | 2.6840% | | 2.6840% | 1.5980% | | 1.5980% | | | 0.2793% | 15.49 | | 15.64 | |
| Middleton | 0.0440% | | 0.3282% | 0.8776% | | | 0.8776% | | 0.8776% | 1.8916% | | 1.8916% | | | 0.1012% | 10.40 | | 11.07 | |
| Peabody | 0.2969% | | 1.1300% | 13.0520% | | | 13.0520% | | 13.0520% | 0.0000% | | 0.0000% | | | 0.0000% | 57.69 | | 60.26 | |
| Reading | 0.4041% | | 0.6351% | 14.4530% | | | 14.4530% | | 14.4530% | 19.5163% | | 19.5163% | | | 0.0000% | 82.98 | | 92.77 | |
| Wakefield | 0.2055% | | 0.3870% | 3.9929% | | | 3.9929% | | 3.9929% | 6.3791% | | 6.3791% | | | 0.4398% | 30.53 | | 32.64 | |
| Ashburnham | 0.0307% | 0.0652% | | | 0.6922% | 0.6922% | | 0.6922% | | | 0.9285% | | 0.9285% | 0.0000% | | | 4.53 | | 5.22 | |
| Boylston | 0.0264% | 0.0849% | | | 0.5933% | 0.5933% | | 0.5933% | | | 0.9120% | | 0.9120% | 0.0522% | | | 4.71 | | 5.35 | |
| Braintree | 0.0000% | 0.6134% | | | 0.0000% | 0.0000% | | 0.0000% | | | 0.0000% | | 0.0000% | 0.0000% | | | 7.63 | | 7.63 | |
| Groton | 0.0254% | 0.1288% | | | 0.8034% | 0.8034% | | 0.8034% | | | 1.0832% | | 1.0832% | 0.0000% | | | 5.81 | | 6.61 | |
| Hingham | 0.1007% | 0.4740% | | | 3.9815% | 3.9815% | | 3.9815% | | | 5.3307% | | 5.3307% | 0.0000% | | | 26.40 | | 30.36 | |
| Holden | 0.0726% | 0.3971% | | | 2.2670% | 2.2670% | | 2.2670% | | | 3.1984% | | 3.1984% | 0.0000% | | | 17.01 | | 19.33 | |
| Holyoke | 0.3194% | 0.3096% | | | 0.0000% | 0.0000% | | 0.0000% | | | 2.8342% | | 2.8342% | 0.6882% | | | 15.34 | | 16.63 | |
| Hudson | 0.1056% | 1.6745% | | | 0.0000% | 0.0000% | | 0.0000% | | | 0.0000% | | 0.0000% | 0.3395% | | | 24.05 | | 24.12 | |
| Hull | 0.0380% | 0.1650% | | | 1.4848% | 1.4848% | | 1.4848% | | | 2.1793% | | 2.1793% | 0.1262% | | | 10.70 | | 12.28 | |
| Littleton | 0.0536% | 0.1093% | | | 1.5115% | 1.5115% | | 1.5115% | | | 3.0607% | | 3.0607% | 0.1666% | | | 11.67 | | 13.63 | |
| Mansfield | 0.1581% | 0.7902% | | | 5.0951% | 5.0951% | | 5.0951% | | | 7.2217% | | 7.2217% | 0.0000% | | | 36.93 | | 42.17 | |
| Middleborough | 0.1128% | 0.5034% | | | 2.0657% | 2.0657% | | 2.0657% | | | 4.9518% | | 4.9518% | 0.1667% | | | 21.48 | | 24.45 | |
| North Attleborough | 0.1744% | 0.3781% | | | 3.2277% | 3.2277% | | 3.2277% | | | 5.9838% | | 5.9838% | 0.1666% | | | 25.58 | | 29.49 | |
| Pascoag | 0.0000% | 0.1068% | | | 0.0000% | 0.0000% | | 0.0000% | | | 0.0000% | | 0.0000% | 0.0000% | | | 1.33 | | 1.33 | |
| Paxton | 0.0326% | 0.0808% | | | 0.6860% | 0.6860% | | 0.6860% | | | 0.9979% | | 0.9979% | 0.0000% | | | 4.82 | | 5.53 | |
| Shrewsbury | 0.2323% | 0.5756% | | | 3.9105% | 3.9105% | | 3.9105% | | | 0.0000% | | 0.0000% | 0.4168% | | | 24.33 | | 26.23 | |
| South Hadley | 0.5755% | 0.3412% | | | 0.0000% | 0.0000% | | 0.0000% | | | 0.0000% | | 0.0000% | 0.0000% | | | 10.89 | | 10.90 | |
| Sterling | 0.0294% | 0.2044% | | | 0.7336% | 0.7336% | | 0.7336% | | | 1.1014% | | 1.1014% | 0.0000% | | | 6.60 | | 7.38 | |
| Taunton | 0.0000% | 0.1003% | | | 0.0000% | 0.0000% | | 0.0000% | | | 0.0000% | | 0.0000% | 0.0000% | | | 1.25 | | 1.25 | |
| Templeton | 0.0700% | 0.1926% | | | 1.3941% | 1.3941% | | 1.3941% | | | 2.3894% | | 2.3894% | 0.0000% | | | 10.67 | | 12.27 | |
| Vermont Public Power Supply Authority | 0.0000% | 0.0000% | | | 2.2008% | 2.2008% | | 2.2008% | | | 0.0000% | | 0.0000% | 0.0330% | | | 6.97 | | 7.99 | |
| West Boylston | 0.0792% | 0.1814% | | | 1.2829% | 1.2829% | | 1.2829% | | | 2.3041% | | 2.3041% | 0.0000% | | | 10.18 | | 11.69 | |
| Westfield | 1.1131% | 0.3645% | | | 9.0452% | 9.0452% | | 9.0452% | | | 13.5684% | | 13.5684% | 0.7257% | | | 67.51 | | 77.27 | |

This allocation of CTRs shall expire on December 31, 2040. If a resource listed in the table above retires prior to December 31, 2040, however, its allocation of CTRs shall expire upon retirement. In the event that the NEMA zone either becomes or is forecast to become a separate zone for Forward Capacity Auction purposes, National Grid agrees to discuss with Massachusetts Municipal Wholesale Electric Company (“MMWEC”) and Wellesley Municipal Light Plant, Reading Municipal Light Plant and Concord Municipal Light Plant ("WRC") any proposal by National Grid to develop cost effective transmission improvements that would mitigate or alleviate the import constraints and to work cooperatively and in good faith with MMWEC and WRC regarding any such proposal. MMWEC and WRC agree to support any proposals advanced by National Grid in the regional system planning process to construct any such transmission improvements, provided that MMWEC and WRC determine that the proposed improvements are cost effective (without regard to CTRs) and will mitigate or alleviate the import constraints.

**III.13.7.5.4. Forward Capacity Market Net Charge Amount.**

The Forward Capacity Market net charge amount for each Market Participant as of the end of the Obligation Month shall be equal to the sum of: (a) its Capacity Load Obligation charge; (b) its revenues from any applicable specifically allocated CTRs; (c) its share of the CTR fund; and (d) any applicable export charges.

4851-8783-2913, v. 2