



July 18, 2019

BY ELECTRONIC FILING

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

RE: **ISO New England Inc. and New England Power Pool Participants Committee;**
Filing re Nested Capacity Zone Changes
Docket No. ER19- -000

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act,¹ ISO New England Inc. (the “ISO”) and the New England Power Pool (“NEPOOL”) Participants Committee (together, the “Filing Parties”)² hereby electronically submit this transmittal letter and a package of revisions to the ISO Tariff³ to: (1) accommodate a nested export-constrained Capacity Zone in the Forward Capacity Market; and (2) clarify the type of data that Market Participants must submit in support of Static De-List Bids and Export Bids. The package of Tariff changes is referred to hereafter as the “Nested Capacity Zone Changes.” In support of the changes, the ISO is submitting the testimony of Deborah Cooke, Principal Analyst in the ISO’s Market Development Department, which is sponsored solely by the ISO (the “Cooke Testimony”).

I. REQUESTED EFFECTIVE DATE

The ISO requests that the Nested Capacity Zone Changes become effective Tuesday, October 1, 2019.

¹ 16 U.S.C. § 824d (2012).

² Under New England’s Regional Transmission Organization (“RTO”) arrangements, the rights to make this filing are the ISO’s. NEPOOL, which pursuant to the Participants Agreement provides the sole Participant Processes for advisory voting on ISO matters, supported the changes reflected in this filing and, accordingly, joins in the filing.

³ Capitalized terms used but not defined in this filing are intended to have the meaning given to such terms in the ISO New England Inc. Transmission, Markets and Services Tariff (the “Tariff”), the Second Restated New England Power Pool Agreement and the Participants Agreement.

II. DESCRIPTION OF THE FILING PARTIES; COMMUNICATIONS

The ISO is the private, non-profit entity that serves as the regional transmission organization (“RTO”) for New England. The ISO operates the New England bulk power system and administers New England’s organized wholesale electricity market pursuant to the Tariff and the Transmission Operating Agreement with the New England Participating Transmission Owners. In its capacity as an RTO, the ISO has the responsibility to protect the short-term reliability of the New England Control Area and to operate the system according to reliability standards established by the Northeast Power Coordinating Council and the North American Electric Reliability Corporation.

NEPOOL is a voluntary association organized in 1971 pursuant to the New England Power Pool Agreement, and it has grown to include more than 500 members. The Participants include all of the electric utilities rendering or receiving service under the Tariff, as well as independent power generators, marketers, load aggregators, brokers, consumer-owned utility systems, end users, demand resource providers, developers and a merchant transmission provider. Pursuant to revised governance provisions accepted by the Commission,⁴ the Participants act through the NEPOOL Participants Committee. The Participants Committee is authorized by Section 6.1 of the Second Restated NEPOOL Agreement and Section 8.1.3(c) of the Participants Agreement to represent NEPOOL in proceedings before the Commission. Pursuant to Section 2.2 of the Participants Agreement, “NEPOOL provide[s] the sole Participant Processes for advisory voting on ISO matters and the selection of ISO Board members, except for input from state regulatory authorities and as otherwise may be provided in the Tariff, TOA and the Market Participant Services Agreement included in the Tariff.”

All correspondence and communications in this proceeding should be addressed to the undersigned for the ISO as follows:

James H. Douglass, Esq.*
ISO New England Inc.
One Sullivan Road
Holyoke, MA 01040-2841
Tel: (413) 540-4559
Fax: (413) 535-4379
E-mail: jdouglass@iso-ne.com

⁴ *ISO New England Inc., et al.*, 109 FERC ¶ 61,147 (2004).

And to NEPOOL as follows:

William Fowler
Vice-Chair,
NEPOOL Markets Committee
c/o Sigma Consultants, Inc.
20 Main Street
Acton, MA 01720
Tel: (978) 266-0220
Email: wfowler@sigmaconsult.com

Sebastian M Lombardi, Esq.*
Rosendo Garza, Jr., Esq.*
Day Pitney LLP
242 Trumbull Street
Hartford, CT 06103
Tel: (860) 275-0663
Fax: (860) 881-2493
Email: slombardi@daypitney.com
rgarza@daypitney.com

*Persons designated for service⁵

III. STANDARD OF REVIEW

The Nested Capacity Zone Changes are being submitted pursuant to Section 205, which “gives a utility the right to file rates and terms for services rendered with its assets.”⁶ Under Section 205, the Commission “plays ‘an essentially passive and reactive role’”⁷ whereby it “can reject [a filing] only if it finds that the changes proposed by the public utility are not ‘just and reasonable.’”⁸ The Commission limits this inquiry “into whether the rates proposed by a utility are reasonable - and [this inquiry does not] extend to determining whether a proposed rate schedule is more or less reasonable than alternative rate designs.”⁹ The changes proposed herein “need not be the only reasonable methodology, or even the most accurate.”¹⁰ As a result, even if an intervenor or the Commission develops an alternative proposal, the Commission must accept this Section 205 filing if it is just and reasonable.¹¹

⁵ Due to the joint nature of this filing, the Filing Parties respectfully request a waiver of Section 385.203(b)(3) of the Commission’s regulations to allow the inclusion of more than two persons on the service list in this proceeding.

⁶ *Atlantic City Elec. Co. v. FERC*, 295 F.3d 1, 9 (D.C. Cir. 2002).

⁷ *Id.* at 10 (quoting *City of Winnfield v. FERC*, 744 F.2d 871, 876 (D.C. Cir. 1984)).

⁸ *Id.* at 9.

⁹ *City of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984).

¹⁰ *Oxy USA, Inc. v. FERC*, 64 F.3d 679, 692 (D.C. Cir. 1995).

¹¹ *Cf. Southern California Edison Co., et al*, 73 FERC ¶ 61,219 at 61,608 n.73 (1995) (“Having found the Plan to be just and reasonable, there is no need to consider in any detail the alternative plans proposed by the Joint Protesters.” (citing *Bethany*, 772 F.2d at 1136)).

IV. EXPLANATION OF THE NESTED CAPACITY ZONE CHANGES

As noted earlier, the Nested Capacity Zone Changes is a package of Tariff changes that addresses two separate issues: (1) the presence of a nested export-constrained Capacity Zone in the capacity market; and (2) the type of data that must be submitted in support of Static De-List Bids and Export Bids.

The Tariff Revisions Concerning “Nested” Export-Constrained Capacity Zones

Pursuant to the existing market rules, the ISO each year conducts a process to determine which Capacity Zones will be modeled in the next Forward Capacity Auction. Earlier this year, the ISO identified potential Capacity Zone boundaries and associated transfer limits for the Forward Capacity Auction to be held in February 2020 (“FCA 14”). This information was presented to the NEPOOL Reliability Committee on March 20, 2019.¹² The ISO then applied the objective criteria specified by the market rules to identify which Capacity Zones will be modeled for FCA 14. The results of this analysis were presented to the NEPOOL Power Supply Planning Committee (“PSPC”) on May 30, 2019.¹³ In the coming months, the analysis also will be reviewed and voted on by the NEPOOL Reliability Committee and the NEPOOL Participants Committee. Following completion of the stakeholder review process, the capacity zone configuration and other values and assumptions to be used in FCA 14 will be filed with the Commission in November 2019.

For FCA 14, the capacity zone modelling process has identified the potential for a new configuration that would include an export-constrained capacity zone “nested” within another export-constrained capacity zone. Specifically, an export-constrained Maine Capacity Zone would be nested within the export-constrained Northern New England Capacity Zone. In this transmittal letter and the Cooke Testimony, a larger export-constrained zone that contains a nested zone is sometimes referred to as a “parent” zone.

For the most part, the existing Forward Capacity Market rules (Market Rule 1, Section III.13) already accommodate the potential presence of a nested capacity zone located within a parent zone. There are some provisions of the market rules, however, that must be clarified to distinguish how nested and parent zones are treated. The revisions do not alter the existing capacity market design; rather, they clarify the existing rules to cover the treatment of a zonal configuration that may include a nested export-constrained zone within a parent zone.

¹² The ISO’s presentation to the NEPOOL Reliability Committee is available at: https://www.iso-ne.com/static-assets/documents/2019/03/a7_fca_14_transmission_transfer_capabilities_and_capacity_zone_development.pdf.

¹³ The ISO’s presentation to the PSPC is available at: https://www.iso-ne.com/static-assets/documents/2019/05/a7_fca14_zone_formation_05302019.pdf.

As explained in more detail in the Cooke Testimony, the proposed Tariff revisions address how the following aspects of the existing market rules apply to the potential presence of nested/parent export-constrained zones:

1. The zonal hierarchy and sequence of closing conditions and the determination of zonal clearing prices in the primary Forward Capacity Auction. Cooke Testimony at pp. 8-12.
2. The determination of clearing prices and the application of inter-zonal clearing constraints in the substitution auction. Cooke Testimony at pp. 12-14.
3. The calculation of the system-level existing FCA Qualified Capacity for purposes of applying the Pivotal Supplier Test to a capacity supplier. Cooke Testimony at pp. 15-18.
4. The application of existing zonal restrictions on participation in Composite FCM Transactions to resources located in nested/parent zones. Cooke Testimony at pp. 18-21.
5. The determination of specifically allocated Capacity Transfer Right values for resources located within a nested zone. Cooke Testimony at pp. 21-23.
6. The calculation of Zonal Capacity Obligations for nested/parent zones for cost allocation purposes. Cooke Testimony at pp. 23-25.

All of the Tariff revisions concerning nested export-constrained Capacity Zones are reasonable on the basis that they simply extend the existing market design to cover a capacity zone configuration that was not entirely addressed by the existing market rules. From a market design perspective, there is nothing novel in the Tariff revisions.

The Tariff Revisions Concerning Static De-List Bids and Export Bids

Static De-List Bids are used to remove an existing resource from the capacity market for a one-year period and Export Bids are used when an existing resource may export capacity outside of New England. In each case, these types of bids are reviewed by the Internal Market Monitor (“IMM”) to determine if they are competitively priced. The market rules require that capacity suppliers submit cost data supporting their bids, including net going forward costs, expectations about Capacity Performance Payments, risk premium assumptions and opportunity costs.

During recent stakeholder discussions concerning how certain estimated revenues should be reflected in Static De-List Bids and Export Bids, some market participants suggested that the existing rule (Market Rule 1, Section III.13.1.2.3.2.1.2.A) is ambiguous as to whether the estimated revenues may be based on historic or forward-looking data.¹⁴ In response to the perceived ambiguity of the existing market rules, the Nested Capacity Zone Changes include Tariff revisions to make clear that the data submitted in support of Static De-List Bids and

¹⁴ Cooke Testimony at p. 26.

Export Bids is forward-looking (that is, based on expectations about future revenues).¹⁵ Of course, as explained in the Cooke Testimony, capacity suppliers still may rely on historical data to support their future expectations.¹⁶

In addition to clarifying how historical and forward-looking data may be used to support Static De-List Bids and Export Bids, the proposed Tariff revisions make several additional changes concerning IMM review of such bids. First, Section III.13.1.2.3.2.1.1.1 is revised so that the same materiality threshold that currently is applied to IMM review of Permanent De-List Bids and Retirement De-List Bids also is applied to Static De-List Bids and Export Bids.¹⁷ Second, the requirement to account for Peak Energy Rents is removed because the Peak Energy Rent mechanism ceased to apply as of June 1, 2019. Third, a provision requiring the ISO to provide historical revenue data has been removed (although such data will still be available on request).

The Tariff revisions concerning Static De-List Bids and Export Bids are reasonable in that they make more clear how capacity suppliers may use historical and forward-looking data to support these bids. Further, the Tariff revisions align the materiality thresholds used to compare participant-submitted and IMM-determined prices for similar types of bids (Static De-List Bids, Export Bids, Permanent De-List Bids and Retirement De-List Bids).

V. STAKEHOLDER PROCESS

The Nested Capacity Zone Changes were considered through the complete NEPOOL Participant Processes and received the support of NEPOOL. At its June 10-12, 2019 meeting the Markets Committee approved a resolution to recommend NEPOOL Participants Committee support for the changes based on a show hands.¹⁸ Subsequent to NEPOOL Markets Committee review, the NEPOOL Participants Committee at its June 25, 2019 meeting voted unanimously to support the changes with abstentions noted.¹⁹

VI. ADDITIONAL SUPPORTING INFORMATION

Section 35.13 of the Commission's regulations generally requires public utilities to file certain cost and other information related to an examination of traditional cost-of-service rates.

¹⁵ Cooke Testimony at pp. 26-27.

¹⁶ Cooke Testimony at p. 27.

¹⁷ The 10% materiality threshold determines whether a participant-submitted bid may be used or whether an IMM-established bid may be filed with the Commission. Cooke Testimony at pp. 28-29.

¹⁸ The following oppositions and abstentions were recorded: one opposed and two abstentions from the Supplier Sector, two abstentions from the Generation Sector, two abstentions from the Alternative Resources Sector, and three abstentions from the End User Sector.

¹⁹ The following Participants abstained: Brookfield Energy Marketing, Calpine Energy Services, LP, Michael Kuser, and Verso Energy Services LLC.

The Nested Capacity Zone Changes, however, do not modify a traditional “rate” and the ISO is not a traditional investor-owned utility. Therefore, to the extent necessary, the Filing Parties request waiver of Section 35.13 of the Commission’s regulations.²⁰ Notwithstanding the request for waiver, the Filing Parties submit the following additional information in substantial compliance with relevant provisions of Section 35.13 of the Commission’s regulations:

35.13(b)(1) – Materials included herewith are as follows:

- This transmittal letter;
- Blacklined Tariff sections reflecting the revision submitted in this filing;
- Clean Tariff sections reflecting the revision submitted in this filing;
- Testimony of Deborah Cooke, Principal Analyst, Market Development, which is sponsored solely by the ISO;
- List of governors and utility regulatory agencies in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont to which a copy of this filing has been sent.

35.13(b)(2) – As set forth in Section I above, the Filing Parties request that the changes become effective on October 1, 2019.

35.13(b)(3) – Pursuant to Section 17.11(e) of the Participants Agreement, Governance Participants are being served electronically rather than by paper copy. The names and addresses of the Governance Participants are available on the ISO’s website at: <https://www.iso-ne.com/participate/participant-asset-listings/directory?id=1&type=committee>. A copy of this transmittal letter and the accompanying materials have also been sent to the governors and electric utility regulatory agencies for the six New England states that comprise the New England Control Area, the New England Conference of Public Utility Commissioners, Inc., and to the New England States Committee on Electricity. Their names and addresses are shown in the attached listing. In accordance with Commission rules and practice, there is no need for the Governance Participants or the entities identified in the listing to be included on the Commission’s official service list in the captioned proceeding unless such entities become intervenors in this proceeding.

35.13(b)(4) - A description of the materials submitted pursuant to this filing is contained in Section VI of this transmittal letter.

35.13(b)(5) - The reasons for this filing are discussed in Section IV of this transmittal letter.

²⁰ 18 C.F.R. § 35.13 (2019).

35.13(b)(6) - The ISO's approval of the changes is evidenced by this filing. The changes reflect the results of the Participant Processes required by the Participants Agreement and reflect the support of the Participants Committee.

35.13(b)(7) - Neither the ISO nor NEPOOL has knowledge of any relevant expenses or costs of service that have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory employment practices.

35.13(c)(1) - The changes submitted herein do not modify a traditional "rate," and the statement required under this Commission regulation is not applicable to the instant filing.

35.13(c)(2) - The ISO does not provide services under other rate schedules that are similar to the wholesale, resale and transmission services it provides under the Tariff.

35.13(c)(3) - No specifically assignable facilities have been or will be installed or modified in connection with the revision filed herein.

VII. CONCLUSION

For the reasons discussed in this transmittal letter, the Filing Parties request that the Commission accept the Nested Capacity Zone Changes, without modification, to become effective on October 1, 2019.

Respectfully submitted,

ISO NEW ENGLAND INC.

By: /s/ James H. Douglass

James H. Douglass, Esq.
ISO New England Inc.
One Sullivan Road
Holyoke, MA 01040-2841
Tel: (413) 540-4559
Fax: (413) 535-4379
E-mail: jdouglass@iso-ne.com

**NEW ENGLAND POWER POOL
PARTICIPANTS COMMITTEE**

By: /s/ Sebastian M. Lombardi

Sebastian M. Lombardi, Esq.
Rosenda Garza, Jr., Esq.
Day Pitney LLP
242 Trumbull Street
Hartford, CT 06103
Tel: (860) 275-0663
Fax: (860) 881-2493
Email: slombardi@daypitney.com
rgarza@daypitney.com

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.
<u>III.1.5.3</u>	<u>Reactive Capability Audits.</u>
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	Transmission Constraint Penalty Factors.
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	Ramping.
III.1.7.19	Real-Time Reserve Designation.
<u>III.1.7.19.1</u>	<u>Eligibility.</u>
<u>III.1.7.19.2</u>	<u>Calculation of Real-Time Reserve Designation.</u>
<u>III.1.7.19.2.1</u>	<u>Generator Assets.</u>
<u>III.1.7.19.2.1.1</u>	<u>On-line Generator Assets</u>
<u>III.1.7.19.2.1.2</u>	<u>Off-line Generator Assets.</u>
<u>III.1.7.19.2.2</u>	<u>Dispatchable Asset Related Demand.</u>
<u>III.1.7.19.2.2.1</u>	<u>Storage DARDS.</u>
<u>III.1.7.19.2.2.2</u>	<u>Dispatchable Asset Related Demand Other than Storage DARDS.</u>
<u>III.1.7.19.2.3</u>	<u>Demand Response Resources.</u>

III.1.7.19.2.3.1 Dispatched.

III.1.7.19.2.3.2 Non-Dispatched.

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 External Resources. ~~[Reserved.]~~

III.1.10.5 Dispatchable Asset Related Demand. ~~External Resources.~~

III.1.10.6 ~~Dispatchable Asset Related Demand~~ Electric Storage.

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~~ Dispatchable Resources.
- III.1.11.4 Emergency Condition.
- ~~III.1.11.5~~ Dispatchability Requirements for Intermittent Power Resources.
- III.1.11.6 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 and Charges.

- 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 Adjusted 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 Requirements.
 - III.9.2.1 System Forward Reserve Requirements.
 - III.9.2.2 Zonal Forward Reserve Requirements.
- 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 Settlement for Real-Time Reserves
 - III.10.1 Reserve Quantity For Settlement.
 - 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.13.1.1.1.3.A Treatment of New Incremental Capacity and Existing Generating Capacity at the Same Generating Resource.
 - 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.13.1.2.1.2	Rationing Minimum Limit.
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 ~~Common~~ission 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; [Right to Increase Retirement De-List Bid or Permanent De-List Bid up to IMM-determined substitution auction test price.](#)
- 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 [Reserved.]
- 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.

<u>III.13.2.5.2.5A</u>	<u>Fuel Security Reliability Review</u>
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	[Reserved.]
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.13.2.8	Capacity Substitution Auctions.
III.13.2.8.1	Administration of Substitution Auctions.
III.13.2.8.1.1	Substitution Auction Clearing and Awards.
III.13.2.8.1.2	Substitution Auction Pricing.
III.13.2.8.2	Supply Offers in the Substitution Auction.
III.13.2.8.2.1	Supply Offers.
III.13.2.8.2.2	Supply Offer Prices.
III.13.2.8.2.3	Supply Offers Entered into the Substitution Auction.
III.13.2.8.3	Demand Bids in the Substitution Auction.
III.13.2.8.3.1	Demand Bids.
III.13.2.8.3.1A	Substitution Auction Test Prices.
III.13.2.8.3.2	Demand Bid Prices.

- III.13.2.8.3.3 Demand Bids Entered into the Substitution Auction.
- 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, Clearing in the Forward Capacity Auction.
 - III.13.3.1.2 New Resources ~~Not Offering or Not~~-Clearing in the Forward Capacity Auction.
 - III.13.3.1.3 New Resource 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-Counted~~ as Capacity.
 - III.13.3.3 Failure to Meet Critical Path Schedule.
 - III.13.3.4 Covering Capacity Supply Obligations.
 - III.13.3.4A Termination of Capacity Supply Obligations.
 - 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 Backed by an External Control Area.
- III.13.4.2.1.2.1.3.1 Import Capacity Resources Backed by One or More External 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.13.4.2.1.2.2.3.1 Import Capacity Resources Backed by an External Control Area.
- III.13.4.2.1.2.2.3.2 Import Capacity Resources Backed by One or More External 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 and Prior Notification to the ISO.
 - 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-Capacity Performance~~ Bilaterals.

III.13.5.3.1 ~~Eligibility~~ ~~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-Capacity Performance~~ Bilaterals.

III.13.5.3.2.1 Timing.

III.13.5.3.2.2 Application.

III.13.5.3.2.3 ISO Review.

III.13.5.3.3 ~~2.4~~ Effect of ~~Supplemental Availability-Capacity Performance~~ Bilateral.

~~III.13.5.4 Annual Reconfiguration Transactions.~~

~~III.13.5.4.1 Timing of Submission.~~

~~III.13.5.4.2 Components of an Annual Reconfiguration Transaction.~~

~~III.13.5.4.3 Settlement of Annual Reconfiguration Transactions.~~

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 Certain Import Capacity Resources.
- III.13.6.1.2.3 Additional Requirements for Import Capacity Resources at External Interfaces with Enhanced Scheduling.
- 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.6.1.6.1 Energy Market Offer Requirements.
- 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 without a Capacity Supply Obligation.
III.13.6.2.3.1	Energy Market Offer Requirements.
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.13.7.1.2.2	Monthly PER Calculations <u>Application</u> .
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.13.7.3.1	Monthly Stop-Loss.
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 Charges Prior to June 1, 2022.
III.13.7.5.1.1	Calculation of Capacity Charges On and After June 1, 2022.
III.13.7.5.1.1.1	Forward Capacity Auction Charge.
III.13.7.5.1.1.2	Annual Reconfiguration Auction Charge.
III.13.7.5.1.1.3	Monthly Reconfiguration Auction Charge.
III.13.7.5.1.1.4	HQICC Capacity Charge.
III.13.7.5.1.1.5	Self-Supply Adjustment.
III.13.7.5.1.1.6	Intermittent Power Resource Capacity Adjustment.
III.13.7.5.1.1.7	Multi-Year Rate Election Adjustment.
III.13.7.5.1.1.8	CTR Transmission Upgrade Charge.
III.13.7.5.1.1.9	CTR Pool-Planned Unit Charge.
III.13.7.5.1.1.10	Failure to Cover Charge Adjustment.
III.13.7.5.2	Calculation of Capacity Load Obligation and Zonal Capacity Obligation.
III.13.7.5.2.1	Charges Associated with Dispatchable Asset Related Demands.

III.13.7.5.3	Excess Revenues.
III.13.7.5.4	Capacity Transfer Rights.
III.13.7.5.4.1	Definition and Payments to Holders of Capacity Transfer Rights.
III.13.7.5.4.2	Allocation of Capacity Transfer Rights.
III.13.7.5.4.3	Allocations of CTRs Resulting From Revised Capacity Zones.
III.13.7.5.4.4	Specifically Allocated CTRs Associated with Transmission Upgrades.
III.13.7.5.4.5	Specifically Allocated CTRs for Pool-Planned Units.
III.13.7.5.5	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	Reserved.]Regulation Market Administration.
III.14.5	Regulation Market Resource Selection.
III.14.6	Delivery of Regulation Market Dispatch Products.
III.14.7	Performance Monitoring.
III.14.8	Regulation Market Settlement and Compensation.
III.14.9	Regulation Market Testing Environment.

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.13.1.1.2. The incremental expenditure required to reactivate a resource that previously has been deactivated or retired pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions) may be included in the calculation of the dollar per kilowatt thresholds in this Section III.13.1.1.2. A resource accepted for participation in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to this Section III.13.1.1.2 shall participate in the Forward Capacity Auction pursuant to Section III.13.2.3.2(e). A Market Participant that elects to have a resource that has previously been counted as a capacity resource participate in the Forward Capacity Auction as a New Generating Capacity Resource, must notify the ISO when the existing resource ceases to operate and the New Generating Capacity Resource commences operation. If a Market Participant with a resource that has previously been counted as a capacity resource elects, pursuant to Section III.13.3.4(a)(iii), to have the resource that has previously been counted as a capacity resource cover the Capacity Supply Obligation of a New Generating Capacity Resource and the resource that has previously been counted as a capacity resource must take an outage in order for the New Generating Capacity Resource to commence Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff), then the Market Participant must notify the ISO that the outage is for the purpose of the New Generating Capacity

Resource commencing Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff). 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 10 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:

- (a) receive an out-of-market revenue source supported by a state- or federally-regulated rate, charge or other regulated cost recovery mechanism;
- (b) 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 New England state in which it is geographically located. A resource physically located in United States federal waters directly adjacent to New England state maritime boundaries and directly interconnecting to the New England system is considered to be geographically located in the state where its Point of Interconnection is located;

(c) 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;

(d) 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; 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(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 Rationing 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.13.1.1.3.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.13.1.1.2 (re-powering), Section III.13.1.1.3 (incremental capacity), or Section III.13.1.1.4 (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.13.1.1.2(b), III.13.1.1.3(b), and III.13.1.1.4) 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.13.1.1.2(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.13.1.1.2(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.13.1.1.2, III.13.1.1.3, or III.13.1.1.4, 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 (i) 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) and (ii) exclude any existing capacity that will be retired as of the start of the same Capacity Commitment Period. 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 can not be implemented before the start of the Capacity Commitment Period, the New Generating Capacity Resource's Qualified Capacity values may be adjusted accordingly, as described in Section III.13.1.1.2.5.

(c) If as a result of the initial interconnection analysis, the ISO determines that the interconnection facilities and upgrades identified in the qualification process that are necessary to enable the New Generating Capacity Resource to provide capacity indicated in the New Capacity Show of Interest Form can not be implemented before the start of the Capacity Commitment Period and the New Generating Capacity Resource can not provide any capacity without those facilities and upgrades, the resource shall not be accepted for participation in the Forward Capacity Auction. In this case, the ISO will provide an explanation of its determination in the qualification determination notification, discussed in Section III.13.1.1.2.8.

(d) If as a result of the initial interconnection analysis, the ISO determines that the New Generating Capacity Resource can provide all or some of the capacity indicated in the New Capacity Show of Interest Form by the start of the Capacity Commitment Period, and if the New Generating Capacity Resource is accepted for participation in the Forward Capacity Auction in accordance with the other provisions and requirements of this Section III.13.1, then in the qualification determination notification, discussed in Section III.13.1.1.2.8, the ISO, after consultation with the applicable Transmission Owner(s) 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 can not be interconnected by the commencement of the Capacity Commitment Period, the Forward Capacity Market qualification process for that resource shall be terminated and the ISO will notify the Project Sponsor of such termination.

(f) Where, as a result of the initial interconnection analysis, the ISO determines that because of overlapping interconnection impacts, New Generating Capacity Resources that are otherwise accepted for participation in the Forward Capacity Auction in accordance with the other provisions and requirements of this Section III.13.1 cannot provide the full amount of capacity that they each would otherwise be able to provide (in the absence of the other relevant Existing Generating Capacity Resources and New Generating Capacity Resources seeking to qualify for the Forward Capacity Auction), those New Generating Capacity Resources will be accepted for participation in the Forward Capacity Auction on the basis of their Queue Position, as described in Schedules 22, 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).

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(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 may not elect Renewable Technology Resource treatment for the FCA associated with a Capacity Commitment Period beginning on or after June 1, 2025.

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 two 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.

- (a) If the total FCA Qualified Capacity of Renewable Technology Resources exceeds the cap specified in subsections (b), (c), (d) and (e) 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 five Business Days after the deadline for submitting Renewable Technology Resource elections.
- (b) The cap for the Capacity Commitment Period beginning on June 1, 2018 is 200 MW.
- (c) 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 Capacity Resources pursuant to Section III.13.2 in the prior Capacity Commitment Period.
- (d) The cap for each Capacity Commitment Period beginning on June 1, 2020 or June 1, 2021 is 600 MW minus the amount of Capacity Supply Obligations acquired by Renewable Technology Resources that are New Capacity Resources pursuant to Section III.13.2 in the prior two Capacity Commitment Periods.
- (e) The cap for each Capacity Commitment Period beginning on June 1, 2022 or June 1, 2023 or June 1, 2024 is 514 MW minus the cumulative amount of Capacity Supply Obligations acquired by Renewable Technology Resources that are New Capacity Resources in the first or second run of the primary auction-clearing process pursuant to Section III.13.2 for each Capacity Commitment Period that begins on or after June 1, 2021.

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 20 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.13.1.2.1.2 Rationing Minimum Limit.

No later than 120 days before the Forward Capacity Auction Market Participants may specify a Rationing Minimum Limit for an Existing Generating Capacity Resource.

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 had~~ 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 had~~ 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 had~~ 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 winter 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 had~~ 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 that summer Qualified Capacity 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.13.1.1.3(a) but not the requirements of Section III.13.1.1.3(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.13.1.1.3(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.13.1.1.3. 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 15 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 five 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 10 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 \$4.30/kW-month. The Dynamic De-List Bid Threshold shall be recalculated for the Capacity Commitment Period beginning on June 1, 2025 and no less often than once every three years thereafter. 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 Rationing 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 Rationing 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 Rationing 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 Rationing 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 during the month of August following the issuance of retirement determination notifications pursuant to Section III.13.1.2.4(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 the fifth Business Day in the month of September following the review of system needs with the Reliability Committee per (b) above, 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:

(i) 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).

(ii) 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. The Internal Market Monitor shall review Static De-List Bids and Export Bids and, after due consideration and consultation with the Lead Market~~

Participant, as appropriate, shall develop an Internal Market Monitor-accepted Static De-List Bid or an Internal Market Monitor-accepted Export Bid. The Internal Market Monitor-accepted Static De-List Bid and Internal Market Monitor-accepted Export Bid shall be equal to the Static De-List Bid or Export 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 Static De-List Bid or Internal Market-Monitor-accepted Export Bid that is 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.

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, shall develop 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 expected net going forward costs for the applicable Capacity Commitment Period 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.~~

$$\underline{\text{Net Going Forward Costs}} = \frac{(GFC - (IMR - PER)) \times InfIndex}{(CQ_{Summer, kW}) \times (12 \text{ months})}$$

Where:

GFC = annual going forward costs, in dollars. These are ~~the expected costs and capital expenditures costs~~ that might otherwise be avoided or not incurred if the resource were not subject to the obligations of a ~~listed capacity~~ resource with a Capacity Supply Obligation 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.~~

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

IMR = expected 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 expected 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. $\text{infIndex} = (1 + i)^4$

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) and 12 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 evaluation period in which a resource's net present value is maximized.

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:

$$\frac{\text{Cost Of Capital}}{(1 - (\text{Cost Of Capital})^{\text{Remaining Life}})}$$

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; Right to Increase Retirement De-List Bid or Permanent De-List Bid up to IMM-determined substitution auction test price.

(a) No later than five Business Days before the Existing Capacity Qualification Deadline, the ISO shall send notification to the Lead Market Participant that submitted each Permanent De-List Bid,

Retirement De-List Bid and substitution auction test price concerning the result of the Internal Market Monitor's review conducted pursuant to Section III.13.1.2.3.2 and Section III.13.2.8.3.1A. 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. For auctions associated with a Capacity Commitment Period that begins on or after June 1, 2023, within five Business Days of the issuance of the retirement determination notification, a Lead Market Participant that submitted a Retirement De-List Bid or a Permanent De-List Bid and a substitution auction demand bid for the resource associated with the de-list bid, may make the following adjustments:

(i) for a Retirement De-List Bid, if, but for the limits in Section III.13.1.2.3.2.1.1.2 on adjusting a Market Participant-submitted Retirement De-List Bid, the Internal Market Monitor would have calculated a Retirement De-List Bid price that is higher than the Market Participant-submitted de-list bid price and the Market Participant-submitted de-list bid is less than the Internal Market Monitor-determined substitution auction test price multiplied by 0.9, the Market Participant may increase the de-list bid price up to the minimum of (x) the Internal Market Monitor-determined substitution auction test price multiplied by 0.9 and (y) the higher Retirement De-List Bid price that the Internal Market Monitor would have calculated;

(ii) for a Permanent De-List Bid, if, but for the limits in Section III.13.1.2.3.2.1.1.2 on adjusting a Market Participant-submitted Permanent De-List Bid, the Internal Market Monitor would have calculated a Permanent De-List Bid price that is higher than the Market Participant-submitted de-list bid price and the Market Participant-submitted de-list bid is less than the Internal Market Monitor-determined substitution auction test price multiplied by 0.9, the Market Participant may increase the de-list bid price up to the minimum of (x) the Internal Market Monitor-determined substitution auction test price multiplied by 0.9 and (y) the higher Permanent De-List Bid price that the Internal Market Monitor would have calculated.

(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 five 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.13.1.1.2 (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 Facility treatment 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.13.1.1.3 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.A(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.A(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.13.2.7.3A 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.13.2.7.3A, no later than 10 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.13.2.7.3A.

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) (beginning 11/01/2016)	Up to 6	October 2020
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.

(a) 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. A Demand Capacity Resource may include an end-use customer facility with a Net Supply Capability of 5 MW or more only if the facility's Net Supply Capability does not exceed its Maximum Facility Load. 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 Demand Capacity 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; 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 Phode 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) 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.

(b) A Project Sponsor for a New Demand Capacity Resource that includes one or more end-use customer facilities with behind-the-meter generation must include in the New Demand Capacity Resource Qualification Package information demonstrating that each facility's Net Supply Capability will be less than 5 MW or less than or equal to the facility's Maximum Facility Load.

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. [Reserved.]

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.

(a) 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.

- (a) For each Existing Demand Capacity Resource, the ISO will notify the Resource's Lead Market Participant no later than 15 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 five 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 delisted 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.13.1.4.1.1.6. 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.~~

(d) — Offers composed of separate resources are subject to the locational restrictions specified in the following table:

		<u>Location of Summer Resource</u>			
		<u>Import- Constrained Capacity Zone</u>	<u>Rest-of-Pool Capacity Zone</u>	<u>Export- Constrained Capacity Zone</u>	<u>Nested Export- Constrained Capacity Zone</u>
<u>Location of Winter Resource</u>	<u>Import- Constrained Capacity Zone</u>	<u>Eligible (within same Capacity Zone)</u>	<u>Eligible</u>	<u>Eligible</u>	<u>Eligible</u>
	<u>Rest-of-Pool Capacity Zone</u>	<u>Ineligible</u>	<u>Eligible</u>	<u>Eligible</u>	<u>Eligible</u>
	<u>Export- Constrained Capacity Zone</u>	<u>Ineligible</u>	<u>Ineligible</u>	<u>Eligible (within same Capacity Zone)</u>	<u>Eligible (within same Capacity Zone where nested export-constrained Capacity Zone is located)</u>
	<u>Nested Export- Constrained Capacity Zone</u>	<u>Ineligible</u>	<u>Ineligible</u>	<u>Ineligible</u>	<u>Eligible (within same Capacity Zone)</u>

~~(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.

(g) No later than five Business Days after the close of the New Capacity Show of Interest Submission Window, the ISO shall post on its website the aggregate quantity of supply offers and demand bids that have been elected to participate in the substitution auction by Capacity Zone (where the zones used are those being studied for inclusion in the associated Forward Capacity Auction pursuant to Section III.12.4).

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.13.3.4A, 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.

<p>New Generating Capacity Resources \geq 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</p>	<p>New Generating Capacity Resources < 20 MW and \geq 2 MW</p>	<p>Imports and New Demand Capacity Resources</p>		<p>New Generating Capacity Resources < 2 MW</p>
<p><i>Including Up-rates, Re-powering, Environmental Compliance &</i></p>	<p><i>Including Up-rates, Re-powering, Environmental Compliance &</i></p>			

<i>Intermittent Power Resources</i>	<i>Intermittent Power Resources</i>			
\$25,000	\$7,500	\$1,000		\$500
<i>With Executed Interconnection Feasibility Study Agreement or System Impact Study Agreement</i>	<i>With Executed Interconnection Feasibility Study Agreement or System Impact Study Agreement</i>			
\$15,000	\$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 90 days after the Existing Capacity Retirement Deadline, 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.

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:

- (i) 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;

- (iii) 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:
 - (a) 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.
 - (b) 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;
 - (c) 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;
 - (d) 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 truncation point, which is 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 truncation point, which is 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 include 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. The descending clock 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 Rationing Minimum Limit at any price, except where the New Capacity Offer is for a capacity quantity of zero.

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

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

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

(iv) 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 Rationing 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:
 - (i) 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;
 - (ii) the amount of capacity determined by the Capacity Zone Demand Curve at zero minus that price, and;
- (4) 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:
 - (i) that interface's approved capacity transfer limit (net of tie benefits), or;
 - (ii) 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~~ all 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) in the case of a nested Capacity Zone, the Forward Capacity Auction is concluded for the Capacity Zone within which the nested Capacity Zone is located, 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 an export-constrained~~ Capacity Zone that is not a nested export-constrained Capacity Zone shall be set at the greater of:

- (1) the sum of:
 - (i) 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-that~~ Capacity Zone; and
 - (ii) 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.

The Capacity Clearing Price for a nested export-constrained Capacity Zone shall be set at the greater of:

(1) the sum of:

- (i) 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 that Capacity Zone; and
- (ii) the Capacity Clearing Price for the Capacity Zone in which the nested Capacity Zone is located.

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 ~~it is not the case that both~~ all of the ~~two~~ conditions above are not 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 for the Capacity Commitment Period beginning on June 1, 2025 and no less often than once every three years thereafter. 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.

(a) 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 primary 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 after the substitution auction is completed if one of the following conditions is met: (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 (receives a Capacity Supply Obligation) in the first run of the primary auction-clearing process and retains some portion of its Capacity Supply Obligation in the substitution auction; 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 (receives a Capacity Supply Obligation) in the first run of the primary auction-clearing process, the de-list bid submitted by the Lead Market Participant is at or above the

Capacity Clearing Price, and the Proxy De-List Bid retains some portion of its Capacity Supply Obligation in the substitution auction. The second run of the primary auction-clearing process: (i) excludes all Proxy De-List Bids, (ii) includes the offers and bids of resources compiled pursuant to Section III.13.2.3.2 that did not receive a Capacity Supply Obligation in the first run of the primary auction-clearing process, excluding the offers, or portion thereof, associated with resources that acquired a Capacity Supply Obligation in the substitution auction, and (iii) includes the capacity of resources, or portion thereof, that retain a Capacity Supply Obligation after the first run of the primary auction-clearing process and the substitution auction. The second run of the primary auction-clearing process shall not affect the Capacity Clearing Price of the Forward Capacity Auction (which is established by the first run of the primary 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 primary auction-clearing process shall be paid the Capacity Clearing Price during the associated Capacity Commitment Period. Where the second run of the primary 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 primary 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 Rationing 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, Dynamic De-List Bid, and substitution auction demand bid to determine whether the capacity associated with that bid is needed for reliability reasons during the Capacity Commitment Period associated with the Forward Capacity Auction; Proxy De-List Bids shall not be reviewed.

(a) The reliability review of de-list bids 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 reliability review of substitution auction demand bids that would otherwise clear will be conducted in order beginning with the resource whose cleared bids contribute the greatest amount to social surplus. The capacity associated with a bid 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. 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 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.

(b) If 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. If the ISO has determined that some or all of the capacity

associated with a substitution auction demand bid that would otherwise clear is needed for reliability reasons, then the entire demand bid will not be further included in the substitution auction.

(c) 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 de-list bid; or (ii) as soon as practicable after the time at which the ISO has determined that the bid must be rejected for reliability reasons. 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 a 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 (provided that resources that have Permanent De-List Bids or Retirement De-List Bids rejected for reliability 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.13.2.5.2.5A Fuel Security Reliability Review

(a) This Section III.13.2.5.2.5A will remain in effect for the 2022/23, 2023/24 and 2024/25 Capacity Commitment Period, after which this Section III.13.2.5.2.5A will sunset.

(b) This Section III.13.2.5.2.5A will apply to (i) Retirement De-List Bids, (ii) substitution auction demand bids, and (iii) bilateral transactions and reconfiguration auctions demand bids submitted by an Existing Generating Capacity Resource that has been identified as being needed for fuel security during a Forward Capacity Auction. Terms set out in this Section III.13.2.5.2.5A will apply only for the period and resources described within this Section III.13.2.5.2.5A. Where the terms and conditions in this Section

III.13.2.5.2.5A differ from terms otherwise set out in Section III.13, the terms of this Section III.13.2.5.2.5A will control for the period and circumstances described in Section III.13.2.5.2.5A.

(c) A fuel security reliability review for the Forward Capacity Market will be performed pursuant to Appendix L to Section III of the Tariff, and in accordance with the inputs and methodology set out to establish the fuel security reliability standard in Appendix I of Planning Procedure No. 10.

(d) For fuel security reliability reviews performed for the primary Forward Capacity Auction, the fuel security reliability review will be performed after the Existing Capacity Retirement Deadline and conducted in descending price order using the price as submitted in the Retirement De-List Bids. Bids with the same price will be reviewed in the order that produces the least negative impact to reliability. Where multiple bids have the same price and the retirement of the Existing Generating Capacity Resources would have the same impact to reliability, they will be reviewed based on their submission time. If 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. An Existing Generating Capacity Resource may be needed for both fuel security and for transmission security pursuant to Section III.13.2.5.2.5. The fuel security reliability review will be performed in advance of the reliability review for transmission security. Where an Existing Generating Capacity Resource is needed for both fuel security reasons pursuant to this Section III.13.2.5.2.5A, and transmission security reliability reasons pursuant to Section III.13.2.5.2.5, the generator will be retained for fuel security for purposes of cost allocation.

(e) If an Existing Generating Capacity Resource is identified as being needed for fuel security reasons, and the reliability need is not met through a reconfiguration auction or other means, that resource, or portion thereof, as applicable may not participate in Annual Reconfiguration Auctions for the Capacity Commitment Period(s) for which it is needed for fuel security, or earlier 2022/23, 2023/24 and 2024/25 Capacity Commitment Periods. Such an Existing Generating Capacity Resource that is identified as being needed for fuel security may participate in monthly bilateral transactions and monthly reconfiguration auctions, but may not submit monthly bilateral transactions for December, January or February, or demand bids for the December, January, or February monthly reconfiguration auctions for any period for which they have been identified as being needed for fuel security.

(f) Participants that have submitted a Retirement De-List Bid will be notified by ISO New England if their resource is needed for fuel security reliability reasons no later than 90 days after the Existing Capacity Retirement Deadline. Participants that have submitted a substitution auction demand bid, and where the demand bid has been rejected for reliability reasons, will be notified after the relevant Forward Capacity Auction has been completed.

(g) Where a Retirement 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 fuel security reliability reasons, the provisions of III.13.2.5.2.5(b) shall apply.

(h) Existing Generating Capacity Resources that have had their Retirement De-list Bid rejected for fuel security reliability reasons and that do not elect to unconditionally or conditionally retire shall be eligible for compensation pursuant to Section III.13.2.5.2.5.1, except that the difference between payments based on resource de-list bids or cost-of-service compensation as detailed in Section III.13.2.5.2.5.1 and payments based on the Capacity Clearing Price for the Forward Capacity Market under this Section III.13.2.5.2.5.1 shall be allocated on a regional basis to Real Time Load Obligation, excluding Real-Time Load Obligation associated with Dispatchable Asset Related Demand Resources (DARD Pumps and other electric storage based DARDs) and Real-Time Load Obligation associated with Coordinated External Transactions, allocated and collected over a 12 month period. Resources that that are identified as needed for fuel security reliability reasons will have their capacity entered into the Forward Capacity Auction pursuant to III.13.2.5.2.5(g) and III.13.2.3.2(b).

(i) Where an Existing Generating Capacity Resource elects a cost-of-service agreement pursuant to Section III.13.2.5.2.5.1 to address a fuel security reliability need, the term of such a cost-of-service agreement may not exceed two years, including renewal through evergreen provisions. A cost-of-service agreement entered into for the 2024/2025 Capacity Commitment Period shall be limited to a total duration of one year.

(j) The ISO shall perform an annual reevaluation of any Existing Generating Capacity Resources retained for reliability under this provision. If a resource associated with a Retirement De-List Bid that was rejected for reliability reasons pursuant to this section, is found to no longer be needed for fuel security, and is not needed for another reliability reason pursuant to Section III.13.2.5.2.5, the resource will be retired from the system as described in Section III.13.2.5.2.5.3(a)(1). In no case will a resource retained for fuel security be retained for fuel security beyond June 1, 2025.

(k) The ISO will review Retirement De-List Bids rejected for fuel security reliability reasons with the Reliability Committee in the same manner as described in Section III.13.2.5.2.5(h).

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).

(e) If ISO-NE is a party to a cost-of-service agreement filed after January 1, 2019 that changes any resource performance-related obligations contained in Section III, Appendix I (provided that those obligations are different than the obligations of an Existing Generating Capacity Resource with a

Capacity Supply Obligation), no later than 30 days after such agreement is filed with the Commission, ISO-NE shall provide to stakeholders quantitative and qualitative information on the need for, and the impacts of, the proposed changes.

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 its Rationing Minimum Limit pursuant to Sections III.13.1.1.2.2.3 and III.13.1.2.1.2. 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 Rationing 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 Rationing 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 auction as described in Section III.13.2.3, subject to the other provisions of this Section III.13.2.7. 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.~~

The Capacity Clearing Price in a nested Capacity Zone shall not be higher than the Capacity Clearing Price in the Capacity Zone within which it is located.

III.13.2.7.3. [Reserved.]

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.A(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.A(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.A(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.A(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.13.2.8. Capacity Substitution Auctions.

III.13.2.8.1. Administration of Substitution Auctions.

Following the completion of the primary auction-clearing process of the Forward Capacity Auction as provided for in Section III.13.2, the ISO shall conduct a substitution auction, using a static double auction to clear supply offers (offers to assume a Capacity Supply Obligation) and demand bids (bids to shed a Capacity Supply Obligation). Supply offers and demand bids will be modeled in the Capacity Zone where the associated resources are electrically interconnected.

III.13.2.8.1.1. Substitution Auction Clearing and Awards.

The substitution auction shall maximize total social surplus as specified by the demand bids and supply offers used in the auction. The maximization is constrained as follows:

- (i) By the external interface limits modeled in the primary auction-clearing process.
- (ii) Such that the net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction is equal to zero.
- (iii) Such that, for each import-constrained Capacity Zone, if the zone's total Capacity Supply Obligations awarded in the primary auction-clearing process of the Forward Capacity Auction is less than the zone threshold quantity specified below, then the zone's net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction is equal to zero; otherwise, the sum of the zone's total Capacity Supply Obligations awarded in the primary auction-clearing process and the zone's net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction is greater than or equal to the zone threshold quantity specified below.
- (iv) Such that, for each export-constrained Capacity Zone, if the zone's total Capacity Supply Obligations awarded in the primary auction-clearing process of the Forward Capacity

Auction is greater than the zone threshold quantity specified below, then the zone's net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction is equal to zero; otherwise, the sum of the zone's total Capacity Supply Obligations awarded in the primary auction-clearing process and the zone's net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction is less than or equal to the zone threshold quantity specified below.

In applying constraint (iii), the zone threshold quantity for an import-constrained Capacity Zone shall be equal to the sum of its Capacity Zone Demand Curve truncation point quantity specified in Section III.13.2.2.2 and the total quantity of any Export Bids and any Administrative Export De-List Bids for which the exporting resource is located outside the import-constrained Capacity Zone, that are used to export capacity across an external interface connected to the import-constrained Capacity Zone, and that cleared in the primary auction-clearing process of the Forward Capacity Auction.

In applying constraint (iv), the zone threshold quantity for an export-constrained Capacity Zone shall be equal to its Capacity Zone Demand Curve truncation point quantity specified in Section III.13.2.2.3 less the total quantity of any Export Bids and any Administrative Export De-List Bids for which the exporting resource is located in the export-constrained Capacity Zone, including any Export Bids and any Administrative Export De-List Bids in an associated nested export-constrained Capacity Zone, that are used to export capacity across an external interface connected to another Capacity Zone, and that cleared in the primary auction-clearing process of the Forward Capacity Auction.

In applying constraints (iii) and (iv), a zone's total Capacity Supply Obligations awarded in the primary auction-clearing process of the Forward Capacity Auction and net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction shall include the Capacity Supply Obligations of Import Capacity Resources at each external interface connected to the Capacity Zone.

In applying constraints (iii) and (iv), a zone's total Capacity Supply Obligations awarded in the primary auction-clearing process of the Forward Capacity Auction shall include the Capacity Supply Obligations awarded to Proxy De-List Bids within the zone, and the zone's net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction shall include the Capacity Supply Obligations shed from demand bids associated with Proxy De-List Bids within the zone.

In cases in which there are multiple clearing outcomes that would each maximize the substitution auction's objective, the following tie-breaking rules will apply in the following sequence: (i) non-rationable demand bids associated with Lead Market Participants having the largest total FCA Qualified Capacity of Existing Capacity Resources will be cleared first; and (ii) rationable supply offers will be cleared in proportion to their offer quantity.

For Intermittent Power Resources, other than those participating as the summer resource in a Composite FCM Transaction, the cleared award for supply offers and demand bids shall be adjusted for the months in the winter period (as described in Section III.13.1.5) using the ratio of the resource's cleared offer or bid amount divided by its FCA Qualified Capacity multiplied by its winter Qualified Capacity as determined pursuant to Section III.13.1.1.2.2.6 and Section III.13.1.2.2.2 after removing any portion of the resource's winter Qualified Capacity that is participating in a Composite FCM Transaction.

The cleared offer amount awarded to a Composite FCM Transaction in the substitution auction will be assigned to the summer and winter resources for their respective obligation months during the Capacity Commitment Period as described in Section III.13.1.5.

If, after the substitution auction, 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.13.2.8.1.2. Substitution Auction Pricing.

The substitution auction will specify clearing prices for Capacity Zones and external interfaces as follows.

For each import-constrained Capacity Zone, if the sum of the zone's total Capacity Supply Obligations awarded in the primary auction-clearing process of the Forward Capacity Auction and the zone's net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction is greater than its zone threshold quantity specified in Section III.13.2.8.1.1, then supply offers and demand bids in the substitution auction in the import-constrained Capacity Zone shall be treated as offers and bids in the Rest-of-Pool Capacity Zone for purposes of determining substitution auction clearing prices.

For each export-constrained Capacity Zone,

- (i) if the sum of the zone's total Capacity Supply Obligations, including Capacity Supply Obligations in a nested Capacity Zone, awarded in the primary auction-clearing process of the Forward Capacity Auction and the zone's net cleared Capacity Supply Obligations

(total acquired less total shed) in the substitution auction including net cleared Capacity Supply Obligations in the nested Capacity Zone is less than its zone threshold quantity specified in Section III.13.2.8.1.1, then supply offers and demand bids in the substitution auction in the export-constrained Capacity Zone (excluding supply offers and demand bids in the nested Capacity Zone that are not treated as offers and bids in the export-constrained Capacity Zone pursuant to Section III.13.2.8.1.2(ii)) shall be treated as offers and bids in the Rest-of-Pool Capacity Zone for purposes of determining substitution auction clearing prices.

(ii) if the sum of a nested Capacity Zone's Capacity Supply Obligations awarded in the primary auction-clearing process of the Forward Capacity Auction and the nested Capacity Zone's net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction is less than its zone threshold quantity specified in Section III.13.2.8.1.1, then supply offers and demand bids in the substitution auction in the nested Capacity Zone shall be treated as offers and bids in the export-constrained Capacity Zone within which the nested Capacity Zone is located, for purposes of determining substitution auction clearing prices.

The substitution auction clearing prices for the Rest-of-Pool Capacity Zone and for any constrained zones pooled with the Rest-of-Pool Capacity Zone for pricing purposes shall be determined by the price of the demand bid or supply offer that is marginal. If a demand bid associated with a Proxy De-List Bid is marginal, then the substitution auction clearing prices shall be set equal to the Capacity Clearing Prices.

The substitution auction clearing price for a constrained Capacity Zone that is not pooled with the Rest-of-Pool Capacity Zone for pricing purposes shall be determined by the price of the demand bid or supply offer associated with the separately-priced constrained Capacity Zone that is marginal. If a demand bid associated with a Proxy De-List Bid is marginal, then the substitution auction clearing price shall be set equal to the Capacity Clearing Price for the constrained Capacity Zone.

The substitution auction clearing price for a nested export-constrained Capacity Zone that is not pooled with the export-constrained Capacity Zone in which it is located for pricing purposes shall be determined by the price of the demand bid or supply offer that is marginal in the nested export-constrained Capacity Zone. If a demand bid associated with a Proxy De-List Bid is marginal, then the substitution auction clearing price for the nested export-constrained Capacity Zone shall be equal to the Capacity Clearing Price for that nested export-constrained Capacity Zone.

If the net quantity of Capacity Supply Obligations awarded in the primary Forward Capacity Auction and substitution auction over an interface between the New England Control Area and an external Control Area is less 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 supply offers and demand bids in the substitution auction at the interface shall be treated as offers and bids in the modeled Capacity Zone associated with that interface for purposes of determining substitution auction clearing prices.

If the net quantity of Capacity Supply Obligations awarded in the primary Forward Capacity Auction and substitution auction over an interface between the New England Control Area and an external Control Area is 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 substitution auction clearing price for that interface will be determined by the demand bid or supply offer that is marginal at that interface. If a cleared demand bid associated with a Proxy De-List Bid is marginal at the external interface, then the substitution auction clearing price for that interface shall be set equal to the Capacity Clearing Price for that interface.

The substitution auction clearing price for an import-constrained Capacity Zone where the total Capacity Supply Obligations awarded in the primary action-clearing process of the Forward Capacity Auction are greater than or equal to the zone's threshold quantity specified in Section III.13.2.8.1.1 shall not be lower than the substitution auction clearing price for the Rest-of-Pool Capacity Zone.

The substitution auction clearing price for an export-constrained Capacity Zone that is not a nested export-constrained Capacity Zone, where the total Capacity Supply Obligations awarded in the primary auction-clearing process of the Forward Capacity Auction are less than or equal to the zone's threshold quantity specified in Section III.13.2.8.1.1 shall not exceed the substitution auction clearing price for the Rest-of-Pool Capacity Zone.

The substitution auction clearing price for a nested export-constrained Capacity Zone where the total Capacity Supply Obligations awarded in the primary auction-clearing process of the Forward Capacity Auction are less than or equal to the zone's threshold quantity specified in Section III.13.2.8.1.1 shall not exceed the substitution auction clearing price for the Capacity Zone within which it is located.

The substitution auction clearing price at an external interface shall not exceed the substitution auction clearing price in the Capacity Zone connected to the external interface.

If, pursuant to the rules specified above, the substitution auction clearing price for any Capacity Zone or external interface would exceed the Capacity Clearing Price for that location, the substitution auction clearing price for that location only is set equal to its Capacity Clearing Price.

The substitution auction clearing price for any Capacity Zone or external interface cannot be less than negative one multiplied by the Forward Capacity Auction Starting Price.

III.13.2.8.2. Supply Offers in the Substitution Auction.

III.13.2.8.2.1. Supply Offers.

To participate as supply in the substitution auction, a Project Sponsor for a New Capacity Resource must meet the following criteria:

- (a) The Project Sponsor and the New Capacity Resource must meet all the requirements for participation in the Forward Capacity Auction specified in Section III.13.1.
- (b) The Project Sponsor must elect to have the resource participate in the substitution auction during the New Capacity Show of Interest Window. Pursuant to an election, the resource's total amount of FCA Qualified Capacity that qualifies as a New Capacity Resource will be obligated to participate in the substitution auction, including any capacity of a Renewable Technology Resource that was not qualified due to proration pursuant to Section III.13.1.1.2.10(a), and subject to the other provisions of this Section III.13.2.8.2.
- (c) The Project Sponsor must certify that the New Capacity Resource is a Sponsored Policy Resource as part of the submission of the New Capacity Qualification Package.

Substitution auction supply offers are rationable.

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) is not eligible to participate as supply in the substitution auction. A resource is not eligible to participate as supply in the substitution auction if it has submitted a demand bid for the substitution auction.

A Composite FCM Transaction comprised of a summer resource that is a Sponsored Policy Resource is eligible to participate as supply in the substitution auction.

A Conditional Qualified New Resource may participate in the substitution auction provided that the resource with which it has overlapping interconnection impacts: (i) did not receive a Capacity Supply Obligation, fully or partially, in the primary auction-clearing process, and: (ii) is not eligible to participate in the substitution auction. A resource having a higher priority in the queue than a Conditional Qualified New Resource with which it has overlapping interconnection impact may participate in the substitution auction provided that the Conditional Qualified New Resource did not receive a Capacity Supply Obligation, fully or partially, in the primary auction-clearing process.

III.13.2.8.2.2. Supply Offer Prices.

Project Sponsors must submit substitution auction supply offer prices no later than five Business Days after the deadline for submission of offers composed of separate resources.

A substitution auction supply offer must be in the form of a curve (with up to five price-quantity pairs). The curve may not decrease in quantity as the price increases. A supply offer price for the substitution auction may not be greater than the Forward Capacity Auction Starting Price or lower than negative one multiplied by the Forward Capacity Auction Starting Price.

If the offer quantity does not equal the resource's FCA Qualified Capacity, the quantity for which no offer price was submitted will be assigned a price equal to the Forward Capacity Auction Starting Price.

III.13.2.8.2.3. Supply Offers Entered into the Substitution Auction

Supply offers for resources that satisfy all of the criteria in Section III.13.2.8.2.1 to participate in the substitution auction may be adjusted prior to conducting the substitution auction-clearing process using the following adjustments:

- (a) Any portion of a resource's FCA Qualified Capacity that was cleared (received a Capacity Supply Obligation) in the primary auction-clearing process will be removed from the resource's substitution auction supply offer beginning with the lowest priced price-quantity pairs.

(b) After performing the adjustment specified in Section III.13.2.8.2.3(a), any price-quantity pairs in a resource's substitution auction supply offer with a price greater than the Capacity Clearing Price for the resource's Capacity Zone or external interface are removed from the offer.

III.13.2.8.3. Demand Bids in the Substitution Auction.

III.13.2.8.3.1. Demand Bids.

Market Participants with Existing Generating Capacity Resources or Existing Import Capacity Resources associated with External Elective Transmission Upgrades may elect to submit demand bids for the substitution auction for those resources by the Existing Capacity Retirement Deadline. The election must specify the total amount of the resource's Qualified Capacity that will be associated with its demand bid.

A resource, including any portion of an existing resource that qualifies as a New Capacity Resource, must have achieved FCM Commercial Operation 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) in order to participate as demand in the substitution auction.

Regardless of whether an election is made, a demand bid is required for any portion of a resource that is associated with a Retirement De-List Bid, provided that the entire resource has achieved FCM Commercial Operation 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 resource for which a demand bid election has been made cannot participate in a Composite FCM Transaction, cannot be designated as a Self-Supplied FCA Resource, and will not have incremental summer or winter capacity that does not span the entire Capacity Commitment Period subjected to the treatment specified in Section III.13.1.1.3.A.

Demand bids are non-rationable.

A demand bid will be entered into the substitution auction for the portion of the resource that receives a Capacity Supply Obligation in the primary auction-clearing process, subject to the other provisions of this Section III.13.2.8.3. A resource, or portion thereof, associated with a cleared demand bid shall be retired from all New England Markets at the start of the Capacity Commitment Period associated with the Forward Capacity Auction.

III.13.2.8.3.1A Substitution Auction Test Prices.

(a) **Participant-Submitted Test Price.** For auctions associated with a Capacity Commitment Period that begins on or after June 1, 2023, Market Participants that submit a substitution auction demand bid must submit a test price, calculated using the method described below, by the Existing Capacity Retirement Deadline.

The test price for the capacity associated with a resource's demand bid must be calculated using the same methodology as a Retirement De-List Bid, except that a Market Participant may not submit test prices for multiple price-quantity segments but must submit a single test price using, as necessary, aggregated cost and revenue data. The test price must be accompanied by the same documentation required for Retirement De-List Bids above the Dynamic De-List Bid Threshold pursuant to Section III.13.1.2.3.2.1. A Market Participant must submit a test price regardless of whether the price is below the Dynamic De-List Bid Threshold.

A Market Participant is not required to submit a test price for any resource for which the demand bid is less than 3 MW. The applicable test price for any such resource is \$0.00/kW-month.

(b) **IMM-Determined Test Price.** The Internal Market Monitor shall review each test price submission using the methodology specified in Section III.13.1.2.3.2.1 for evaluating Retirement De-List Bids, regardless of whether the submitted test price is below the Dynamic De-List Bid Threshold. For purposes of this review, the expected revenues for a cleared substitution auction demand bid shall not be included as a component of opportunity costs. After due consideration and consultation with the Market Participant, as appropriate, the Internal Market Monitor shall replace the submitted test price with an IMM-determined test price if the submitted test price is not 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 Internal Market Monitor's determination regarding a Market Participant-submitted test price 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).

The test price used for purposes of the substitution auction shall be the Market Participant-submitted test price, as adjusted by the Internal Market Monitor pursuant to this Section III.13.2.8.3.1A(b), and as

further adjusted by the Commission in response to the Internal Market Monitor's filing pursuant to Section III.13.1.2.4(a).

III.13.2.8.3.2. Demand Bid Prices.

Market Participants must submit substitution auction demand bid prices no later than five Business Days after the deadline for submission of offers composed of separate resources.

A substitution auction demand bid must be in the form of a curve (with up to five price-quantity pairs). The curve may not decrease in quantity as the price decreases. A demand bid price for the substitution auction may not be greater than the Forward Capacity Auction Starting Price or lower than negative one multiplied by the Forward Capacity Auction Starting Price.

If the bid quantity does not equal the total bid amount submitted by the Market Participant or required for a Retirement De-List Bid pursuant to Section III.13.2.8.3.1, the quantity for which no bid price was specified will be assigned a price equal to negative one multiplied by the Forward Capacity Auction Starting Price.

For auctions associated with a Capacity Commitment Period that begins on or after June 1, 2023, Market Participants may elect either of the demand bid adjustment methods specified in Section III.13.2.8.3.3(b) for the resource by no later than five Business Days after the deadline for submission of offers composed of separate resources. If no such election is made, the adjustment applied shall be the method specified in Section III.13.2.8.3.3(b)(i).

III.13.2.8.3.3. Demand Bids Entered into the Substitution Auction.

If a resource is determined to be needed for reliability pursuant to Section III.13.2.5.2.5, then any demand bid associated with the resource will not be further included in the substitution auction. If a resource is awarded a Capacity Supply Obligation in the primary auction-clearing process and the Capacity Clearing Price is less than ninety percent of the resource's test price as established pursuant to Section III.13.2.8.3.1A, then the resource's demand bid will not be included in the substitution auction.

Demand bids for resources that satisfy all of the criteria in Section III.13.2.8.3.1 to participate in the substitution auction will be adjusted prior to conducting the substitution auction-clearing process using the following adjustments:

(a) For the substitution auction associated with the Capacity Commitment Period beginning on June 1, 2022, any portion of a resource's demand bid that exceeds its Capacity Supply Obligation awarded in the primary auction-clearing process will be removed from the substitution auction demand bid beginning with the highest priced price-quantity pairs.

(b) For substitution auctions associated with a Capacity Commitment Period that begins on or after June 1, 2023, a resource's demand bid will be adjusted using one of the following methods as elected pursuant to Section III.13.2.8.3.2:

(i) The portion of a resource's capacity that did not receive a Capacity Supply Obligation in the primary auction-clearing process will be removed from the substitution auction demand bid beginning with the highest priced price-quantity pair.

(ii) Any portion of a resource's demand bid that exceeds its Capacity Supply Obligation awarded in the primary auction-clearing process will be removed from the substitution auction demand bid beginning with the lowest priced price-quantity pair.

(c) After performing the modification specified in Sections III.13.2.8.3.3(a) or III.13.2.8.3.3(b), any price-quantity pairs in a resource's substitution auction demand bid with a price greater than the Capacity Clearing Price for the resource's Capacity Zone or external interface will have its price reduced to the Capacity Clearing Price for the resource's Capacity Zone or external interface.

Except as provided in Section III.13.2.5.2.1(c), a rationable demand bid will be entered into the substitution auction on behalf of any Proxy De-List Bid associated with a Permanent De-List Bid or Retirement De-List Bid. The demand bid quantity will equal the portion of the Proxy De-List Bid that was not cleared (received a Capacity Supply Obligation) in the first run of the primary auction-clearing process. The demand bid will have priority to clear before non-rationable demand bids.

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 and the Capacity Clearing Price in the ~~appropriate~~ Capacity Zone ~~in which the resource is located 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 six 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.

(d) **Substitution Auctions.** For a resource whose offer or bid has cleared in a substitution auction, the monthly capacity payment or charge shall be equal to the product of its cleared capacity and the substitution auction clearing price. Notwithstanding the foregoing, the monthly capacity charge for a demand bid cleared at a substitution auction clearing price above its bid price shall be calculated using its bid price.

III.13.7.1.2 Peak Energy Rents.

For Capacity Commitment Periods beginning prior to June 1, 2019, 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 one of the following formulas, which include scaling adjustments for system load and availability:

For hours within the period beginning September 30, 2016 through May 31, 2018:

$$\text{Hourly PER}(\$/\text{kW}) = (\text{LMP} - \text{Adjusted Hourly PER Strike Price}) * [\text{Scaling Factor}] * [\text{Availability Factor}]$$

Where:

$$\text{Adjusted Hourly PER Strike Price} = \text{Strike Price} + \text{Hourly PER Adjustment}$$

$$\text{Hourly PER Adjustment} = \text{average of Five-Minute PER Strike Price Adjustment values}$$

$$\text{Five-Minute PER Strike Price Adjustment} = \text{MAX} (\text{Thirty-Minute Operating Reserve clearing price} - \$500/\text{MWh}, 0) + \text{MAX} (\text{Ten-Minute Non-Spinning Reserve clearing price} - \text{Thirty-Minute Operating Reserve clearing price} - \$850/\text{MWh}, 0).$$

Strike Price = as defined below

Scaling Factor = as defined below

Availability Factor = as defined below

For all other hours:

$$\text{Hourly PER}(\$/\text{kW}) = [\text{LMP} - \text{Strike Price}] * [\text{Scaling Factor}] * [\text{Availability Factor}]$$

Where:

Strike Price = the heat rate x fuel cost of the PER Proxy Unit described below.

Scaling Factor = the ratio of actual hourly integrated system load (calculated as the sum of Real-Time Load Obligations for the system as calculated in the settlement of the Real-Time Energy Market and adjusted for losses and including imports delivered in the Real-Time Energy Market)

and the 50/50 predicted peak system load reduced appropriately for Demand 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 the following, as determined on a daily basis: 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 AGT-CG (Non-G) hub;

(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.13.7.5.2.

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 Total Reserve Requirement; (ii) the Ten-Minute Reserve Requirement; or (iii) the Zonal 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. Notwithstanding the specific provisions of this Section III.13.7.2.2, no resource shall have an Actual Capacity Provided that is less than zero.

(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 Reserve Quantity For Settlement 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 Reserve Quantity For Settlement 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 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 or Seasonal Peak Demand Resource's Actual Capacity Provided during a Capacity Scarcity Condition shall be the sum of the Actual Capacity Provided for each of its components, as determined below, where the MWs of reduction, other than MWs associated with Net Supply, are increased by average avoided peak transmission and distribution losses.

- (i) For Energy Efficiency measures, if the Capacity Scarcity Condition occurs during Demand Resource On-Peak Hours or Demand Resource Seasonal Peak Hours, as applicable, then the Actual Capacity Provided shall be equal to the applicable reported monthly performance value; 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 shall be zero.

- (ii) For Distributed Generation measures submitting meter data for the full 24 hour calendar day during which the Capacity Scarcity Condition occurs, the Actual Capacity Provided shall be equal to the submitted meter data, adjusted as necessary for the five-minute interval in which the Capacity Scarcity Condition occurs.
 - (iii) For Load Management measures submitting meter data for the full 24 hour calendar day during which the Capacity Scarcity Condition occurs, the Actual Capacity Provided shall be equal to the submitted demand reduction data, adjusted as necessary for the five-minute interval in which the Capacity Scarcity Condition occurs.
 - (iv) Notwithstanding any other provision of this Section III.13.7.2.2(c), for any On-Peak Demand Resource or Seasonal Peak Demand Resource that fails to provide the data necessary for the ISO to determine the Actual Capacity Provided as described in this Section III.13.7.2.2(c), the Actual Capacity Provided shall be zero.
- (d) An Active Demand Capacity Resource's Actual Capacity Provided during a Capacity Scarcity Condition shall be the sum of the Actual Capacity Provided by its constituent Demand Response Resources during the Capacity Scarcity Condition.
- (i) A Demand Response Resource's Actual Capacity Provided during a Capacity Scarcity Condition shall be: (1) the sum of the Real-Time demand reduction of its constituent Demand Response Assets (provided, however, that if the Demand Response Resource was limited during the Capacity Scarcity Condition as a result of a transmission system limitation, then the sum of the Real-Time demand reduction of its constituent Demand Response Assets may not be greater than its Desired Dispatch Point during the interval), plus (2) the Demand Response Resource's Reserve Quantity For Settlement, where the MW quantity, other than the MW quantity associated with Net Supply, is increased by average avoided peak transmission and distribution losses; provided, however, that a Demand Response Resource's Actual Capacity Provided shall not be less than zero.
 - (ii) The Real-Time demand reduction of a Demand Response Asset shall be calculated as described in Section III.8.4, except that: (1) in the case of a Demand Response Asset that is on a forced or scheduled curtailment as described in Section III.8.3, a Real-Time

demand reduction shall also be calculated for intervals in which the associated Demand Response Resource does not receive a non-zero Dispatch Instruction; (2) in the case of a Demand Response Asset that is on a forced or scheduled curtailment as described in Section III.8.3, the minuend in the calculation described in Section III.8.4 shall be the unadjusted Demand Response Baseline of the Demand Response Asset; and (3) the resulting MWhs of reduction, other than the MWhs associated with Net Supply, shall be increased by average avoided peak transmission and distribution losses.

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:

$$(\text{Load} + \text{Reserve Requirement}) / \text{Total Capacity Supply Obligation}$$

(a) If the Capacity Scarcity Condition is a result of a violation of the Minimum Total 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 applicable Real-Time Reserve Designations) from all resources in the New England Control Area during the interval.

Reserve Requirement = the Minimum Total 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.

(b) If the Capacity Scarcity Condition is a result of a violation of the Ten-Minute 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 applicable Real-Time Reserve Designations) from all resources in the New England Control Area during the interval.

Reserve Requirement = the Ten-Minute 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 Zonal Reserve 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 applicable Real-Time 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 Zonal 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 Minimum Total Reserve Requirement and the Ten-Minute Reserve Requirement, but not the Zonal Reserve Requirement, the Capacity Balancing Ratio shall be calculated as described in Section III.13.7.2.3(a) for resources in that Capacity Zone.

(ii) In any Capacity Zone subject to Reserve Constraint Penalty Factor pricing associated with both the Ten-Minute Reserve Requirement and the Zonal Reserve Requirement, but not the Minimum Total Reserve Requirement, the Capacity Balancing Ratio for resources in that Capacity Zone shall be the higher of the Capacity Balancing Ratio calculated as described in Section III.13.7.2.3(b) and the Capacity Balancing Ratio calculated as described in Section III.13.7.2.3(c).

(iii) In any Capacity Zone subject to Reserve Constraint Penalty Factor pricing associated with the Minimum Total Reserve Requirement and the Zonal Reserve Requirement (regardless of whether the Capacity Zone is also subject to Reserve Constraint Penalty Factor pricing associated with the Ten-Minute Reserve Requirement), the Capacity Balancing Ratio for resources in that Capacity Zone shall be the higher of the Capacity Balancing Ratio calculated as described in Section III.13.7.2.3(a) and the Capacity Balancing Ratio calculated as described in Section III.13.7.2.3(c).

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 (which for this purpose shall not be less than zero) and the applicable Capacity Balancing Ratio; provided, however, that for an On-Peak Demand Resource or a Seasonal Peak Demand Resource, (i) 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 Energy Efficiency measures shall be excluded from the calculation of the resource's Capacity Performance Score; and (ii) for any Energy Efficiency, Load Management, or Distributed Generation measures reflected as a reduction in the load forecast as described in Section III.12.8 the Actual Capacity Provided and Capacity Supply Obligation 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:

$$\text{MaxCSO} \times [3 \text{ months} \times (\text{FCACP} - \text{FCASP}) - (12 \text{ months} \times \text{FCACP})]$$

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.

III.13.7.5.1. Calculation of Capacity Charges Prior to June 1, 2022.

The provisions in this subsection apply to charges associated with Capacity Commitment Periods beginning prior to June 1, 2022. 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. A load serving entity with a Capacity Load Obligation as of the end of the Obligation Month may also receive a failure to cover credit equal to the product of: (a) its Capacity Load Obligation in the Capacity Zone, and; (b) the sum of all failure to cover charges in the Capacity Zone calculated pursuant to Section III.13.3.4(b), divided by total Capacity Load Obligation in the Capacity Zone.

III.13.7.5.1.1. Calculation of Capacity Charges On and After June 1, 2022.

The provisions in this subsection apply to charges associated with Capacity Commitment Periods beginning on or after June 1, 2022. For purposes of this Section III.13.7.5.1.1, Capacity Zone costs calculated for a Capacity Zone that contains a nested Capacity Zone shall exclude the Capacity Zone costs of the nested Capacity Zone. A Market Participant with a Capacity Load Obligation as of the end of the Obligation Month shall be subject to the following charges and adjustments:

III.13.7.5.1.1.1 Forward Capacity Auction Charge.

The FCA charge, for each Capacity Zone, is: (a) Capacity Load Obligation in the Capacity Zone; multiplied by (b) Capacity Zone FCA Costs divided by Zonal Capacity Obligation.

Where

Capacity Zone FCA Costs, for each Capacity Zone, are the Total FCA Costs multiplied by the Zonal Peak Load Allocator and divided by the Total Peak Load Allocator.

Total FCA Costs are the sum of, for all Capacity Zones, (i) Capacity Supply Obligations in each zone (the total obligation awarded to or shed by resources in the Forward Capacity Auction process for the Obligation Month in the zone, excluding any obligations awarded to Intermittent Power Resources that are the basis for the Intermittent Power Resource Capacity Adjustment specified in Section III.13.7.5.1.1.6 and excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section ~~III.13.3.4(e)~~ III.13.3.4A) multiplied by the applicable clearing price from the auction in which the obligation was awarded to (or shed by) the resource, and (ii) the difference between the bid price and the substitution auction clearing price that was not included in the capacity charge pursuant to the second sentence of Section III.13.7.1.1(d). Capacity Supply Obligations awarded to Proxy De-List Bids in the primary auction, or shed by demand bids entered into the substitution auction on behalf of a Proxy De-List Bid, are excluded from Total FCA Costs.

Zonal Peak Load Allocator is the Zonal Capacity Obligation multiplied by the zonal Capacity Clearing Price.

Total Peak Load Allocator is the sum of the Zonal Peak Load Allocators.

III.13.7.5.1.1.2 Annual Reconfiguration Auction Charge.

The total annual reconfiguration auction charge, for each Capacity Zone and each associated annual reconfiguration auction, is: (a) Capacity Load Obligation in the Capacity Zone; multiplied by (b) Capacity Zone Annual Reconfiguration Auction Costs divided by Zonal Capacity Obligation.

Where

Capacity Zone Annual Reconfiguration Auction Costs, for each Capacity Zone, are the Total Annual Reconfiguration Costs multiplied by the Zonal Peak Load Allocator and divided by the Total Peak Load Allocator.

Total Annual Reconfiguration Auction Costs are the sum, for all Capacity Zones and each associated annual reconfiguration auction, of the product of the Capacity Supply Obligations acquired through the annual reconfiguration auction in each zone (adjusted for any obligations procured in the annual reconfiguration auction that are subsequently terminated pursuant to Section ~~III.13.3.4(e)~~ [III.13.3.4A](#)) and the zonal annual reconfiguration auction clearing price, minus the sum, for all Capacity Zones, of the product of the amount of any Capacity Supply Obligation shed through the annual reconfiguration auction in each zone and the applicable annual reconfiguration auction clearing price.

Zonal Peak Load Allocator is the Zonal Capacity Obligation multiplied by the zonal annual reconfiguration auction clearing price.

Total Peak Load Allocator is the sum of the Zonal Peak Load Allocators.

III.13.7.5.1.1.3. Monthly Reconfiguration Auction Charge.

The monthly reconfiguration auction charge is: (a) total Capacity Load Obligation for all Capacity Zones; multiplied by (b) Total Monthly Reconfiguration Auction Costs divided by Total Zonal Capacity Obligation.

Where

Total Monthly Reconfiguration Auction Costs are the sum of, for all Capacity Zones, the product of Capacity Supply Obligations acquired through the monthly reconfiguration auction in each zone and the applicable monthly reconfiguration auction clearing price, minus the sum of, for all Capacity Zones, any Capacity Supply Obligations shed through the monthly reconfiguration auction in each zone and the applicable monthly reconfiguration auction clearing price.

Total Zonal Capacity Obligation is the total of the Zonal Capacity Obligation in all Capacity Zones.

III.13.7.5.1.1.4. HQICC Capacity Charge.

The HQICC capacity charge is: (a) total Capacity Load Obligation for all Capacity Zones; multiplied by (b) Total HQICC Credits divided by Total Capacity Load Obligation.

Where

Total HQICC credits are the product of HQICCs multiplied by the sum of the values calculated in Sections III.13.7.5.1.1.1(b), III.13.7.5.1.1.2(b), III.13.7.5.1.1.3(b), III.13.7.5.1.1.6(b), III.13.7.5.1.1.7(b), III.13.7.5.1.1.8(b), and III.13.7.5.1.1.9(b) in the Capacity Zone in which the HQ Phase I/II external node is located.

Total Capacity Load Obligation is the total Capacity Load Obligation in all Capacity Zones.

III.13.7.5.1.1.5. Self-Supply Adjustment.

The self-supply adjustment is: (a) Capacity Load Obligation in the Capacity Zone; multiplied by (b) the Self-Supply Variance divided by Total Capacity Load Obligation.

Where

Self-Supply Variance is the difference between foregone capacity payments and avoided capacity charges associated with designated self-supply quantities.

Foregone capacity payments to Self-Supplied FCA Resources are the sum, for all Capacity Zones, of the product of the zonal Capacity Supply Obligation (excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section ~~III.13.3.4(e)~~ [III.13.3.4A](#)) designated as self-supply, multiplied by the applicable clearing price from the auction in which the obligation was awarded.

Avoided capacity charges are the sum, for all Capacity Zones, of the product of any designated self-supply quantities multiplied by the sum of the values calculated in Sections III.13.7.5.1.1.1(b), III.13.7.5.1.1.2(b), III.13.7.5.1.1.3(b), III.13.7.5.1.1.6(b),

III.13.7.5.1.1.7(b), III.13.7.5.1.1.8(b), and III.13.7.5.1.1.9(b) in the Capacity Zone associated with the designated self-supply quantity.

Total Capacity Load Obligation is the total Capacity Load Obligation in all Capacity Zones.

III.13.7.5.1.1.6. Intermittent Power Resource Capacity Adjustment.

The Intermittent Power Resource capacity adjustment in a winter season for the Obligation Months from October through May is: (a) total Capacity Load Obligation for all Capacity Zones; multiplied by (b) the Intermittent Power Resource Seasonal Variance divided by Total Zonal Capacity Obligation.

Where

Intermittent Power Resource Seasonal Variance is the difference between the FCA payments for Intermittent Power Resource in the Obligation Month and the base FCA payments for Intermittent Power Resources.

FCA payments to Intermittent Power Resources are the sum, for all Capacity Zones, of the product of the Capacity Supply Obligations awarded to or shed by Intermittent Power Resources in the Forward Capacity Auction process for the Obligation Month pursuant to Section III.13.2.7.6 or Section III.13.2.8.1.1 (excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section ~~III.13.3.4(e)~~ III.13.3.4A), multiplied by the applicable clearing price from the auction in which the obligation was awarded.

Base FCA payments for Intermittent Power Resources are the sum, for all Capacity Zones, of the product of the FCA Qualified Capacity procured from or shed by Intermittent Power Resources in the Forward Capacity Auction process (excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section ~~III.13.3.4(e)~~ III.13.3.4A), multiplied by the applicable clearing price from the auction in which the obligation was awarded.

Total Zonal Capacity Obligation is the total Capacity Load Obligation in all Capacity Zones.

III.13.7.5.1.1.7. Multi-Year Rate Election Adjustment.

For multi-year rate elections made in the primary Forward Capacity Auction for Capacity Commitment Periods beginning on or after June 1, 2022, the multi-year rate election adjustment, for each Capacity

Zone, is: (a) Capacity Load Obligation in the Capacity Zone; multiplied by (b) Zonal Multi-Year Rate Election Costs divided by Zonal Capacity Obligation.

Where

Zonal Multi-Year Rate Election Costs is the sum, for each resource with a multi-year rate election in the Obligation Month, of the amount of Capacity Supply Obligation designated to receive the multi-year rate (excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section ~~III.13.3.4(e)~~ III.13.3.4A), multiplied by the difference in the applicable zonal Capacity Clearing Price for the Forward Capacity Auction in which the resource originally was awarded a Capacity Supply Obligation (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) and the applicable zonal Capacity Clearing Price for the current Capacity Commitment Period, multiplied by the Zonal Peak Load Allocator for the Forward Capacity Auction in which the resource originally was awarded a Capacity Supply Obligation and divided by the Total Peak Load Allocator for the Forward Capacity Auction in which the resource originally was awarded a Capacity Supply Obligation.

Zonal Peak Load Allocator is the Zonal Capacity Obligation multiplied by the zonal Capacity Clearing Price.

Total Peak Load Allocator is the sum of the Zonal Peak Load Allocators.

For multi-year rate elections made in the primary Forward Capacity Auction for Capacity Commitment Periods beginning prior to June 1, 2022, the multi-year rate election adjustment, for each Capacity Zone, is: (a) Capacity Load Obligation in the Capacity Zone; multiplied by (b) Zonal Multi-Year Rate Election Costs divided by Zonal Capacity Obligation.

Where

Zonal Multi-Year Rate Election Costs is the sum in each Capacity Zone, for each resource with a multi-year rate election in the Obligation Month, of the amount of Capacity Supply Obligation designated to receive the multi-year rate (excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section III.13.3.4A~~III.13.3.4(e)~~), multiplied by the difference in the applicable zonal Capacity Clearing Price for the Forward Capacity Auction in which the resource originally was awarded a Capacity Supply Obligation (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) and the applicable zonal Capacity Clearing Price for the current Capacity Commitment Period.

III.13.7.5.1.1.8 CTR Transmission Upgrade Charge.

The CTR transmission upgrade charge is: (a) the Capacity Load Obligation in the Capacity Zones to which the applicable interface limits the transfer of capacity, multiplied by (b) Zonal CTR Transmission Upgrade Cost divided by Zonal Capacity Obligation.

Where

Zonal CTR Transmission Upgrade Cost for each Capacity Zone to which the interface limits the transfer of capacity is the amount calculated pursuant to Section III.13.7.5.4.4 (f), multiplied by the Zonal Capacity Obligation and divided by the sum of the Zonal Capacity Obligation for all Capacity Zones to which the interface limits the transfer of capacity.

III.13.7.5.1.1.9 CTR Pool-Planned Unit Charge.

The CTR Pool-Planned Unit charge is: (a) the Capacity Load Obligation in the Capacity Zone less the amount of any CTRs specifically allocated pursuant to Section III.13.7.5.4.5, multiplied by (b) CTR Pool-Planned Unit Cost divided by Total Zonal Capacity Obligation less the amount of any CTRs specifically allocated pursuant to Section III.13.7.5.4.5.

Where

The CTR Pool-Planned Unit Cost for each Capacity Zone is the sum of the amounts calculated pursuant to Section III.13.7.5.4.5 (b).

Total Zonal Capacity Obligation is the total of the Zonal Capacity Obligation in all Capacity Zones.

III.13.7.5.1.1.10. Failure to Cover Charge Adjustment.

The failure to cover charge adjustment, for each Capacity Zone, is (a) Capacity Load Obligation in the Capacity Zone; multiplied by (b) Zonal Failure to Cover Charges divided by Zonal Capacity Obligation.

Where:

Zonal Failure to Cover Charges are the product of: (1) the sum, for all Capacity Zones, of the failure to cover charges calculated pursuant to Section III.13.3.4(b), and; (2) the Zonal Peak Load Allocator and divided by the Total Peak Load Allocator.

Zonal Peak Load Allocator is the Zonal Capacity Obligation multiplied by the zonal annual reconfiguration auction clearing price as determined pursuant to Section III.13.3.4.

Total Peak Load Allocator is the sum of the Zonal Peak Load Allocators.

III.13.7.5.2. Calculation of Capacity Load Obligation and Zonal Capacity Obligation.

The ISO shall assign each Market Participant a share of the Zonal Capacity Obligation 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 Zonal Capacity Obligation of a Capacity Zone that contains a nested Capacity Zone shall exclude the Zonal Capacity Obligation of the nested Capacity Zone.

Zonal Capacity Obligation 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 for Capacity Commitment Periods beginning prior to June 1, 2022 and excluding any additional obligations awarded to Intermittent Power Resources pursuant to Section III.13.2.7.6 that exceed the FCA Qualified Capacity procured in the Forward Capacity Auction for Capacity Commitment Periods beginning on or after June 1, 2022) 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 (for Capacity Commitment Periods beginning prior to June 1, 2022) and from the calendar year one year prior to the start of the Capacity Commitment Period (for Capacity Commitment Periods beginning on or after June 1, 2022) 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 (for Capacity Commitment Periods beginning prior to June 1, 2022) and from the calendar year one year prior to the start of the Capacity Commitment Period (for Capacity Commitment Periods beginning on or after June 1, 2022).

The following loads are assigned a peak contribution of zero for the purposes of assigning obligations and tracking load shifts: load associated with the receipt of electricity from the grid by Storage DARDs for later injection of electricity back to the grid; 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 a 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 Market Participant's share of Zonal Capacity Obligation for each month and Capacity Zone shall equal the product of: (i) the Capacity Zone's Zonal Capacity Obligation 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 Market Participant's Capacity Load Obligation shall be its share of Zonal Capacity Obligation for each month and Capacity Zone, 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's share of Zonal Capacity Obligation will not be reconstituted to include the demand reduction of a Demand Capacity Resource or Demand Response Resource.

III.13.7.5.2.1. 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.13.7.5.3. Excess Revenues.

(a) For Capacity Commitment Periods beginning prior to June 1, 2022, 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.13.3.4A 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.13.7.5.4. Capacity Transfer Rights.

III.13.7.5.4.1. Definition and Payments to Holders of Capacity Transfer Rights.

This subsection applies to Capacity Commitment Periods beginning prior to June 1, 2022.

Capacity Transfer Rights are calculated 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.

III.13.7.5.4.2. Allocation of Capacity Transfer Rights.

This subsection applies to Capacity Commitment Periods beginning prior to June 1, 2022.

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.

III.13.7.5.4.3. Allocations of CTRs Resulting From Revised Capacity Zones.

This subsection applies to Capacity Commitment Periods beginning prior to June 1, 2022.

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.13.7.5.4.4. 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.13.7.5.4.2.

(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.13.7.5.4.2.

(e) **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.13.7.5.4.5.~~

(f) The value of CTRs specifically allocated pursuant to this Section shall be calculated as the product of: (i) the Capacity Clearing Price to which the applicable interface limits the transfer of capacity minus the Capacity Clearing Price from which the applicable interface limits the transfer of capacity; and (ii) the MW quantity of the specifically allocated CTRs across the applicable interface.

III.13.7.5.4.5. Specifically Allocated CTRs for Pool-Planned Units.

(a) 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 most recent seasonal claimed capability of the ownership entitlements in such unit, adjusted for any designated self-supply quantities as described in Section III.13.1.6.2. 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.

(b) The value of CTRs specifically allocated pursuant to this Section shall be calculated as the product of: (i) the Capacity Clearing Price, ~~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 where the load of the municipal utility entitlement holder is located to which the applicable interface limits the transfer of capacity~~ minus the Capacity Clearing Price, ~~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 in which the Pool-Planned Unit is located from which the applicable interface limits the transfer of capacity~~, and; (ii) the MW quantity of the specifically allocated CTRs ~~across the applicable interface~~.

III.13.7.5.5. 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 charges; (b) its revenues from any applicable specifically allocated CTRs; (c) its share of the CTR fund (for Capacity Commitment Periods beginning prior to June 1, 2022); and (d) any applicable export charges.

SECTION III

MARKET RULE 1

APPENDIX A

**MARKET MONITORING,
REPORTING AND MARKET POWER MITIGATION**

APPENDIX A
MARKET MONITORING, REPORTING AND MARKET POWER MITIGATION

Table of Contents

III.A.1.	Introduction and Purpose: Structure and Oversight: Independence
III.A.1.1.	Mission Statement
III.A.1.2.	Structure and Oversight
III.A.1.3.	Data Access and Information Sharing
III.A.1.4.	Interpretation
III.A.1.5.	Definitions
III.A.2.	Functions of the Market Monitor
III.A.2.1.	Core Functions of the Internal Market Monitor and External Market Monitor
III.A.2.2.	Functions of the External Market Monitor
III.A.2.3.	Functions of the Internal Market Monitor
III.A.2.4.	Overview of the Internal Market Monitor's Mitigation Functions
III.A.2.4.1.	Purpose
III.A.2.4.2.	Conditions for the Imposition of Mitigation Measures
III.A.2.4.3.	Applicability
III.A.2.4.4.	Mitigation Not Provided for Under This <i>Appendix A</i>
III.A.2.4.5.	Duration of Mitigation
III.A.3.	Consultation Prior to Determination of Reference Levels for Physical Parameters and Financial Parameters of Resources; Fuel Price Adjustments
III.A.3.1.	Consultation Prior to Offer
III.A.3.2.	Dual Fuel Resources
III.A.3.3.	Market Participant Access to its Reference Levels
III.A.3.4.	Fuel Price Adjustments
III.A.4.	Physical Withholding
III.A.4.1.	Identification of Conduct Inconsistent with Competition

- III.A.4.2. Thresholds for Identifying Physical Withholding
 - III.A.4.2.1. Initial Thresholds
 - III.A.4.2.2. Adjustment to Generating Capacity
 - III.A.4.2.3. Withholding of Transmission
 - III.A.4.2.4. Resources in Congestion Areas

III.A.4.3. Hourly Market Impacts

III.A.5. Mitigation

- III.A.5.1. Resources with Capacity Supply Obligations
 - III.A.5.1.1. Resources with Partial Capacity Supply Obligations

- III.A.5.2. Structural Tests
 - III.A.5.2.1. Pivotal Supplier Test
 - III.A.5.2.2. Constrained Area Test

III.A.5.3. Calculation of Impact Test in the Day-Ahead Energy Market

III.A.5.4. Calculation of Impact Tests in the Real-Time Energy Market

- III.A.5.5. Mitigation by Type
 - III.A.5.5.1. General Threshold Energy Mitigation
 - III.A.5.5.1.1. Applicability
 - III.A.5.5.1.2. Conduct Test
 - III.A.5.5.1.3. Impact Test
 - III.A.5.5.1.4. Consequence of Failing Both Conduct and Impact Test
 - III.A.5.5.2. Constrained Area Energy Mitigation
 - III.A.5.5.2.1. Applicability
 - III.A.5.5.2.2. Conduct Test
 - III.A.5.5.2.3. Impact Test
 - III.A.5.5.2.4. Consequence of Failing Both Conduct and Impact Test
 - III.A.5.5.3. Manual Dispatch Energy Mitigation
 - III.A.5.5.3.1. Applicability
 - III.A.5.5.3.2. Conduct Test
 - III.A.5.5.3.3. Consequence of Failing the Conduct Test
 - III.A.5.5.4. General Threshold Commitment Mitigation
 - III.A.5.5.4.1. Applicability
 - III.A.5.5.4.2. Conduct Test
 - III.A.5.5.4.3. Consequence of Failing Conduct Test

- III.A.5.5.5. Constrained Area Commitment Mitigation
 - III.A.5.5.5.1. Applicability
 - III.A.5.5.5.2. Conduct Test
 - III.A.5.5.5.3. Consequence of Failing Test
 - III.A.5.5.6. Reliability Commitment Mitigation
 - III.A.5.5.6.1. Applicability
 - III.A.5.5.6.2. Conduct Test
 - III.A.5.5.6.3. Consequence of Failing Test
 - III.A.5.5.7. Start-Up Fee and No-Load Fee Mitigation
 - III.A.5.5.7.1. Applicability
 - III.A.5.5.7.2. Conduct Test
 - III.A.5.5.7.3. Consequence of Failing Conduct Test
 - III.A.5.5.8. Low Load Cost
 - III.A.5.6. Duration of Energy Threshold Mitigation
 - III.A.5.7. Duration of Commitment Mitigation
 - III.A.5.8. Duration of Start-Up Fee and No-Load Mitigation
 - III.A.5.9. Correction of Mitigation
 - III.A.5.10. Delay of Day-Ahead Energy Market Due to Mitigation Process
- III.A.6. Physical and Financial Parameter Offer Thresholds
 - III.A.6.1. Time-Based Offer Parameters
 - III.A.6.2. Financial Offer Parameters
 - III.A.6.3. Other Offer Parameters
- III.A.7. Calculation of Resource Reference Levels for Physical Parameters and Financial Parameters of Resources
 - III.A.7.1. Methods for Determining Reference Levels for Physical Parameter
 - III.A.7.2. Methods for Determining Reference Levels for Financial Parameters of Supply Offers
 - III.A.7.2.1. Order of Reference Level Calculation
 - III.A.7.2.2. Circumstances in Which Cost-Based Reference Levels Supersede the Hierarchy of Reference Level Calculation
 - III.A.7.3. Accepted Offer-Based Reference Level
 - III.A.7.4. LMP-Based Reference Level

- III.A.7.5. Cost-based Reference Level
 - III.A.7.5.1. Estimation of Incremental Operating Cost
- III.A.8. [Reserved.]
- III.A.9. Regulation
- III.A.10. Demand Bids
- III.A.11. Mitigation of Increment Offers and Decrement Bids
 - III.A.11.1. Purpose
 - III.A.11.2. Implementation
 - III.A.11.2.1. Monitoring of Increment Offers and Decrement Bids
 - III.A.11.3. Mitigation Measures
 - III.A.11.4. Monitoring and Analysis of Market Design and Rules
- III.A.12. Cap on FTR Revenues
- III.A.13. Additional Internal Market Monitor Functions Specified in Tariff
 - III.A.13.1. Review of Offers and Bids in the Forward Capacity Market
 - III.A.13.2. Supply Offers and Demand Bids Submitted for Reconfiguration Auctions in the Forward Capacity Market
 - III.A.13.3. Monitoring of Transmission Facility Outage Scheduling
 - III.A.13.4. Monitoring of Forward Reserve Resources
 - III.A.13.5. Imposition of Sanctions
- III.A.14. Treatment of Supply Offers for Resources Subject to a Cost-of-Service Agreement
- III.A.15. Request for Additional Cost Recovery
 - III.A.15.1. Filing Right
 - III.A.15.2. Contents of Filing
 - III.A.15.3. Review by Internal Market Monitor Prior to Filing
 - III.A.15.4. Cost Allocation

- III.A.16. ADR Review of Internal Market Monitor Mitigation Actions
 - III.A.16.1. Actions Subject to Review
 - III.A.16.2. Standard of Review

- III.A.17. Reporting
 - III.A.17.1. Data Collection and Retention
 - III.A.17.2. Periodic Reporting by the ISO and Internal Market Monitor
 - III.A.17.2.1. Monthly Report
 - III.A.17.2.2. Quarterly Report
 - III.A.17.2.3. Reporting on General Performance of the Forward Capacity Market
 - III.A.17.2.4. Annual Review and Report by the Internal Market Monitor
 - III.A.17.3. Periodic Reporting by the External Market Monitor
 - III.A.17.4. Other Internal Market Monitor or External Market Monitor Communications with Government Agencies
 - III.A.17.4.1. Routine Communications
 - III.A.17.4.2. Additional Communications
 - III.A.17.4.3. Confidentiality
 - III.A.17.5. Other Information Available from Internal Market Monitor and External Market Monitor on Request by Regulators

- III.A.18. Ethical Conduct Standards
 - III.A.18.1. Compliance with ISO New England Inc. Code of Conduct
 - III.A.18.2. Additional Ethical Conduct Standards
 - III.A.18.2.1. Prohibition on Employment with a Market Participant
 - III.A.18.2.2. Prohibition on Compensation for Services
 - III.A.18.2.3. Additional Standards Application to External Market Monitor

- III.A.19. Protocols on Referrals to the Commission of Suspected Violations

- III.A.20. Protocol on Referrals to the Commission of Perceived Market Design Flaws and Recommended Tariff Changes

- III.A.21. Review of Offers From New Resources in the Forward Capacity Market
 - III.A.21.1. Offer Review Trigger Prices
 - III.A.21.1.1. Offer Review Trigger Prices for the Forward Capacity Auction
 - III.A.21.1.2. Calculation of Offer Review Trigger Prices
 - III.A.21.2. New Resource Offer Floor Prices and Offer Prices
 - III.A.21.3. Special Treatment of Certain Out-of-Market Capacity Resources in the Eighth Forward Capacity Auction
- III.A.22. [Reserved]
- III.A.23. Pivotal Supplier Test for Existing Capacity Resources and New Import Capacity Resources in the Forward Capacity Market
 - III.A.23.1. Pivotal Supplier Test
 - III.A.23.2. Conditions Under Which Capacity is Treated as Non-Pivotal
 - III.A.23.3. Pivotal Supplier Test Notification of Results
 - III.A.23.4. Qualified Capacity for Purposes of Pivotal Supplier Test
- III.A.24 Retirement Portfolio Test for Existing Capacity Resources in the Forward Capacity Market
- EXHIBIT 1 [Reserved]
- EXHIBIT 2 [Reserved]
- EXHIBIT 3 [Reserved]
- EXHIBIT 4 [Reserved]
- EXHIBIT 5 ISO NEW ENGLAND INC. CODE OF CONDUCT

MARKET MONITORING, REPORTING AND MARKET POWER MITIGATION

III.A.1. Introduction and Purpose; Structure and Oversight: Independence.

III.A.1.1. Mission Statement.

The mission of the Internal Market Monitor and External Market Monitor shall be (1) to protect both consumers and Market Participants by the identification and reporting of market design flaws and market power abuses; (2) to evaluate existing and proposed market rules, tariff provisions and market design elements to remove or prevent market design flaws and recommend proposed rule and tariff changes to the ISO; (3) to review and report on the performance of the New England Markets; (4) to identify and notify the Commission of instances in which a Market Participant's behavior, or that of the ISO, may require investigation; and (5) to carry out the mitigation functions set forth in this *Appendix A*.

III.A.1.2. Structure and Oversight.

The market monitoring and mitigation functions contained in this *Appendix A* shall be performed by the Internal Market Monitor, which shall report to the ISO Board of Directors and, for administrative purposes only, to the ISO Chief Executive Officer, and by an External Market Monitor selected by and reporting to the ISO Board of Directors. Members of the ISO Board of Directors who also perform management functions for the ISO shall be excluded from oversight and governance of the Internal Market Monitor and External Market Monitor. The ISO shall enter into a contract with the External Market Monitor addressing the roles and responsibilities of the External Market Monitor as detailed in this *Appendix A*. The ISO shall file its contract with the External Market Monitor with the Commission. In order to facilitate the performance of the External Market Monitor's functions, the External Market Monitor shall have, and the ISO's contract with the External Market Monitor shall provide for, access by the External Market Monitor to ISO data and personnel, including ISO management responsible for market monitoring, operations and billing and settlement functions. Any proposed termination of the contract with the External Market Monitor or modification of, or other limitation on, the External Market Monitor's scope of work shall be subject to prior Commission approval.

III.A.1.3. Data Access and Information Sharing.

The ISO shall provide the Internal Market Monitor and External Market Monitor with access to all market data, resources and personnel sufficient to enable the Internal Market Monitor and External Market Monitor to perform the market monitoring and mitigation functions provided for in this *Appendix A*.

This access shall include access to any confidential market information that the ISO receives from another independent system operator or regional transmission organization subject to the Commission's jurisdiction, or its market monitor, as part of an investigation to determine (a) if a Market Violation is occurring or has occurred, (b) if market power is being or has been exercised, or (c) if a market design flaw exists. In addition, the Internal Market Monitor and External Market Monitor shall have full access to the ISO's electronically generated information and databases and shall have exclusive control over any data created by the Internal Market Monitor or External Market Monitor. The Internal Market Monitor and External Market Monitor may share any data created by it with the ISO, which shall maintain the confidentiality of such data in accordance with the terms of the ISO New England Information Policy.

III.A.1.4. Interpretation.

In the event that any provision of any ISO New England Filed Document is inconsistent with the provisions of this *Appendix A*, the provisions of *Appendix A* shall control. Notwithstanding the foregoing, Sections III.A.1.2, III.A.2.2 (a)-(c), (e)-(h), Section III.A.2.3 (a)-(g), (i), (n) and Section III.A.17.3 are also part of the Participants Agreement and cannot be modified in either *Appendix A* or the Participants Agreement without a corresponding modification at the same time to the same language in the other document.

III.A.1.5. Definitions.

Capitalized terms not defined in this *Appendix A* are defined in the definitions section of Section I of the Tariff.

III.A.2. Functions of the Market Monitor.

III.A.2.1. Core Functions of the Internal Market Monitor and External Market Monitor.

The Internal Market Monitor and External Market Monitor will perform the following core functions:

- (a) Evaluate existing and proposed market rules, tariff provisions and market design elements, and recommend proposed rule and tariff changes to the ISO, the Commission, Market Participants, public utility commissioners of the six New England states, and to other interested entities, with the understanding that the Internal Market Monitor and External Market Monitor are not to effectuate any proposed market designs (except as specifically provided in Section III.A.2.4.4, Section III.A.9 and Section III.A.10 of this *Appendix A*). In the event the Internal Market Monitor or External Market Monitor believes broader dissemination could lead to exploitation, it shall limit distribution of its

identifications and recommendations to the ISO and to the Commission, with an explanation of why broader dissemination should be avoided at that time. Nothing in this Section III.A.2.1 (a) shall prohibit or restrict the Internal Market Monitor and External Market Monitor from implementing Commission accepted rule and tariff provisions regarding market monitoring or mitigation functions that, according to the terms of the applicable rule or tariff language, are to be performed by the Internal Market Monitor or External Market Monitor.

- (b) Review and report on the performance of the New England Markets to the ISO, the Commission, Market Participants, the public utility commissioners of the six New England states, and to other interested entities.
- (c) Identify and notify the Commission's Office of Enforcement of instances in which a Market Participant's behavior, or that of the ISO, may require investigation, including suspected tariff violations, suspected violations of Commission-approved rules and regulations, suspected market manipulation, and inappropriate dispatch that creates substantial concerns regarding unnecessary market inefficiencies.

III.A.2.2. Functions of the External Market Monitor.

To accomplish the functions specified in Section III.A.2.1 of this *Appendix A*, the External Market Monitor shall perform the following functions:

- (a) Review the competitiveness of the New England Markets, the impact that the market rules and/or changes to the market rules will have on the New England Markets and the impact that the ISO's actions have had on the New England Markets. In the event that the External Market Monitor uncovers problems with the New England Markets, the External Market Monitor shall promptly inform the Commission, the Commission's Office of Energy Market Regulation staff, the ISO Board of Directors, the public utility commissions for each of the six New England states, and the Market Participants of its findings in accordance with the procedures outlined in Sections III.A.19 and III.A.20 of this *Appendix A*, provided that in the case of Market Participants and the public utility commissions, information in such findings shall be redacted as necessary to comply with the ISO New England Information Policy. Notwithstanding the foregoing, in the event the External Market Monitor believes broader dissemination could lead to exploitation, it shall limit distribution of its identifications to the ISO and to the Commission, with an explanation of why broader dissemination should be avoided at that time.
- (b) Perform independent evaluations and prepare annual and ad hoc reports on the overall competitiveness and efficiency of the New England Markets or particular aspects of the New England

Markets, including the adequacy of this *Appendix A*, in accordance with the provisions of Section III.A.17 of this *Appendix A*.

- (c) Conduct evaluations and prepare reports on its own initiative or at the request of others.
- (d) Monitor and review the quality and appropriateness of the mitigation conducted by the Internal Market Monitor. In the event that the External Market Monitor discovers problems with the quality or appropriateness of such mitigation, the External Market Monitor shall promptly inform the Commission, the Commission's Office of Energy Market Regulation staff, the ISO Board of Directors, the public utility commissions for each of the six New England states, and the Market Participants of its findings in accordance with the procedures outlined in Sections III.A.19 and/or III.A.20 of this *Appendix A*, provided that in the case of Market Participants and the public utility commissions, information in such findings shall be redacted as necessary to comply with the ISO New England Information Policy. Notwithstanding the foregoing, in the event the External Market Monitor believes broader dissemination could lead to exploitation, it shall limit distribution of its identifications to the ISO and to the Commission, with an explanation of why broader dissemination should be avoided at that time.
- (e) Prepare recommendations to the ISO Board of Directors and the Market Participants on how to improve the overall competitiveness and efficiency of the New England Markets or particular aspects of the New England Markets, including improvements to this *Appendix A*.
- (f) Recommend actions to the ISO Board of Directors and the Market Participants to increase liquidity and efficient trade between regions and improve the efficiency of the New England Markets.
- (g) Review the ISO's filings with the Commission from the standpoint of the effects of any such filing on the competitiveness and efficiency of the New England Markets. The External Market Monitor will have the opportunity to comment on any filings under development by the ISO and may file comments with the Commission when the filings are made by the ISO. The subject of any such comments will be the External Market Monitor's assessment of the effects of any proposed filing on the competitiveness and efficiency of the New England Markets, or the effectiveness of this *Appendix A*, as appropriate.
- (h) Provide information to be directly included in the monthly market updates that are provided at the meetings of the Market Participants.

III.A.2.3. Functions of the Internal Market Monitor.

To accomplish the functions specified in Section III.A.2.1 of this *Appendix A*, the Internal Market Monitor shall perform the following functions:

- (a) Maintain *Appendix A* and consider whether *Appendix A* requires amendment. Any amendments deemed to be necessary by the Internal Market Monitor shall be undertaken after consultation with Market Participants in accordance with Section 11 of the Participants Agreement.
- (b) Perform the day-to-day, real-time review of market behavior in accordance with the provisions of this *Appendix A*.
- (c) Consult with the External Market Monitor, as needed, with respect to implementing and applying the provisions of this *Appendix A*.
- (d) Identify and notify the Commission's Office of Enforcement staff of instances in which a Market Participant's behavior, or that of the ISO, may require investigation, including suspected Tariff violations, suspected violations of Commission-approved rules and regulations, suspected market manipulation, and inappropriate dispatch that creates substantial concerns regarding unnecessary market inefficiencies, in accordance with the procedures outlined in Section III.A.19 of this *Appendix A*.
- (e) Review the competitiveness of the New England Markets, the impact that the market rules and/or changes to the market rules will have on the New England Markets and the impact that ISO's actions have had on the New England Markets. In the event that the Internal Market Monitor uncovers problems with the New England Markets, the Internal Market Monitor shall promptly inform the Commission, the Commission's Office of Energy Market Regulation staff, the ISO Board of Directors, the public utility commissions for each of the six New England states, and the Market Participants of its findings in accordance with the procedures outlined in Sections III.A.19 and III.A.20 of this *Appendix A*, provided that in the case of Market Participants and the public utility commissions, information in such findings shall be redacted as necessary to comply with the ISO New England Information Policy. Notwithstanding the foregoing, in the event the Internal Market Monitor believes broader dissemination could lead to exploitation, it shall limit distribution of its identifications to the ISO and to the Commission, with an explanation of why broader dissemination should be avoided at that time.
- (f) Provide support and information to the ISO Board of Directors and the External Market Monitor consistent with the Internal Market Monitor's functions.
- (g) Prepare an annual state of the market report on market trends and the performance of the New England Markets, as well as less extensive quarterly reports, in accordance with the provisions of Section III.A.17 of this *Appendix A*.
- (h) Make one or more of the Internal Market Monitor staff members available for regular conference calls, which may be attended, telephonically or in person, by Commission and state commission staff, by representatives of the ISO, and by Market Participants. The information to be provided in the

Internal Market Monitor conference calls is generally to consist of a review of market data and analyses of the type regularly gathered and prepared by the Internal Market Monitor in the course of its business, subject to appropriate confidentiality restrictions. This function may be performed through making a staff member of the Internal Market Monitor available for the monthly meetings of the Market Participants and inviting Commission staff and the staff of state public utility commissions to those monthly meetings.

- (i) Be primarily responsible for interaction with external Control Areas, the Commission, other regulators and Market Participants with respect to the matters addressed in this *Appendix A*.
- (j) Monitor for conduct whether by a single Market Participant or by multiple Market Participants acting in concert, including actions involving more than one Resource, that may cause a material effect on prices or other payments in the New England Markets if exercised from a position of market power, and impose appropriate mitigation measures if such conduct is detected and the other applicable conditions for the imposition of mitigation measures as set forth in this *Appendix A* are met. The categories of conduct for which the Internal Market Monitor shall perform monitoring for potential mitigation are:

- (i) *Economic withholding*, that is, submitting a Supply Offer for a Resource that is unjustifiably high and violates the economic withholding criteria set forth in Section III.A.5 so that (i) the Resource is not or will not be dispatched or scheduled, or (ii) the bid or offer will set an unjustifiably high market clearing price.
- (ii) *Uneconomic production from a Resource*, that is, increasing the output of a Resource to levels that would otherwise be uneconomic, absent an order of the ISO, in order to cause, and obtain benefits from, a transmission constraint.
- (iii) *Anti-competitive Increment Offers and Decrement Bids*, which are bidding practices relating to Increment Offers and Decrement Bids that cause Day-Ahead LMPs not to achieve the degree of convergence with Real-Time LMPs that would be expected in a workably competitive market, more fully addressed in Section III.A.11 of this *Appendix A*.
- (iv) *Anti-competitive Demand Bids*, which are addressed in Section III.A.10 of this *Appendix A*.
- (v) Other categories of conduct that have material effects on prices or NCPC payments in the New England Markets. The Internal Market Monitor, in consultation with the External Market Monitor, shall; (i) seek to amend *Appendix A* as may be appropriate to include any such conduct that would substantially distort or impair the competitiveness of any of

the New England Markets; and (ii) seek such other authorization to mitigate the effects of such conduct from the Commission as may be appropriate.

(k) Perform such additional monitoring as the Internal Market Monitor deems necessary, including without limitation, monitoring for:

- (i) Anti-competitive gaming of Resources;
- (ii) Conduct and market outcomes that are inconsistent with competitive markets;
- (iii) Flaws in market design or software or in the implementation of rules by the ISO that create inefficient incentives or market outcomes;
- (iv) Actions in one market that affect price in another market;
- (v) Other aspects of market implementation that prevent competitive market results, the extent to which market rules, including this *Appendix A*, interfere with efficient market operation, both short-run and long-run; and
- (vi) Rules or conduct that creates barriers to entry into a market.

The Internal Market Monitor will include significant results of such monitoring in its reports under Section III.A.17 of this *Appendix A*. Monitoring under this Section III.A.2.3(k) cannot serve as a basis for mitigation under III.A.11 of this *Appendix A*. If the Internal Market Monitor concludes as a result of its monitoring that additional specific monitoring thresholds or mitigation remedies are necessary, it may proceed under Section III.A.20.

- (l) Propose to the ISO and Market Participants appropriate mitigation measures or market rule changes for conduct that departs significantly from the conduct that would be expected under competitive market conditions but does not rise to the thresholds specified in Sections III.A.5, III.A.10, or III.A.11. In considering whether to recommend such changes, the Internal Market Monitor shall evaluate whether the conduct has a significant effect on market prices or NCPC payments as specified below. The Internal Market Monitor will not recommend changes if it determines, from information provided by Market Participants (or parties that would be subject to mitigation) or from other information available to the Internal Market Monitor, that the conduct and associated price or NCPC payments under investigation are attributable to legitimate competitive market forces or incentives.
- (m) Evaluate physical withholding of Supply Offers in accordance with Section III.A.4 below for referral to the Commission in accordance with *Appendix B* of this Market Rule 1.

- (n) If and when established, participate in a committee of regional market monitors to review issues associated with interregional transactions, including any barriers to efficient trade and competition.

III.A.2.4. Overview of the Internal Market Monitor's Mitigation Functions.

III.A.2.4.1. Purpose.

The mitigation measures set forth in this *Appendix A* for mitigation of market power are intended to provide the means for the Internal Market Monitor to mitigate the market effects of any actions or transactions that are without a legitimate business purpose and that are intended to or foreseeably could manipulate market prices, market conditions, or market rules for electric energy or electricity products. Actions or transactions undertaken by a Market Participant that are explicitly contemplated in Market Rule 1 (such as virtual supply or load bidding) or taken at the direction of the ISO are not in violation of this *Appendix A*. These mitigation measures are intended to minimize interference with open and competitive markets, and thus to permit to the maximum extent practicable, price levels to be determined by competitive forces under the prevailing market conditions. To that end, the mitigation measures authorize the mitigation of only specific conduct that exceeds well-defined thresholds specified below. When implemented, mitigation measures affecting the LMP or clearing prices in other markets will be applied *ex ante*. Nothing in this *Appendix A*, including the application of a mitigation measure, shall be deemed to be a limitation of the ISO's authority to evaluate Market Participant behavior for potential sanctions under *Appendix B* of this Market Rule 1.

III.A.2.4.2. Conditions for the Imposition of Mitigation.

- (a) Imposing Mitigation. To achieve the foregoing purpose and objectives, mitigation measures are imposed pursuant to Sections III.A.5, III.A.10, and III.A.11 below:
- (b) Notwithstanding the foregoing or any other provision of this *Appendix A*, and as more fully described in Section III.B.3.2.6 of *Appendix B* to this Market Rule 1, certain economic decisions shall not be deemed a form of withholding or otherwise inconsistent with competitive conduct.

III.A.2.4.3. Applicability.

Mitigation measures may be applied to Supply Offers, Increment Offers, Demand Bids, and Decrement Bids, as well as to the scheduling or operation of a generation unit or transmission facility.

III.A.2.4.4. Mitigation Not Provided for Under This *Appendix A*.

The Internal Market Monitor shall monitor the New England Markets for conduct that it determines constitutes an abuse of market power but does not trigger the thresholds specified below for the imposition of mitigation measures by the Internal Market Monitor. If the Internal Market Monitor identifies any such conduct, and in particular conduct exceeding the thresholds specified in this *Appendix A*, it may make a filing under §205 of the Federal Power Act (“§205”) with the Commission requesting authorization to apply appropriate mitigation measures. Any such filing shall identify the particular conduct the Internal Market Monitor believes warrants mitigation, shall propose a specific mitigation measure for the conduct, and shall set forth the Internal Market Monitor’s justification for imposing that mitigation measure.

III.A.2.4.5. Duration of Mitigation.

Any mitigation measure imposed on a specific Market Participant, as specified below, shall expire not later than six months after the occurrence of the conduct giving rise to the measure, or at such earlier time as may be specified by the Internal Market Monitor or as otherwise provided in this *Appendix A* or in *Appendix B* to this Market Rule 1.

III.A.3. Consultation Prior to Determination of Reference Levels for Physical and Financial Parameters of Resources; Fuel Price Adjustments.

Upon request of a Market Participant or at the initiative of the Internal Market Monitor, the Internal Market Monitor shall consult with a Market Participant with respect to the information and analysis used to determine Reference Levels under Section III.A.7 for that Market Participant. In order for the Internal Market Monitor to revise Reference Levels or treat an offer as not violating applicable conduct tests specified in Section III.A.5.5 for an Operating Day for which the offer is submitted, all cost data and other information, other than automated index-based cost data received by the Internal Market Monitor from third party vendors, cost data and information calculated by the Internal Market Monitor, and cost data and information provided under the provisions of Section III.A.3.1 or Section III.A.3.2, must be submitted by a Market Participant, and all consultations must be completed, no later than 5:00 p.m. of the second business day prior to the Operating Day for which the Reference Level will be effective. Adjustments to fuel prices after this time must be submitted in accordance with the fuel price adjustment provisions in Section III.A.3.4.

III.A.3.1. Consultation Prior to Offer.

If an event occurs within the 24 hour period prior to the Operating Day that a Market Participant, including a Market Participant that is not permitted to submit a fuel price adjustment pursuant to Section III.A.3.4(d) believes will cause the operating cost of a Resource to exceed the level that would violate one of the conduct tests specified in Section III.A.5 of this *Appendix A*, the Market Participant may contact the Internal Market Monitor to provide an explanation of the increased costs. In order for the information to be considered for the purposes of the Day-Ahead Energy Market, the Market Participant must contact the Internal Market Monitor at least 30 minutes prior to the close of the Day-Ahead Energy Market. In order for the information to be considered for purposes of the first commitment analysis performed following the close of the Re-Offer Period, the Market Participant must contact the Internal Market Monitor at least 30 minutes prior to the close of the Re-Offer Period. Cost information submitted thereafter shall be considered in subsequent commitment and dispatch analyses if received between 8:00 a.m. and 5:00 p.m. and at least one hour prior to the close of the next hourly Supply Offer submittal period. If the Internal Market Monitor determines that there is an increased cost, the Internal Market Monitor will either update the Reference Level or treat an offer as not violating applicable conduct tests specified in Section III.A.5.5 for the Operating Day for which the offer is submitted. Any request and all supporting cost data and other verifiable supporting information must be submitted to the Internal Market Monitor prior to the Market participant's submission of the offer.

If a Market Participant believes that the fuel price determined under Section III.A.7.5(e) should be modified, it may contact the Internal Market Monitor to request a change to the fuel price and provide an explanation of the basis for the change. Any request to change the fuel price determined under Section III.A.7.5(e) must be received between the hours of 8:00 a.m. and 5:00 p.m. on any day.

III.A.3.2. Dual Fuel Resources.

In evaluating bids or offers under this *Appendix A* for dual fuel Resources, the Internal Market Monitor shall utilize the fuel type specified in the Supply Offer for the calculation of Reference Levels pursuant to Section III.A.7 below. If a Market Participant specifies a fuel type in the Supply Offer that, at the time the Supply Offer is submitted, is the higher cost fuel available to the Resource, then if the ratio of the higher cost fuel to the lower cost fuel, as calculated in accordance with the formula specified below, is greater than 1.75, the Market Participant must within five Business Days:

- (a) provide the Internal Market Monitor with written verification as to the cause for the use of the higher cost fuel.
- (b) provide the Internal Market Monitor with evidence that the higher cost fuel was used.

If the Market Participant fails to provide supporting information demonstrating the use of the higher-cost fuel within five Business Days of the Operating Day, then the Reference Level based on the lower cost fuel will be used in place of the Supply Offer for settlement purposes.

For purposes of this Section III.A.3.2, the ratio of the Resource's higher cost fuel to the lower cost fuel is calculated as, for the two primary fuels utilized in the dispatch of the Resource, the maximum fuel index price for the Operating Day divided by the minimum fuel index price for the Operating Day, using the two fuel indices that are utilized in the calculation of the Resource's Reference Levels for the Day-Ahead Energy Market for that Operating Day.

III.A.3.3. Market Participant Access to its Reference Levels.

The Internal Market Monitor will make available to the Market Participant the Reference Levels applicable to that Market Participant's Supply Offers through the MUI. Updated Reference Levels will be made available whenever calculated. The Market Participant shall not modify such Reference Levels in the ISO's or Internal Market Monitor's systems.

III.A.3.4. Fuel Price Adjustments.

(a) A Market Participant may submit a fuel price, to be used in calculating the Reference Levels for a Resource's Supply Offer, whenever the Market Participant's expected price to procure fuel for the Resource will be greater than that used by the Internal Market Monitor in calculating the Reference Levels for the Supply Offer. A fuel price may be submitted for Supply Offers entered in the Day-Ahead Energy Market, the Re-Offer Period, or for a Real-Time Offer Change. A fuel price is subject to the following conditions:

(i) In order for the submitted fuel price to be utilized in calculating the Reference Levels for a Supply Offer, the fuel price must be submitted prior to the applicable Supply Offer deadline,

(ii) The submitted fuel price must reflect the price at which the Market Participant expects to be able to procure fuel to supply energy under the terms of its Supply Offer, exclusive of resource-specific transportation costs. Modifications to Reference Levels based on changes to transportation costs must be addressed through the consultation process specified in Section III.A.3.1.

(iii) The submitted fuel price may be no lower than the lesser of (1) 110% of the fuel price used by the Internal Market Monitor in calculating the Reference Levels for the Resource's Supply Offer

or (2) the fuel price used by the Internal Market Monitor in calculating the Reference Levels for the Resource's Supply Offer plus \$2.50/MMbtu.

(b) Within five Business Days following submittal of a fuel price, a Market Participant must provide the Internal Market Monitor with documentation or analysis to support the submitted fuel price, which may include but is not limited to (i) an invoice or purchase confirmation for the fuel utilized or (ii) a quote from a named supplier or (iii) a price from a publicly available trading platform or price reporting agency, demonstrating that the submitted fuel price reflects the cost at which the Market Participant expected to purchase fuel for the operating period covered by the Supply Offer, as of the time that the Supply Offer was submitted, under an arm's length fuel purchase transaction. Any amount to be added to the quote from a named supplier, or to a price from a publicly available trading platform or price reporting agency, must be submitted and approved using the provision for consultations prior to the determination of Reference Levels in Section III.A.3. The submitted fuel price must be consistent with the fuel price reflected on the submitted invoice or purchase confirmation for the fuel utilized, the quote from a named supplier or the price from a publicly available trading platform or price reporting agency, plus any approved adder, or the other documentation or analysis provided to support the submitted fuel price.

(c) If, within a 12 month period, the requirements in sub-section (b) are not met for a Resource and, for the time period for which the fuel price adjustment that does not meet the requirements in sub-section (b) was submitted, (i) the Market Participant was determined to be pivotal according to the pivotal supplier test described in Section III.A.5.2.1 or (ii) the Resource was determined to be in a constrained area according to the constrained area test described in Section III.A.5.2.2 or (iii) the Resource satisfied any of the conditions described in Section III.A.5.5.6.1, then a fuel price adjustment pursuant to Section III.A.3.4 shall not be permitted for that Resource for up to six months. The following table specifies the number of months for which a Market Participant will be precluded from using the fuel price adjustment, based on the number of times the requirements in sub-section (b) are not met within the 12 month period. The 12 month period excludes any previous days for which the Market Participant was precluded from using the fuel price adjustment. The period of time for which a Market Participant is precluded from using the fuel price adjustment begins two weeks after the most-recent incident occurs.

Number of Incidents	Months Precluded (starting from most-recent incident)
1	2

2 or more	6
-----------	---

III.A.4. Physical Withholding.

III.A.4.1. Identification of Conduct Inconsistent with Competition.

This section defines thresholds used to identify possible instances of physical withholding. This section does not limit the Internal Market Monitor's ability to refer potential instances of physical withholding to the Commission.

Generally, physical withholding involves not offering to sell or schedule the output of or services provided by a Resource capable of serving the New England Markets when it is economic to do so. Physical withholding may include, but is not limited to:

- (a) falsely declaring that a Resource has been forced out of service or otherwise become unavailable,
- (b) refusing to make a Supply Offer, or schedules for a Resource when it would be in the economic interest absent market power, of the withholding entity to do so,
- (c) operating a Resource in Real-Time to produce an output level that is less than the ISO Dispatch Rate, or
- (d) operating a transmission facility in a manner that is not economic, is not justified on the basis of legitimate safety or reliability concerns, and contributes to a binding transmission constraint.

III.A.4.2. Thresholds for Identifying Physical Withholding.

III.A.4.2.1. Initial Thresholds.

Except as specified in subsection III.A.4.2.4 below, the following initial thresholds will be employed by the Internal Market Monitor to identify physical withholding of a Resource:

- (a) Withholding that exceeds the lower of 10% or 100 MW of a Resource's capacity;
- (b) Withholding that exceeds in the aggregate the lower of 5% or 200 MW of a Market Participant's total capacity for Market Participants with more than one Resource; or

- (c) Operating a Resource in Real-Time at an output level that is less than 90% of the ISO's Dispatch Rate for the Resource.

III.A.4.2.2. Adjustment to Generating Capacity.

The amounts of generating capacity considered withheld for purposes of applying the foregoing thresholds shall include unjustified deratings, that is, falsely declaring a Resource derated, and the portions of a Resource's available output that are not offered. The amounts deemed withheld shall not include generating output that is subject to a forced outage or capacity that is out of service for maintenance in accordance with an ISO maintenance schedule, subject to verification by the Internal Market Monitor as may be appropriate that an outage was forced.

III.A.4.2.3. Withholding of Transmission.

A transmission facility shall be deemed physically withheld if it is not operated in accordance with ISO instructions and such failure to conform to ISO instructions causes transmission congestion. A transmission facility shall not be deemed withheld if it is subject to a forced outage or is out of service for maintenance in accordance with an ISO maintenance schedule, subject to verification by the Internal Market Monitor as may be appropriate that an outage was forced.

III.A.4.2.4. Resources in Congestion Areas.

Minimum quantity thresholds shall not be applicable to the identification of physical withholding by a Resource in an area the ISO has determined is congested.

III.A.4.3. Hourly Market Impacts.

Before evaluating possible instances of physical withholding for imposition of sanctions, the Internal Market Monitor shall investigate the reasons for the change in accordance with Section III.A.3. If the physical withholding in question is not explained to the satisfaction of the Internal Market Monitor, the Internal Market Monitor will determine whether the conduct in question causes a price impact in the New England Markets in excess of any of the thresholds specified in Section III.A.5, as appropriate.

III.A.5. Mitigation.

III.A.5.1. Resources with Capacity Supply Obligations.

Only Supply Offers associated with Resources with Capacity Supply Obligations will be evaluated for economic withholding in the Day-Ahead Energy Market. All Supply Offers will be evaluated for economic withholding in the Real-Time Energy Market.

III.A.5.1.1. Resources with Partial Capacity Supply Obligations.

Supply Offers associated with Resources with a Capacity Supply Obligation for less than their full capacity shall be evaluated for economic withholding and mitigation as follows:

- (a) all Supply Offer parameters shall be reviewed for economic withholding;
- (b) the energy price Supply Offer parameter shall be reviewed for economic withholding up to and including the higher of: (i) the block containing the Resource's Economic Minimum Limit, or; (ii) the highest block that includes any portion of the Capacity Supply Obligation;
- (c) if a Resource with a partial Capacity Supply Obligation consists of multiple assets, the offer blocks associated with the Resource that shall be evaluated for mitigation shall be determined by using each asset's Seasonal Claimed Capability value in proportion to the total of the Seasonal Claimed Capabilities for all of the assets that make up the Resource. The Lead Market Participant of a Resource with a partial Capacity Supply Obligation consisting of multiple assets may also propose to the Internal Market Monitor the offer blocks that shall be evaluated for mitigation based on an alternative allocation on a monthly basis. The proposal must be made at least five Business Days prior to the start of the month. A proposal shall be rejected by the Internal Market Monitor if the designation would be inconsistent with competitive behavior

III.A.5.2. Structural Tests.

There are two structural tests that determine which mitigation thresholds are applied to a Supply Offer:

- (a) if a supplier is determined to be pivotal according to the pivotal supplier test, then the thresholds in Section III.A.5.5.1 "General Threshold Energy Mitigation" and Section III.A.5.5.4 "General Threshold Commitment Mitigation" apply, and;
- (b) if a Resource is determined to be in a constrained area according to the constrained area test, then the thresholds in Section III.A.5.5.2 "Constrained Area Energy Mitigation" and Section III.A.5.5.4 "Constrained Area Commitment Mitigation" apply.

III.A.5.2.1. Pivotal Supplier Test.

The pivotal supplier test examines whether a Market Participant has aggregate energy Supply Offers (up to and including Economic Max) that exceed the supply margin in the Real-Time Energy Market. A Market Participant whose aggregate energy associated with Supply Offers exceeds the supply margin is a pivotal supplier.

The supply margin for an interval is the total energy Supply Offers from available Resources (up to and including Economic Max), less total system load (as adjusted for net interchange with other Control Areas, including Operating Reserve). Resources are considered available for an interval if they can provide energy within the interval. The applicable interval for the current operating plan in the Real-Time Energy Market is any of the hours in the plan. The applicable interval for UDS is the interval for which UDS issues instructions.

The pivotal supplier test shall be run prior to each determination of a new operating plan for the Operating Day, and prior to each execution of the UDS.

III.A.5.2.2. Constrained Area Test.

A Resource is considered to be within a constrained area if:

- (a) for purposes of the Real-Time Energy Market, the Resource is located on the import-constrained side of a binding constraint and there is a sensitivity to the binding constraint such that the UDS used to relieve transmission constraints would commit or dispatch the Resource in order to relieve that binding transmission constraint, or;
- (b) for purposes of the Day-Ahead Energy Market, the LMP at the Resource's Node exceeds the LMP at the Hub by more than \$25/MWh.

III.A.5.3. Calculation of Impact Test in the Day-Ahead Energy Market.

The price impact for the purposes of Section III.A.5.5.2 "Constrained Area Energy Mitigation" is equal to the difference between the LMP at the Resource's Node and the LMP at the Hub.

III.A.5.4. Calculation of Impact Tests in the Real-Time Energy Market.

The energy price impact test applied in the Real-Time Energy Market shall compare two LMPs at the Resource's Node. The first LMP will be calculated based on the Supply Offers submitted for all Resources. If a Supply Offer has been mitigated in a prior interval, the calculation of the first LMP shall be based on the mitigated value. The second LMP shall be calculated substituting Reference Levels for

Supply Offers that have failed the applicable conduct test. The difference between the two LMPs is the price impact of the conduct violation.

A Supply Offer shall be determined to have no price impact if the offer block that violates the conduct test is:

- (a) less than the LMP calculated using the submitted Supply Offers, and less than the LMP calculated using Reference Levels for Supply Offers that have failed the conduct test, or;
- (b) greater than the LMP calculated using the submitted Supply Offers, and greater than the LMP calculated using Reference Levels for Supply Offers that have failed the conduct test, and the Resource has not been dispatched into the offer block that exceeds the LMP.

III.A.5.5. Mitigation by Type.

III.A.5.5.1. General Threshold Energy Mitigation.

III.A.5.5.1.1. Applicability.

Mitigation pursuant to this section shall be applied to all Supply Offers in the Real-Time Energy Market submitted by a Lead Market Participant that is determined to be a pivotal supplier in the Real-Time Energy Market.

III.A.5.5.1.2. Conduct Test.

A Supply Offer fails the conduct test for general threshold energy mitigation if any offer block price exceeds the Reference Level by an amount greater than 300% or \$100/MWh, whichever is lower. Offer block prices below \$25/MWh are not subject to the conduct test.

III.A.5.5.1.3. Impact Test.

A Supply Offer that fails the conduct test for general threshold energy mitigation shall be evaluated against the impact test for general threshold energy mitigation. A Supply Offer fails the impact test for general threshold energy mitigation if there is an increase in the LMP greater than 200% or \$100/MWh, whichever is lower as determined by the real-time impact test.

III.A.5.5.1.4. Consequence of Failing Both Conduct and Impact Test.

If a Supply Offer fails the general threshold conduct and impact tests, then the financial parameters of the Supply Offer shall be set to their Reference Levels, including all energy offer block prices and all types of Start-Up Fees and the No-Load Fee.

III.A.5.5.2. Constrained Area Energy Mitigation.

III.A.5.5.2.1. Applicability.

Mitigation pursuant to this section shall be applied to Supply Offers in the Day-Ahead Energy Market and Real-Time Energy Market associated with a Resource determined to be within a constrained area.

III.A.5.5.2.2. Conduct Test.

A Supply Offer fails the conduct test for constrained area energy mitigation if any offer block price exceeds the Reference Level by an amount greater than 50% or \$25/MWh, whichever is lower.

III.A.5.5.2.3. Impact Test.

A Supply Offer fails the impact test for constrained area energy mitigation if there is an increase greater than 50% or \$25/MWh, whichever is lower, in the LMP as determined by the day-ahead or real-time impact test.

III.A.5.5.2.4. Consequence of Failing Both Conduct and Impact Test.

If a Supply Offer fails the constrained area conduct and impact tests, then the financial parameters of the Supply Offer shall be set to their Reference Levels, including all energy offer blocks and all types of Start-Up Fees and the No-Load Fee.

III.A.5.5.3. Manual Dispatch Energy Mitigation.

III.A.5.5.3.1. Applicability.

Mitigation pursuant to this section shall be applied to Supply Offers associated with a Resource, when the Resource is manually dispatched above the Economic Minimum Limit value specified in the Resource's Supply Offer and the energy price parameter of its Supply Offer at the Desired Dispatch Point is greater than the Real-Time Price at the Resource's Node.

III.A.5.5.3.2. Conduct Test.

A Supply Offer fails the conduct test for manual dispatch energy mitigation if any offer block price divided by the Reference Level is greater than 1.10.

III.A.5.5.3.3. Consequence of Failing the Conduct Test.

If a Supply Offer for a Resource fails the manual dispatch energy conduct test, then the financial parameters of the Supply Offer shall be set to their Reference Levels, including all energy offer blocks and all types of Start-Up Fees and the No-Load Fee.

III.A.5.5.4. General Threshold Commitment Mitigation.

III.A.5.5.4.1. Applicability.

Mitigation pursuant to this section shall be applied to all Supply Offers in the Real-Time Energy Market submitted by a Lead Market Participant that is determined to be a pivotal supplier in the Real-Time Energy Market.

III.A.5.5.4.2. Conduct Test.

A Resource shall fail the conduct test for general threshold commitment mitigation if the low Load Cost at Offer divided by the Low Load Cost at Reference Level is greater than 3.00.

III.A.5.5.4.3. Consequence of Failing Conduct Test.

If a Resource fails the general threshold commitment conduct test, then all financial parameters of its Supply Offer are set to their Reference Levels.

III.A.5.5.5. Constrained Area Commitment Mitigation.

III.A.5.5.5.1. Applicability.

Mitigation pursuant to this section shall be applied to any Resource determined to be within a constrained area in the Real-Time Energy Market.

III.A.5.5.5.2. Conduct Test.

A Resource shall fail the conduct test for constrained area commitment mitigation if the Low Load Cost at Offer divided by the Low Load Cost at Reference Level is greater than 1.25.

III.A.5.5.3. Consequence of Failing Test.

If a Supply Offer fails the constrained area commitment conduct test, then all financial parameters of its Supply Offer are set to their Reference Levels.

III.A.5.5.6. Reliability Commitment Mitigation.

III.A.5.5.6.1. Applicability.

Mitigation pursuant to this section shall be applied to Supply Offers for Resources that are (a) committed to provide, or Resources that are required to remain online to provide, one or more of the following:

- i. local first contingency;
- ii. local second contingency;
- iii. VAR or voltage;
- iv. distribution (Special Constraint Resource Service);
- v. dual fuel resource auditing;

(b) otherwise manually committed by the ISO for reasons other than meeting anticipated load plus reserve requirements.

III.A.5.5.6.2. Conduct Test.

A Supply Offer shall fail the conduct test for local reliability commitment mitigation if the Low Load Cost at Offer divided by the Low Load Cost at Reference Level is greater than 1.10.

III.A.5.5.6.3. Consequence of Failing Test.

If a Supply Offer fails the local reliability commitment conduct test, it shall be evaluated for commitment based on an offer with all financial parameters set to their Reference Levels. This includes all offer blocks and all types of Start-Up Fees and the No-Load Fee. If a Resource is committed, then all financial parameters of its Supply Offer are set to their Reference Level.

III.A.5.5.7. Start-Up Fee and No-Load Fee Mitigation.

III.A.5.5.7.1. Applicability.

Mitigation pursuant to this section shall be applied to any Supply Offer submitted in the Day-Ahead Energy Market or Real-Time Energy Market if the resource is committed.

III.A.5.5.7.2. Conduct Test.

A Supply Offer shall fail the conduct test for Start-Up Fee and No-Load Fee mitigation if its Start-Up Fee or No-Load Fee divided by the Reference Level for that fee is greater than 3.

III.A.5.5.7.3. Consequence of Failing Conduct Test.

If a Supply Offer fails the conduct test, then all financial parameters of its Supply Offer shall be set to their Reference Levels.

III.A.5.5.8. Low Load Cost.

Low Load Cost, which is the cost of operating the Resource at its Economic Minimum Limit, is calculated as the sum of:

- (a) If the Resource is starting from an offline state, the Start-Up Fee;
- (b) The sum of the No Load Fees for the Commitment Period; and
- (c) The sum of the hourly values resulting from the multiplication of the price of energy at the Resource's Economic Minimum Limit times its Economic Minimum Limit, for each hour of the Commitment Period.

All Supply Offer parameter values used in calculating the Low Load Cost are the values in place at the time the commitment decision is made.

Low Load Cost at Offer equals the Low Load Cost calculated with financial parameters of the Supply Offer as submitted by the Lead Market Participant.

Low Load Cost at Reference Level equals the Low Load Cost calculated with the financial parameters of the Supply Offer set to Reference Levels.

For Low Load Cost at Offer, the price of energy is the energy price parameter of the Resource's Supply Offer at the Economic Minimum Limit offer block. For Low Load Cost at Reference Level, the price of energy is the energy price parameter of the Resource's Reference Level at the Economic Minimum Limit offer block.

III.A.5.6. Duration of Energy Threshold Mitigation.

Any mitigation imposed pursuant to Sections III.A.5.5.1 “General Threshold Energy Mitigation” or III.A.5.5.2 “Constrained Area Energy Mitigation” is in effect for the following duration:

- (a) in the Real-Time Energy Market, mitigation starts when the impact test violation occurs and remains in effect until there is one complete hour in which:
 - i. for general threshold mitigation, the Market Participant whose Supply Offer is subject to mitigation is not a pivotal supplier; or,
 - ii. for constrained area energy mitigation, the Resource is not located within a constrained area.
- (b) in the Day-Ahead Energy Market (applicable only for Section III.A.5.5.2 “Constrained Area Energy Mitigation”), mitigation is in effect in each hour in which the impact test is violated.

Any mitigation imposed pursuant to Section III.A.5.5.3 “Manual Dispatch Energy Mitigation” is in effect for at least one hour until the earlier of either (a) the hour when manual dispatch is no longer in effect and the Resource returns to its Economic Minimum Limit, or (b) the hour when the energy price parameter of its Supply Offer at the Desired Dispatch Point is no longer greater than the Real-Time Price at the Resource’s Node.

III.A.5.7. Duration of Commitment Mitigation.

Any mitigation imposed pursuant to Sections III.A.5.5.4 “General Threshold Commitment Mitigation”, III.A.5.5.5 “Constrained Area Commitment Mitigation”, or III.A.5.5.6 “Reliability Commitment Mitigation” is in effect for the duration of the Commitment Period.

III.A.5.8. Duration of Start-Up Fee and No-Load Fee Mitigation.

Any mitigation imposed pursuant to Sections III.A.5.5.7 “Start-Up Fee and No-Load Fee Mitigation” is in effect for any hour in which the Supply Offer fails the conduct test in Section III.A.5.5.7.2.

III.A.5.9. Correction of Mitigation.

If the Internal Market Monitor determines that there are one or more errors in the mitigation applied in an Operating Day due to data entry, system or software errors by the ISO or the Internal Market Monitor, the Internal Market Monitor shall notify the market monitoring contacts specified by the Lead Market Participant within five Business Days of the applicable Operating Day. The ISO shall correct the error as

part of the Data Reconciliation Process by applying the correct values to the relevant Supply Offer in the settlement process.

The permissibility of correction of errors in mitigation, and the timeframes and procedures for permitted corrections, are addressed solely in this section and not in those sections of Market Rule 1 relating to settlement and billing processes.

III.A.5.10. Delay of Day-Ahead Energy Market Due to Mitigation Process.

The posting of the Day-Ahead Energy Market results may be delayed if necessary for the completion of mitigation procedures.

III.A.6. Physical and Financial Parameter Offer Thresholds.

Physical parameters of a Supply Offer are limited to thresholds specified in this section. Physical parameters are limited by the software accepting offers, except those that can be re-declared in real time during the Operating Day. Parameters that exceed the thresholds specified here but are not limited through the software accepting offers are subject to Internal Market Monitor review after the Operating Day and possible referral to the Commission under Section III.A.19 of this Appendix.

III.A.6.1. Time-Based Offer Parameters.

Supply Offer parameters that are expressed in time (i.e., Minimum Run Time, Minimum Down Time, Start-Up Time, and Notification Time) shall have a threshold of two hours for an individual parameter or six hours for the combination of the time-based offer parameters compared to the Resource's Reference Levels. Offers may not exceed these thresholds in a manner that reduce the flexibility of the Resource. To determine if the six hour threshold is exceeded, all time-based offer parameters will be summed for each start-up state (hot, intermediate and cold). If the sum of the time-based offer parameters for a start-up state exceeds six hours above the sum of the Reference Levels for those offer parameters, then the six hour threshold is exceeded.

III.A.6.2. Financial Offer Parameters.

The Start-Up Fee and the No-Load Fee values of a Resource's Supply Offer may be no greater than three times the Start-Up Fee and No-Load Fee Reference Level values for the Resource. In the event a fuel price has been submitted under Section III.A.3.4, the Start-Up Fee and No-Load Fee for the associated Supply Offer shall be limited in a Real-Time Offer Change. The limit shall be the percent increase in the new fuel price, relative to the fuel price otherwise used by the Internal Market Monitor, multiplied by the

Start-Up Fee or No-Load Fee from the Re-Offer Period. Absent a fuel price adjustment, a Start-Up Fee or No-Load Fee may be changed in a Real-Time Offer Change to no more than the Start-Up Fee and No-Load Fee values submitted for the Re-Offer Period.

III.A.6.3. Other Offer Parameters.

Non-financial or non-time-based offer parameters shall have a threshold of a 100% increase, or greater, for parameters that are minimum values, or a 50% decrease, or greater, for parameters that are maximum values (including, but not limited to, ramp rates, Economic Maximum Limits and maximum starts per day) compared to the Resource's Reference Levels.

Offer parameters that are limited by performance caps or audit values imposed by the ISO are not subject to the provisions of this section.

III.A.7. Calculation of Resource Reference Levels for Physical Parameters and Financial Parameters of Resources.

III.A.7.1. Methods for Determining Reference Levels for Physical Parameters.

The Internal Market Monitor will calculate a Reference Level for each element of a bid or offer that is expressed in units other than dollars (such as time-based or quantity level bid or offer parameters) on the basis of one or more of the following:

- (a) Original equipment manufacturer (OEM) operating recommendations and performance data for all Resource types in the New England Control Area, grouped by unit classes, physical parameters and fuel types.
- (b) Applicable environmental operating permit information currently on file with the issuing environmental regulatory body.
- (c) Verifiable Resource physical operating characteristic data, including but not limited to facility and/or Resource operating guides and procedures, historical operating data and any verifiable documentation related to the Resource, which will be reviewed in consultation with the Market Participant.

III.A.7.2. Methods for Determining Reference Levels for Financial Parameters of Supply Offers.

The Reference Levels for Start-Up Fees, No-Load Fees, and offer blocks will be calculated separately and assuming no costs from one component are included in another component.

III.A.7.2.1. Order of Reference Level Calculation.

The Internal Market Monitor will calculate a Reference Level for each offer block of a Supply Offer according to the following hierarchy, under which the first method that can be calculated is used:

- (a) accepted offer-based Reference Levels pursuant to Section III.A.7.3;
- (b) LMP-based Reference Levels pursuant to Section III.A.7.4; and,
- (c) cost-based Reference Levels pursuant to Section III.A.7.5.

III.A.7.2.2. Circumstances in Which Cost-Based Reference Levels Supersede the Hierarchy of Reference Level Calculation.

In the following circumstances, cost-based Reference Levels shall be used notwithstanding the hierarchy specified in Section III.A.7.2.1.

- (a) When in any hour the cost-based Reference Level is higher than either the accepted offer-based or LMP-based Reference Level.
- (b) When the Supply Offer parameter is a Start-Up Fee or the No-Load Fee.
- (c) For any Operating Day for which the Lead Market Participant requests the cost-based Reference Level.
- (d) For any Operating Day for which, during the previous 90 days:
 - (i) the Resource has been flagged for VAR, SCR, or as a Local Second Contingency Protection Resource for any hour in the Day-Ahead Energy Market or the Real-Time Energy Market, and;
 - (ii) the ratio of the sum of the operating hours for days for which the Resource has been flagged during the previous 90 days in which the number of hours operated out of economic merit order in the Day-Ahead Energy Market and the Real-Time Energy Market exceed the number of hours operated in economic merit order in the Day-Ahead Energy Market and Real-Time Energy Market, to the total number of operating hours in the Day-Ahead Energy Market and Real-Time Energy Market during the previous 90 days is greater than or equal to 50 percent.
 - (iii) The Market Participant submits a fuel price pursuant to Section III.A.3.4.

For the purposes of this subsection:

- i. A flagged day is any day in which the Resource has been flagged for VAR, SCR, or as a Local Second Contingency Protection Resource for any hour in either the Day-Ahead Energy Market or the Real-Time Energy Market.
 - ii. Operating hours are the hours in the Day-Ahead Energy Market for which a Resource has cleared output (MW) greater than zero and hours in the Real-Time Energy Market for which a Resource has metered output (MW) greater than zero. For days for which Real-time Energy Market metered values are not yet available in the ISO's or the Internal Market Monitor's systems, telemetered values will be used.
 - iii. Self-scheduled hours will be excluded from all of the calculations described in this subsection, including the determination of operating hours.
 - iv. The determination as to whether a Resource operated in economic merit order during an hour will be based on the energy offer block within which the Resource is operating.
- (e) The Market Participant submits a fuel price pursuant to Section III.A.3.4. When the Market Participant submits a fuel price for any hour of a Supply Offer in the Day-Ahead Energy Market or Re-Offer Period, then the cost-based Reference Level is used for the entire Operating Day. If a fuel price is submitted for a Supply Offer after the close of the Re-Offer Period for the next Operating Day or for the current Operating Day, then the cost-based Reference Level for the Supply Offer is used from the time of the submittal to the end of the Operating Day.
- (f) When the Market Participant submits a change to any of the following parameters of the Supply Offer after the close of the Re-Offer Period:
 - (i) hot, intermediate, or cold Start-Up Fee, or a corresponding fuel blend,
 - (ii) No-Load Fee or its corresponding fuel blends,
 - (iii) whether to include the Start-Up Fee and No-Load Fee in the Supply Offer,
 - (iv) the quantity or price value of any Block in the Supply Offer or its corresponding fuel blends, and
 - (v) whether to use the offer slope for the Supply Offer,

then, the cost-based Reference Level for the Supply Offer will be used from the time of the submittal to the end of the Operating Day.

III.A.7.3. Accepted Offer-Based Reference Level.

The Internal Market Monitor shall calculate the accepted offer-based Reference Level as the lower of the mean or the median of a generating Resource's Supply Offers that have been accepted and are part of the seller's Day-Ahead Generation Obligation or Real-Time Generation Obligation in competitive periods over the previous 90 days, adjusted for changes in fuel prices utilizing fuel indices generally applicable for the location and type of Resource. For purposes of this section, a competitive period is an Operating Day in which the Resource is scheduled in economic merit order.

III.A.7.4. LMP-Based Reference Level.

The Internal Market Monitor shall calculate the LMP-based Reference Level as the mean of the LMP at the Resource's Node during the lowest-priced 25% of the hours that the Resource was dispatched over the previous 90 days for similar hours (on-peak or off-peak), adjusted for changes in fuel prices.

III.A.7.5. Cost-Based Reference Level.

The Internal Market Monitor shall calculate cost-based Reference Levels taking into account information on costs provided by the Market Participant through the consultation process prescribed in Section III.A.3.

The following criteria shall be applied to estimates of cost:

- (a) The provision of cost estimates by a Market Participant shall conform with the timing and requirements of Section III.A.3 "Consultation Prior to Determination of Reference Levels for Physical and Financial Parameters of Resources".
- (b) Costs must be documented.
- (c) All cost estimates shall be based on estimates of current market prices or replacement costs and not inventory costs wherever possible.
- (d) When market prices or replacement costs are unavailable, cost estimates shall identify whether the reported costs are the result of a product or service provided by an Affiliate of the Market Participant.
- (e) The Internal Market Monitor will evaluate cost information provided by the Market Participant in comparison to other information available to the Internal Market Monitor. Reference Levels associated with Resources for which a fuel price has been submitted under Section III.A.3.4 shall be calculated using the lower of the submitted fuel price or a price, calculated by the Internal Market Monitor, that takes account of the following factors and conditions:
 - i. Fuel market conditions, including the current spread between bids and asks for current fuel delivery, fuel trading volumes, near-term price quotes for fuel, expected

natural gas heating demand, and Market Participant-reported quotes for trading and fuel costs; and

- ii. Fuel delivery conditions, including current and forecasted fuel delivery constraints and current line pack levels for natural gas pipelines.

III.A.7.5.1. Estimation of Incremental Operating Cost.

The Internal Market Monitor's determination of a Resource's marginal costs shall include an assessment of the Resource's incremental operating costs in accordance with the following formulas,

Incremental Energy:

$(\text{incremental heat rate} * \text{fuel costs}) + (\text{emissions rate} * \text{emissions allowance price}) + \text{variable operating and maintenance costs} + \text{opportunity costs}.$

Opportunity costs may include, but are not limited to, economic costs associated with complying with:

- (a) emissions limits;
- (b) water storage limits; and,
- (c) other operating permits that limit production of energy.

No-Load:

$(\text{no-load fuel use} * \text{fuel costs}) + (\text{no-load emissions} * \text{emission allowance price})$
+ no-load variable operating and maintenance costs + other no-load costs that are not fuel, emissions or variable and maintenance costs.

Start-Up:

$(\text{start-up fuel use} * \text{fuel costs}) + (\text{start-up emissions} * \text{emission allowance price}) + \text{start-up variable and maintenance costs} + \text{other start-up costs that are not fuel, emissions or variable and maintenance costs}.$

III.A.8. [Reserved.]

III.A.9. Regulation.

The Internal Market Monitor will monitor the Regulation market for conduct that it determines constitutes an abuse of market power. If the Internal Market Monitor identifies any such conduct, it may make a filing under Section 205 of the Federal Power Act with the Commission requesting authorization to apply appropriate mitigation measures or to revise Market Rule 1 to address such conduct (or both). The Internal Market Monitor may make such a filing at any time it deems necessary, and may request expedited treatment from the Commission. Any such filing shall identify the particular conduct the Internal Market Monitor believes warrants mitigation or revisions to Market Rule 1 (or both), shall propose a specific mitigation measure for the conduct or revision to Market Rule 1 (or both), and shall set forth the Internal Market Monitor's justification for imposing that mitigation measure or revision to Market Rule 1 (or both).

III.A.10. Demand Bids.

The Internal Market Monitor will monitor the Energy Market as outlined below:

- (a) LMPs in the Day-Ahead Energy Market and Real-Time Energy Market shall be monitored to determine whether there is a persistent hourly deviation in any location that would not be expected in a workably competitive market.
- (b) The Internal Market Monitor shall compute the average hourly deviation between Day-Ahead Energy Market and Real-Time Energy Market LMPs, measured as: $(LMP_{\text{real time}} / LMP_{\text{day ahead}}) - 1$. The average hourly deviation shall be computed over a rolling four-week period or such other period determined by the Internal Market Monitor.
- (c) The Internal Market Monitor shall estimate and monitor the average percentage of each Market Participant's bid to serve load scheduled in the Day-Ahead Energy Market, using a methodology intended to identify a sustained pattern of under-bidding as accurately as deemed practicable. The average percentage will be computed over a specified time period determined by the Internal Market Monitor.

If the Internal Market Monitor determines that: (i) The average hourly deviation is greater than ten percent (10%) or less than negative ten percent (-10%), (ii) one or more Market Participants on behalf of one or more LSEs have been purchasing a substantial portion of their loads with purchases in the Real-Time Energy Market, (iii) this practice has contributed to an unwarranted divergence of LMPs between the two markets, and (iv) this practice has created operational problems, the Internal Market Monitor may make a filing under Section 205 of the Federal Power Act with the Commission requesting authorization to apply appropriate mitigation measures or to revise Market Rule 1 to address such conduct (or both).

The thresholds identified above shall not limit the Internal Market Monitor's authority to make such a filing. The Internal Market Monitor may make such a filing at any time it deems necessary, and may request expedited treatment from the Commission. Any such filing shall identify the particular conduct that the Internal Market Monitor believes warrants mitigation or revisions to Market Rule 1 (or both), shall propose a specific mitigation measure for the conduct or revision to Market Rule 1 (or both), and shall set forth the Internal Market Monitor's justification for imposing that mitigation measure or revision to Market Rule 1 (or both).

III.A.11. Mitigation of Increment Offers and Decrement Bids.

III.A.11.1. Purpose.

The provisions of this section specify the market monitoring and mitigation measures applicable to Increment Offers and Decrement Bids. An Increment Offer is one to supply energy and a Decrement Bid is one to purchase energy, in either such case not being backed by physical load or generation and submitted in the Day-Ahead Energy Market in accordance with the procedures and requirements specified in Market Rule 1 and the ISO New England Manuals.

III.A.11.2. Implementation.

III.A.11.2.1. Monitoring of Increment Offers and Decrement Bids.

Day-Ahead LMPs and Real-Time LMPs in each Load Zone or Node, as applicable, shall be monitored to determine whether there is a persistent hourly deviation in the LMPs that would not be expected in a workably competitive market. The Internal Market Monitor shall compute the average hourly deviation between Day-Ahead LMPs and Real-Time LMPs, measured as:

$$(LMP_{\text{real time}} / LMP_{\text{day ahead}}) - 1.$$

The average hourly deviation shall be computed over a rolling four-week period or such other period determined by the Internal Market Monitor to be appropriate to achieve the purpose of this mitigation measure.

III.A.11.3. Mitigation Measures.

If the Internal Market Monitor determines that (i) the average hourly deviation computed over a rolling four week period is greater than ten percent (10%) or less than negative ten percent (-10%), and (ii) the bid and offer practices of one or more Market Participants has contributed to a divergence between LMPs

in the Day-Ahead Energy Market and Real-Time Energy Market, then the following mitigation measure may be imposed:

The Internal Market Monitor may limit the hourly quantities of Increment Offers for supply or Decrement Bids for load that may be offered in a Location by a Market Participant, subject to the following provisions:

- (i) The Internal Market Monitor shall, when practicable, request explanations of the relevant bid and offer practices from any Market Participant submitting such bids.
- (ii) Prior to imposing a mitigation measure, the Internal Market Monitor shall notify the affected Market Participant of the limitation.
- (iii) The Internal Market Monitor, with the assistance of the ISO, will restrict the Market Participant for a period of six months from submitting any virtual transactions at the same Node(s), and/or electrically similar Nodes to, the Nodes where it had submitted the virtual transactions that contributed to the unwarranted divergence between the LMPs in the Day-Ahead Energy Market and Real-Time Energy Market.

III.A.11.4. Monitoring and Analysis of Market Design and Rules.

The Internal Market Monitor shall monitor and assess the impact of Increment Offers and Decrement Bids on the competitive structure and performance, and the economic efficiency of the New England Markets. Such monitoring and assessment shall include the effects, if any, on such bids and offers of any mitigation measures specified in this Market Rule 1.

III.A.12. Cap on FTR Revenues.

If a holder of an FTR between specified delivery and receipt Locations (i) had an Increment Offer and/or Decrement Bid that was accepted by the ISO for an applicable hour in the Day-Ahead Energy Market for delivery or receipt at or near delivery or receipt Locations of the FTR; and (ii) the result of the acceptance of such Increment Offer or Decrement Bid is that the difference in LMP in the Day-Ahead Energy Market between such delivery and receipt Locations is greater than the difference in LMP between such delivery and receipt Locations in the Real-Time Energy Market, then the Market Participant shall not receive any Transmission Congestion Credit associated with such FTR in such hour, in excess of one divided by the number of hours in the applicable month multiplied by the amount originally paid for the FTR in the FTR Auction. A Location shall be considered at or near the FTR delivery or receipt Location if seventy-five % or more of the energy injected or withdrawn at that Location and which is withdrawn or injected at

another Location is reflected in the constrained path between the subject FTR delivery and receipt Locations that were acquired in the FTR Auction.

III.A.13. Additional Internal Market Monitor Functions Specified in Tariff.

III.A.13.1. Review of Offers and Bids in the Forward Capacity Market.

In accordance with the following provisions of Section III.13 of Market Rule 1, the Internal Market Monitor is responsible for reviewing certain bids and offers made in the Forward Capacity Market. Section III.13 of Market Rule 1 specifies the nature and detail of the Internal Market Monitor's review and the consequences that will result from the Internal Market Monitor's determination following such review.

- (a) [Reserved].
- (b) Section III.13.1.2.3.1.6.3 - Internal Market Monitor review of Static De-List Bids, Permanent De-List Bids, and Retirement De-List Bids from an Existing Generating Capacity Resource that is associated with a Station having Common Costs.
- (c) Section III.13.1.2.3.2 - Review by Internal Market Monitor of Bids from Existing Generating Capacity Resources.
- (d) Section III.13.1.3.3A(d) - Review by Internal Market Monitor of offers from Existing Import Capacity Resources.
- (e) Section III.13.1.3.5.6 - Review by Internal Market Monitor of Offers from New Import Capacity Resources.
- (f) Section III.13.1.7 - Internal Market Monitor review of summer and winter Seasonal Claimed Capability values.

III.A.13.2. Supply Offers and Demand Bids Submitted for Reconfiguration Auctions in the Forward Capacity Market.

Section III.13.4 of Market Rule 1 addresses reconfiguration auctions in the Forward Capacity Market. As addressed in Section III.13.4.2 of Market Rule 1, a supply offer or demand bid submitted for a reconfiguration auction shall not be subject to mitigation by the Internal Market Monitor.

III.A.13.3. Monitoring of Transmission Facility Outage Scheduling.

Appendix G of Market Rule 1 addresses the scheduling of outages for transmission facilities. The Internal Market Monitor shall monitor the outage scheduling activities of the Transmission Owners. The

Internal Market Monitor shall have the right to request that each Transmission Owner provide information to the Internal Market Monitor concerning the Transmission Owner's scheduling of transmission facility outages, including the repositioning or cancellation of any interim approved or approved outage, and the Transmission Owner shall provide such information to the Internal Market Monitor in accordance with the ISO New England Information Policy.

III.A.13.4. Monitoring of Forward Reserve Resources.

The Internal Market Monitor will receive information that will identify Forward Reserve Resources, the Forward Reserve Threshold Price, and the assigned Forward Reserve Obligation. Prior to mitigation of Supply Offers or Demand Bids associated with a Forward Reserve Resource, the Internal Market Monitor shall consult with the Market Participant in accordance with Section III.A.3 of this *Appendix A*. The Internal Market Monitor and the Market Participant shall consider the impact on meeting any Forward Reserve Obligations in those consultations. If mitigation is imposed, any mitigated offers shall be used in the calculation of qualifying megawatts under Section III.9.6.4 of Market Rule 1.

III.A.13.5. Imposition of Sanctions.

Appendix B of Market Rule 1 sets forth the procedures and standards under which sanctions may be imposed for certain violations of Market Participants' obligations under the ISO New England Filed Documents and other ISO New England System Rules. The Internal Market Monitor shall administer *Appendix B* in accordance with the provisions thereof.

III.A.14. Treatment of Supply Offers for Resources Subject to a Cost-of-Service Agreement.

Article 5 of the form of Cost-of-Service Agreement in *Appendix I* to Market Rule 1 addresses the monitoring of resources subject to a cost-of-service agreement by the Internal Market Monitor and External Market Monitor. Pursuant to Section 5.2 of Article 5 of the Form of Cost-of-Service Agreement, after consultation with the Lead Participant, Supply Offers that exceed Stipulated Variable Cost as determined in the agreement are subject to adjustment by the Internal Market Monitor to Stipulated Variable Cost.

III.A.15. Request for Additional Cost Recovery.

III.A.15.1. Filing Right.

If either

- (a) as a result of mitigation applied to a Resource under this *Appendix A* for all or part of one or more Operating Days, or
- (b) in the absence of mitigation, despite having submitted a Supply Offer at the Energy Offer Cap,

a Market Participant believes that it will not recover the fuel and variable operating and maintenance costs of the Resource for the hours of the Operating Day during which the Supply Offer was mitigated or during which the Resource was operated at the Energy Offer Cap, the Market Participant may, within sixty days of the receipt of the first Invoice issued containing credits or charges for the applicable Operating Day, submit a filing to the Commission seeking recovery of those costs pursuant to Section 205 of the Federal Power Act.

A request under this Section III.A.15 may seek recovery of additional costs incurred during the following periods: (a) if as a result of mitigation, costs incurred for the duration of the mitigation event, and (b) if as a result of having submitted a Supply Offer at the Energy Offer Cap, costs incurred for the duration of the period of time for which the Resource was operated at the Energy Offer Cap.

III.A.15.2. Contents of Filing.

Any Section 205 filing made pursuant to this section shall include: (i) the actual fuel and variable operating and maintenance costs for the Resource for the applicable Operating Days, with supporting data and calculations for those costs; (ii) an explanation of (a) why the actual costs of operating the Resource exceeded the Reference Level costs or, (b) in the absence of mitigation, why the actual costs of operating the Resource exceeded the costs as reflected in the Supply Offer at the Energy Offer Cap; (iii) the Internal Market Monitor's written explanation provided pursuant to Section III.A.15.3; and (iv) all requested regulatory costs in connection with the filing.

III.A.15.3. Review by Internal Market Monitor Prior to Filing.

Within twenty days of the receipt of the first Invoice containing credits or charges for the applicable Operating Day, a Market Participant that intends to make a Section 205 filing pursuant to this Section III.A.15 shall submit to the Internal Market Monitor the information and explanation detailed in Section III.A.15.2 (i) and (ii) that is to be included in the Section 205 filing. Within twenty days of the receipt of a completed submittal, the Internal Market Monitor shall provide a written explanation of the events that resulted in the Section III.A.15 request for additional cost recovery. The Market Participant shall include the Internal Market Monitor's written explanation in the Section 205 filing made pursuant to this Section III A.15.

III.A.15.4. Cost Allocation.

In the event that the Commission accepts a Market Participant's filing for cost recovery under this section, the ISO shall allocate charges to Market Participants for payment of those costs in accordance with the cost allocation provisions of Market Rule 1 that otherwise would apply to payments for the services provided based on the Resource's actual dispatch for the Operating Days in question.

III.A.16. ADR Review of Internal Market Monitor Mitigation Actions.

III.A.16.1. Actions Subject to Review.

A Market Participant may obtain prompt Alternative Dispute Resolution ("ADR") review of any Internal Market Monitor mitigation imposed on a Resource as to which that Market Participant has bidding or operational authority. A Market Participant must seek review pursuant to the procedure set forth in *Appendix D* to this Market Rule 1, but in all cases within the time limits applicable to billing adjustment requests. These deadlines are currently specified in the ISO New England Manuals. Actions subject to review are:

- Imposition of a mitigation remedy.
- Continuation of a mitigation remedy as to which a Market Participant has submitted material evidence of changed facts or circumstances. (Thus, after a Market Participant has unsuccessfully challenged imposition of a mitigation remedy, it may challenge the continuation of that mitigation in a subsequent ADR review on a showing of material evidence of changed facts or circumstances.)

III.A.16.2. Standard of Review.

On the basis of the written record and the presentations of the Internal Market Monitor and the Market Participant, the ADR Neutral shall review the facts and circumstances upon which the Internal Market Monitor based its decision and the remedy imposed by the Internal Market Monitor. The ADR Neutral shall remove the Internal Market Monitor's mitigation only if it concludes that the Internal Market Monitor's application of the Internal Market Monitor mitigation policy was clearly erroneous. In considering the reasonableness of the Internal Market Monitor's action, the ADR Neutral shall consider whether adequate opportunity was given to the Market Participant to present information, any voluntary remedies proposed by the Market Participant, and the need of the Internal Market Monitor to act quickly to preserve competitive markets.

III.A.17. Reporting.

III.A.17.1. Data Collection and Retention.

Market Participants shall provide the Internal Market Monitor and External Market Monitor with any and all information within their custody or control that the Internal Market Monitor or External Market Monitor deems necessary to perform its obligations under this *Appendix A*, subject to applicable confidentiality limitations contained in the ISO New England Information Policy. This would include a Market Participant's cost information if the Internal Market Monitor or External Market Monitor deems it necessary, including start up, no-load and all other actual marginal costs, when needed for monitoring or mitigation of that Market Participant. Additional data requirements may be specified in the ISO New England Manuals. If for any reason the requested explanation or data is unavailable, the Internal Market Monitor and External Market Monitor will use the best information available in carrying out their responsibilities. The Internal Market Monitor and External Market Monitor may use any and all information they receive in the course of carrying out their market monitor and mitigation functions to the extent necessary to fully perform those functions.

Market Participants must provide data and any other information requested by the Internal Market Monitor that the Internal Market Monitor requests to determine:

- (a) the opportunity costs associated with Demand Reduction Offers;
- (b) the accuracy of Demand Response Baselines;
- (c) the method used to achieve a demand reduction, and;
- (d) the accuracy of metered demand reported to the ISO.

III.A.17.2. Periodic Reporting by the ISO and Internal Market Monitor.

III.A.17.2.1. Monthly Report.

The ISO will prepare a monthly report, which will be available to the public both in printed form and electronically, containing an overview of the market's performance in the most recent period.

III.A.17.2.2. Quarterly Report.

The Internal Market Monitor will prepare a quarterly report consisting of market data regularly collected by the Internal Market Monitor in the course of carrying out its functions under this *Appendix A* and analysis of such market data. Final versions of such reports shall be

disseminated contemporaneously to the Commission, the ISO Board of Directors, the Market Participants, and state public utility commissions for each of the six New England states, provided that in the case of the Market Participants and public utility commissions, such information shall be redacted as necessary to comply with the ISO New England Information Policy. The format and content of the quarterly reports will be updated periodically through consensus of the Internal Market Monitor, the Commission, the ISO, the public utility commissions of the six New England States and Market Participants. The entire quarterly report will be subject to confidentiality protection consistent with the ISO New England Information Policy and the recipients will ensure the confidentiality of the information in accordance with state and federal laws and regulations. The Internal Market Monitor will make available to the public a redacted version of such quarterly reports. The Internal Market Monitor, subject to confidentiality restrictions, may decide whether and to what extent to share drafts of any report or portions thereof with the Commission, the ISO, one or more state public utility commission(s) in New England or Market Participants for input and verification before the report is finalized. The Internal Market Monitor shall keep the Market Participants informed of the progress of any report being prepared pursuant to the terms of this *Appendix A*.

III.A.17.2.3. Reporting on General Performance of the Forward Capacity Market.

The performance of the Forward Capacity Market, including reconfiguration auctions, shall be subject to the review of the Internal Market Monitor. No later than 180 days after the completion of the second Forward Capacity Auction, the Internal Market Monitor shall file with the Commission and post to the ISO's website a full report analyzing the operations and effectiveness of the Forward Capacity Market. Thereafter, the Internal Market Monitor shall report on the functioning of the Forward Capacity Market in its annual markets report in accordance with the provisions of Section III.A.17.2.4 of this *Appendix A*.

III.A.17.2.4. Annual Review and Report by the Internal Market Monitor.

The Internal Market Monitor will prepare an annual state of the market report on market trends and the performance of the New England Markets and will present an annual review of the operations of the New England Markets. The annual report and review will include an evaluation of the procedures for the determination of energy, reserve and regulation clearing prices, NCPC costs and the performance of the Forward Capacity Market and FTR Auctions. The review will include a public forum to discuss the performance of the New England Markets, the state of competition, and the ISO's priorities for the coming year. In addition, the Internal Market

Monitor will arrange a non-public meeting open to appropriate state or federal government agencies, including the Commission and state regulatory bodies, attorneys general, and others with jurisdiction over the competitive operation of electric power markets, subject to the confidentiality protections of the ISO New England Information Policy, to the greatest extent permitted by law.

III.A.17.3. Periodic Reporting by the External Market Monitor.

The External Market Monitor will perform independent evaluations and prepare annual and ad hoc reports on the overall competitiveness and efficiency of the New England Markets or particular aspects of the New England Markets, including the adequacy of *Appendix A*. The External Market Monitor shall have the sole discretion to determine whether and when to prepare ad hoc reports and may prepare such reports on its own initiative or pursuant to requests by the ISO, state public utility commissions or one or more Market Participants. Final versions of such reports shall be disseminated contemporaneously to the Commission, the ISO Board of Directors, the Market Participants, and state public utility commissions for each of the six New England states, provided that in the case of the Market Participants and public utility commissions, such information shall be redacted as necessary to comply with the ISO New England Information Policy. Such reports shall, at a minimum, include:

- (i) Review and assessment of the practices, market rules, procedures, protocols and other activities of the ISO insofar as such activities, and the manner in which the ISO implements such activities, affect the competitiveness and efficiency of New England Markets.
- (ii) Review and assessment of the practices, procedures, protocols and other activities of any independent transmission company, transmission provider or similar entity insofar as its activities affect the competitiveness and efficiency of the New England Markets.
- (iii) Review and assessment of the activities of Market Participants insofar as these activities affect the competitiveness and efficiency of the New England Markets.
- (iv) Review and assessment of the effectiveness of *Appendix A* and the administration of *Appendix A* by the Internal Market Monitor for consistency and compliance with the terms of *Appendix A*.
- (v) Review and assessment of the relationship of the New England Markets with any independent transmission company and with adjacent markets.

The External Market Monitor, subject to confidentiality restrictions, may decide whether and to what extent to share drafts of any report or portions thereof with the Commission, the ISO, one or more state public utility commission(s) in New England or Market Participants for input and verification before the

report is finalized. The External Market Monitor shall keep the Market Participants informed of the progress of any report being prepared.

III.A.17.4. Other Internal Market Monitor or External Market Monitor Communications With Government Agencies.

III.A.17.4.1. Routine Communications.

The periodic reviews are in addition to any routine communications the Internal Market Monitor or External Market Monitor may have with appropriate state or federal government agencies, including the Commission and state regulatory bodies, attorneys general, and others with jurisdiction over the competitive operation of electric power markets.

III.A.17.4.2. Additional Communications.

The Internal Market Monitor and External Market Monitor are not a regulatory or enforcement agency. However, they will monitor market trends, including changes in Resource ownership as well as market performance. In addition to the information on market performance and mitigation provided in the monthly, quarterly and annual reports the External Market Monitor or Internal Market Monitor shall:

- (a) Inform the jurisdictional state and federal regulatory agencies, as well as the Markets Committee, if the External Market Monitor or Internal Market Monitor determines that a market problem appears to be developing that will not be adequately remediable by existing market rules or mitigation measures;
- (b) If the External Market Monitor or Internal Market Monitor receives information from any entity regarding an alleged violation of law, refer the entity to the appropriate state or federal agencies;
- (c) If the External Market Monitor or Internal Market Monitor reasonably concludes, in the normal course of carrying out its monitoring and mitigation responsibilities, that certain market conduct constitutes a violation of law, report these matters to the appropriate state and federal agencies; and,
- (d) Provide the names of any companies subjected to mitigation under these procedures as well as a description of the behaviors subjected to mitigation and any mitigation remedies or sanctions applied.

III.A.17.4.3. Confidentiality.

Information identifying particular participants required or permitted to be disclosed to jurisdictional bodies under this section shall be provided in a confidential report filed under Section 388.112 of the Commission regulations and corresponding provisions of other jurisdictional agencies. The Internal Market Monitor will include the confidential report with the quarterly submission it provides to the Commission pursuant to Section III.A.17.2.2.

III.A.17.5. Other Information Available from Internal Market Monitor and External Market Monitor on Request by Regulators.

The Internal Market Monitor and External Market Monitor will normally make their records available as described in this paragraph to authorized state or federal agencies, including the Commission and state regulatory bodies, attorneys general and others with jurisdiction over the competitive operation of electric power markets (“authorized government agencies”). With respect to state regulatory bodies and state attorneys general (“authorized state agencies”), the Internal Market Monitor and External Market Monitor shall entertain information requests for information regarding general market trends and the performance of the New England Markets, but shall not entertain requests that are designed to aid enforcement actions of a state agency. The Internal Market Monitor and External Market Monitor shall promptly make available all requested data and information that they are permitted to disclose to authorized government agencies under the ISO New England Information Policy. Notwithstanding the foregoing, in the event an information request is unduly burdensome in terms of the demands it places on the time and/or resources of the Internal Market Monitor or External Market Monitor, the Internal Market Monitor or External Market Monitor shall work with the authorized government agency to modify the scope of the request or the time within which a response is required, and shall respond to the modified request.

The Internal Market Monitor and External Market Monitor also will comply with compulsory process, after first notifying the owner(s) of the items and information called for by the subpoena or civil investigative demand and giving them at least ten Business Days to seek to modify or quash the compulsory process. If an authorized government agency makes a request in writing, other than compulsory process, for information or data whose disclosure to authorized government agencies is not permitted by the ISO New England Information Policy, the Internal Market Monitor and External Market Monitor shall notify each party with an interest in the confidentiality of the information and shall process the request under the applicable provisions of the ISO New England Information Policy. Requests from the Commission for information or data whose disclosure is not permitted by the ISO New England Information Policy shall be processed under Section 3.2 of the ISO New England Information Policy.

Requests from authorized state agencies for information or data whose disclosure is not permitted by the ISO New England Information Policy shall be processed under Section 3.3 of the ISO New England Information Policy. In the event confidential information is ultimately released to an authorized state agency in accordance with Section 3.3 of the ISO New England Information Policy, any party with an interest in the confidentiality of the information shall be permitted to contest the factual content of the information, or to provide context to such information, through a written statement provided to the Internal Market Monitor or External Market Monitor and the authorized state agency that has received the information.

III.A.18. Ethical Conduct Standards.

III.A.18.1. Compliance with ISO New England Inc. Code of Conduct.

The employees of the ISO that perform market monitoring and mitigation services for the ISO and the employees of the External Market Monitor that perform market monitoring and mitigation services for the ISO shall execute and shall comply with the terms of the ISO New England Inc. Code of Conduct attached hereto as *Exhibit 5*.

III.A.18.2. Additional Ethical Conduct Standards.

The employees of the ISO that perform market monitoring and mitigation services for the ISO and the employees of the External Market Monitor that perform market monitoring and mitigation services for the ISO shall also comply with the following additional ethical conduct standards. In the event of a conflict between one or more standards set forth below and one or more standards contained in the ISO New England Inc. Code of Conduct, the more stringent standard(s) shall control.

III.A.18.2.1. Prohibition on Employment with a Market Participant.

No such employee shall serve as an officer, director, employee or partner of a Market Participant.

III.A.18.2.2. Prohibition on Compensation for Services.

No such employee shall be compensated, other than by the ISO or, in the case of employees of the External Market Monitor, by the External Market Monitor, for any expert witness testimony or other commercial services, either to the ISO or to any other party, in connection with any legal or regulatory proceeding or commercial transaction relating to the ISO or the New England Markets.

III.A.18.2.3. Additional Standards Applicable to External Market Monitor.

In addition to the standards referenced in the remainder of this Section 18 of *Appendix A*, the employees of the External Market Monitor that perform market monitoring and mitigation services for the ISO are subject to conduct standards set forth in the External Market Monitor Services Agreement entered into between the External Market Monitor and the ISO, as amended from time-to-time. In the event of a conflict between one or more standards set forth in the External Market Monitor Services Agreement and one or more standards set forth above or in the ISO New England Inc. Code of Conduct, the more stringent standard(s) shall control.

III.A.19. Protocols on Referral to the Commission of Suspected Violations.

- (A) The Internal Market Monitor or External Market Monitor is to make a non-public referral to the Commission in all instances where the Internal Market Monitor or External Market Monitor has reason to believe that a Market Violation has occurred. While the Internal Market Monitor or External Market Monitor need not be able to prove that a Market Violation has occurred, the Internal Market Monitor or External Market Monitor is to provide sufficient credible information to warrant further investigation by the Commission. Once the Internal Market Monitor or External Market Monitor has obtained sufficient credible information to warrant referral to the Commission, the Internal Market Monitor or External Market Monitor is to immediately refer the matter to the Commission and desist from independent action related to the alleged Market Violation. This does not preclude the Internal Market Monitor or External Market Monitor from continuing to monitor for any repeated instances of the activity by the same or other entities, which would constitute new Market Violations. The Internal Market Monitor or External Market Monitor is to respond to requests from the Commission for any additional information in connection with the alleged Market Violation it has referred.
- (B) All referrals to the Commission of alleged Market Violations are to be in writing, whether transmitted electronically, by fax, mail or courier. The Internal Market Monitor or External Market Monitor may alert the Commission orally in advance of the written referral.
- (C) The referral is to be addressed to the Commission's Director of the Office of Enforcement, with a copy also directed to both the Director of the Office of Energy Market Regulation and the General Counsel.
- (D) The referral is to include, but need not be limited to, the following information
 - (1) The name(s) of and, if possible, the contact information for, the entity(ies) that allegedly took the action(s) that constituted the alleged Market Violation(s);

- (2) The date(s) or time period during which the alleged Market Violation(s) occurred and whether the alleged wrongful conduct is ongoing;
 - (3) The specific rule or regulation, and/or tariff provision, that was allegedly violated, or the nature of any inappropriate dispatch that may have occurred;
 - (4) The specific act(s) or conduct that allegedly constituted the Market Violation;
 - (5) The consequences to the market resulting from the acts or conduct, including, if known, an estimate of economic impact on the market;
 - (6) If the Internal Market Monitor or External Market Monitor believes that the act(s) or conduct constituted a violation of the anti-manipulation rule of Part 1c of the Commission's Rules and Regulations, 18 C.F.R. Part 1c, a description of the alleged manipulative effect on market prices, market conditions, or market rules;
 - (7) Any other information the Internal Market Monitor or External Market Monitor believes is relevant and may be helpful to the Commission.
- (E) Following a referral to the Commission, the Internal Market Monitor or External Market Monitor is to continue to notify and inform the Commission of any information that the Internal Market Monitor or External Market Monitor learns of that may be related to the referral, but the Internal Market Monitor or External Market Monitor is not to undertake any investigative steps regarding the referral except at the express direction of the Commission or Commission staff.

III.A.20. Protocol on Referrals to the Commission of Perceived Market Design Flaws and Recommended Tariff Changes.

- (A) The Internal Market Monitor or External Market Monitor is to make a referral to the Commission in all instances where the Internal Market Monitor or External Market Monitor has reason to believe market design flaws exist that it believes could effectively be remedied by rule or tariff changes. The Internal Market Monitor or External Market Monitor must limit distribution of its identifications and recommendations to the ISO and to the Commission in the event it believes broader dissemination could lead to exploitation, with an explanation of why further dissemination should be avoided at that time.
- (B) All referrals to the Commission relating to perceived market design flaws and recommended tariff changes are to be in writing, whether transmitted electronically, by fax, mail, or courier. The Internal Market Monitor or External Market Monitor may alert the Commission orally in advance of the written referral.

- (C) The referral should be addressed to the Commission's Director of the Office of Energy Market Regulation, with copies directed to both the Director of the Office of Enforcement and the General Counsel.
- (D) The referral is to include, but need not be limited to, the following information.
- (1) A detailed narrative describing the perceived market design flaw(s);
 - (2) The consequences of the perceived market design flaw(s), including, if known, an estimate of economic impact on the market;
 - (3) The rule or tariff change(s) that the Internal Market Monitor or External Market Monitor believes could remedy the perceived market design flaw;
 - (4) Any other information the Internal Market Monitor or External Market Monitor believes is relevant and may be helpful to the Commission.
- (E) Following a referral to the Commission, the Internal Market Monitor or External Market Monitor is to continue to notify and inform the Commission of any additional information regarding the perceived market design flaw, its effects on the market, any additional or modified observations concerning the rule or tariff changes that could remedy the perceived design flaw, any recommendations made by the Internal Market Monitor or External Market Monitor to the regional transmission organization or independent system operator, stakeholders, market participants or state commissions regarding the perceived design flaw, and any actions taken by the regional transmission organization or independent system operator regarding the perceived design flaw.

III.A.21. Review of Offers From New Resources in the Forward Capacity Market.

The Internal Market Monitor shall review offers from new resources in the Forward Capacity Auction as described in this Section III.A.21.

III.A.21.1. Offer Review Trigger Prices.

For each new technology type, the Internal Market Monitor shall establish an Offer Review Trigger Price. Offers in the Forward Capacity Auction at prices that are equal to or above the relevant Offer Review Trigger Price will not be subject to further review by the Internal Market Monitor. A request to submit offers in the Forward Capacity Auction at prices that are below the relevant Offer Review Trigger Price must be submitted in advance of the Forward Capacity Auction as described in Sections III.13.1.1.2.2.3, III.13.1.3.5 or III.13.1.4.1.1.2.8 and shall be reviewed by the Internal Market Monitor as described in this Section III.A.21.

III.A.21.1.1. Offer Review Trigger Prices for the Forward Capacity Auction.

For resources other than New Import Capacity Resources, the Offer Review Trigger Prices for the twelfth Forward Capacity Auction (for the Capacity Commitment Period beginning on June 1, 2021) shall be as follows:

Generating Capacity Resources	
Technology Type	Offer Review Trigger Price (\$/kW-month)
combustion turbine	\$6.503
combined cycle gas turbine	\$7.856
on-shore wind	\$11.025

Demand Capacity Resources - Commercial and Industrial	
Technology Type	Offer Review Trigger Price (\$/kW-month)
Load Management and/or previously installed Distributed Generation	\$1.008
new Distributed Generation	based on generation technology type
Energy Efficiency	\$0.000

Demand Capacity Resources – Residential	
Technology Type	Offer Review Trigger Price (\$/kW-month)
Load Management	\$7.559
previously installed Distributed Generation	\$1.008
new Distributed Generation	based on generation technology type
Energy Efficiency	\$0.000

Other Resources	
All other technology types	Forward Capacity Auction Starting Price

Where a new resource is composed of assets having different technology types, the resource’s Offer Review Trigger Price will be calculated in accordance with the weighted average formula in Section III.A.21.2(c).

For purposes of determining the Offer Review Trigger Price of a Demand Capacity Resource composed in whole or in part of Distributed Generation, the Distributed Generation is considered new, rather than previously installed, if (1) the Project Sponsor for the New Demand Capacity Resource has participated materially in the development, installation or funding of the Distributed Generation during the five years prior to commencement of the Capacity Commitment Period for which the resource is being qualified for participation, and (2) the Distributed Generation has not been assigned to a Demand Capacity Resource with a Capacity Supply Obligation in a prior Capacity Commitment Period.

For 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, the Offer Review Trigger Prices in the table above shall apply, based on the technology type of the External Resource; provided that, if a New Import Capacity Resource is associated with an Elective Transmission Upgrade, it shall have an Offer Review Trigger Price of the Forward Capacity Auction Starting Price plus \$0.01/kW-month.

For any other New Import Capacity Resource, the Offer Review Trigger Price shall be the Forward Capacity Auction Starting Price plus \$0.01/kW-month.

III.A.21.1.2. Calculation of Offer Review Trigger Prices.

(a) The Offer Review Trigger Price for each of the technology types listed above shall be recalculated using updated data for the Capacity Commitment Period beginning on June 1, 2025 and no less often than once every three years thereafter. Where any Offer Review Trigger Price is recalculated, the Internal Market Monitor will review the results of the recalculation with stakeholders and the new Offer Review Trigger Price shall be filed with the Commission prior to the Forward Capacity Auction in which the Offer Review Trigger Price is to apply.

(b) For New Generating Capacity Resources, the methodology used to recalculate the Offer Review Trigger Price pursuant to subsection (a) above is as follows. Capital costs, expected non-capacity revenues and operating costs, assumptions regarding depreciation, taxes and discount rate are input into a capital budgeting model which is used to calculate the break-even contribution required from the Forward Capacity Market to yield a discounted cash flow with a net present value of zero for the project. The Offer Review Trigger Price is set equal to the year-one capacity price output from the model. The model looks at 20 years of real-dollar cash flows discounted at a rate (Weighted Average Cost of Capital) consistent

with that expected of a project whose output is under contract (i.e., a contract negotiated at arm's length between two unrelated parties).

(c) For New Demand Capacity Resources comprised of Energy Efficiency, the methodology used to recalculate the Offer Review Trigger Price pursuant to subsection (a) above shall be the same as that used for New Generating Capacity Resources, with the following exceptions. First, the model takes account of all costs incurred by the utility and end-use customer to deploy the efficiency measure. Second, rather than energy revenues, the model recognizes end-use customer savings associated with the efficiency programs. Third, the model assumes that all costs are expensed as incurred. Fourth, the benefits realized by end-use customers are assumed to have no tax implications for the utility. Fifth, the model discounts cash flows over the Measure Life of the energy efficiency measure.

(d) For New Demand Capacity Resources other than Demand Capacity Resources comprised of Energy Efficiency, the methodology used to recalculate the Offer Review Trigger Price pursuant to subsection (a) above is the same as that used for New Generating Capacity Resources, except that the model discounts cash flows over the contract life. For Demand Capacity Resources (other than those comprised of Energy Efficiency) that are composed primarily of large commercial or industrial customers that use pre-existing equipment or strategies, incremental costs include new equipment costs and annual operating costs such as customer incentives and sales representative commissions. For Demand Capacity Resources (other than Demand Capacity Resources comprised of Energy Efficiency) primarily composed of residential or small commercial customers that do not use pre-existing equipment or strategies, incremental costs include equipment costs, customer incentives, marketing, sales, and recruitment costs, operations and maintenance costs, and software and network infrastructure costs.

(e) For years in which no full recalculation is performed pursuant to subsection (a) above, the Offer Review Trigger Prices will be adjusted as follows:

(1) Each line item associated with capital costs that is included in the capital budgeting model will be associated with the indices included in the table below:

Cost Component	Index
gas turbines	BLS-PPI "Turbines and Turbine Generator Sets"
steam turbines	BLS-PPI "Turbines and Turbine Generator Sets"
wind turbines	Bloomberg Wind Turbine Price Index
Other Equipment	BLS-PPI "General Purpose Machinery and Equipment"

construction labor	BLS “Quarterly Census of Employment and Wages” 2371 Utility System Construction Average Annual Pay: <ul style="list-style-type: none"> - Combustion turbine and combined cycle gas turbine costs to be indexed to values corresponding to the location of Hampden County, Massachusetts - On-shore wind costs to be indexed to values corresponding to the location of Cumberland County, Maine
other labor	BLS “Quarterly Census of Employment and Wages” 2211 Power Generation and Supply Average Annual Pay: <ul style="list-style-type: none"> - Combustion turbine and combined cycle gas turbine costs to be indexed to values corresponding to the location of Hampden County, Massachusetts - On-shore wind costs to be indexed to values corresponding to the location of Cumberland County, Maine
materials	BLS-PPI "Materials and Components for Construction"
electric interconnection	BLS - PPI "Electric Power Transmission, Control, and Distribution"
gas interconnection	BLS - PPI "Natural Gas Distribution: Delivered to ultimate consumers for the account of others (transportation only)"
fuel inventories	Federal Reserve Bank of St. Louis “Gross Domestic Product: Implicit Price Deflator (GDPDEF)”

(2) Each line item associated with fixed operating and maintenance costs that is included in the capital budgeting model will be associated with the indices included in the table below:

Cost Component	Index
labor, administrative and general	BLS “Quarterly Census of Employment and Wages” 2211 Power Generation and Supply Average Annual Pay: <ul style="list-style-type: none"> - Combustion turbine and combined cycle gas turbine costs to be indexed to values corresponding to the location of Hampden County, Massachusetts - On-shore wind costs to be indexed to values corresponding to the location of Cumberland County, Maine
materials and contract services	BLS-PPI "Materials and Components for Construction"
site leasing costs	Federal Reserve Bank of St. Louis “Gross Domestic Product: Implicit Price Deflator (GDPDEF)”

(3) For each line item in (1) and (2) above, the ISO shall calculate a multiplier that is equal to the average of values published during the most recent 12 month period available at the time of making the adjustment divided by the average of the most recent 12 month period available at the time of establishing the Offer Review Trigger Prices for the FCA reflected in the table in Section III.A.21.1.1 above. The value of each line item associated with capital costs and fixed operating and maintenance costs included in the capital budgeting model for the FCA reflected in the table in Section A.21.1.1 above will be adjusted by the relevant multiplier.

(4) The energy and ancillary services offset values for each technology type in the capital budgeting model shall be adjusted by inputting to the capital budgeting model the most recent Henry Hub natural gas futures prices, the Algonquin Citygates Basis natural gas futures prices and the Massachusetts Hub On-Peak electricity prices for the months in the Capacity Commitment Period beginning June 1, 2021, as published by ICE.

(5) Renewable energy credit values in the capital budgeting model shall be updated based on the most recent MA Class 1 REC price for the vintage closest to the first year of the Capacity Commitment Period associated with the relevant FCA as published by SNL Financial.

(6) The capital budgeting model and the Offer Review Trigger Prices adjusted pursuant to this subsection (e) will be published on the ISO's web site.

(7) If any of the values required for the calculations described in this subsection (e) are unavailable, then comparable values, prices or sources shall be used.

III.A.21.2. New Resource Offer Floor Prices and Offer Prices.

For every new resource participating in a Forward Capacity Auction, the Internal Market Monitor shall determine a New Resource Offer Floor Price or offer prices, as described in this Section III.A.21.2.

(a) For a Lead Market Participant with a New Capacity Resource that does not submit 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, III.13.1.3.5 or III.13.1.4.1.1.2.8, the New Resource Offer Floor Price shall be calculated as follows:

For a New Import Capacity Resource (other than a New Import Capacity Resource that is (i) backed by a single new External Resource and that is associated with an investment in transmission that increases New England's import capability or (ii) associated with an Elective Transmission Upgrade) the New Resource Offer Floor Price shall be \$0.00/kW-month.

For 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, and New Demand Capacity Resource, the New Resource Offer Floor Price shall be equal to the applicable Offer Review Trigger Price.

A resource having a New Resource Offer Floor Price higher than the Forward Capacity Auction Starting Price shall not be included in the Forward Capacity Auction.

(b) For a Lead Market Participant with a New Capacity Resource that does submit 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, III.13.1.3.5 and III.13.1.4.1.1.2.8, the resource's New Resource Offer Floor Price and offer prices in the case of 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 calculated as follows:

For a New Import Capacity Resource that is subject to the pivotal supplier test in Section III.A.23 and is found not to be associated with a pivotal supplier as determined pursuant to Section III.A.23, the resource's New Resource Offer Floor Price and offer prices shall be equal to the lower of (i) the requested offer price submitted to the ISO as described in Sections III.13.1.1.2.2.3 and III.13.1.3.5; or (ii) the price revised pursuant to Section III.13.1.3.5.7.

For any other New Capacity Resource, the Internal Market Monitor shall enter all relevant resource costs and non-capacity revenue data, as well as assumptions regarding depreciation, taxes, and discount rate into the capital budgeting model used to develop the relevant Offer Review Trigger Price and shall calculate the break-even contribution required from the Forward Capacity Market to yield a discounted cash flow with a net present value of zero for the project. The Internal Market Monitor shall compare the requested offer price to this capacity price estimate and the resource's New Resource Offer Floor Price and offer prices shall be determined as follows:

(i) The Internal Market Monitor will exclude any out-of-market revenue sources from the cash flows used to evaluate the requested offer price. Out-of-market revenues are any revenues that are: (a) not tradable throughout the New England Control Area or that are restricted to resources within a particular state or other geographic sub-region; or (b) not available to all resources of the same physical type within the New England Control Area, regardless of the resource owner. Expected revenues associated with economic development incentives that are offered broadly by

state or local government and that are not expressly intended to reduce prices in the Forward Capacity Market are not considered out-of-market revenues for this purpose. In submitting its requested offer price, the Project Sponsor shall indicate whether and which project cash flows are supported by a regulated rate, charge, or other regulated cost recovery mechanism. If the project is supported by a regulated rate, charge, or other regulated cost recovery mechanism, then that rate will be replaced with the Internal Market Monitor estimate of energy revenues. Where possible, the Internal Market Monitor will use like-unit historical production, revenue, and fuel cost data. Where such information is not available (e.g., there is no resource of that type in service), the Internal Market Monitor will use a forecast provided by a credible third party source. The Internal Market Monitor will review capital costs, discount rates, depreciation and tax treatment to ensure that it is consistent with overall market conditions. Any assumptions that are clearly inconsistent with prevailing market conditions will be adjusted.

(ii) For a New Demand Capacity Resource, the resource's costs shall include all expenses, including incentive payments, equipment costs, marketing and selling and administrative and general costs incurred to acquire and/or develop the Demand Capacity Resource. Revenues shall include all non-capacity payments expected from the ISO-administered markets made for services delivered from the associated Demand Response Resource, and expected costs avoided by the associated end-use customer as a direct result of the installation or implementation of the associated Asset(s).

(iii) For a New Capacity Resource that has achieved commercial operation prior to the New Capacity Qualification Deadline for the Forward Capacity Auction in which it seeks to participate, the relevant capital costs to be entered into the capital budgeting model will be the undepreciated original capital costs adjusted for inflation. For any such resource, the prevailing market conditions will be those that were in place at the time of the decision to construct the resource.

(iv) Sufficient documentation and information must be included in the resource's qualification package to allow the Internal Market Monitor to make the determinations described in this subsection (b). Such documentation should include all relevant financial estimates and cost projections for the project, including the project's pro-forma financing support data. For a New Import Capacity Resource, such documentation should also include the expected costs of purchasing power outside the New England Control Area (including transaction costs and

supported by forward power price index values or a power price forecast for the applicable Capacity Commitment Period), expected transmission costs outside the New England Control Area, and expected transmission costs associated with importing to the New England Control Area, and may also include reasonable opportunity costs and risk adjustments. For a new capacity resource that has achieved commercial operation prior to the New Capacity Qualification Deadline, such documentation should also include all relevant financial data of actual incurred capital costs, actual operating costs, and actual revenues since the date of commercial operation. If the supporting documentation and information required by this subsection (b) is deficient, the Internal Market Monitor, at its sole discretion, may consult with the Project Sponsor to gather further information as necessary to complete its analysis. If after consultation, the Project Sponsor does not provide sufficient documentation and information for the Internal Market Monitor to complete its analysis, then the resource's New Resource Offer Floor Price shall be equal to the Offer Review Trigger Price.

(v) If the Internal Market Monitor determines that the requested offer prices are consistent with the Internal Market Monitor's capacity price estimate, then the resource's New Resource Offer Floor Price shall be equal to the requested offer price, subject to the provisions of subsection (vii) concerning New Import Capacity Resources.

(vi) If the Internal Market Monitor determines that the requested offer prices are not consistent with the Internal Market Monitor's capacity price estimate, then the resource's offer prices shall be set to a level that is consistent with the capacity price estimate, as determined by the Internal Market Monitor. Any such determination will be explained in the resource's qualification determination notification and will be filed with the Commission as part of the filing described in Section III.13.8.1(c), subject to the provisions of subsection (vii) concerning New Import Capacity Resources.

(vii) For New Import Capacity Resources that have been found to be associated with a pivotal supplier as determined pursuant to Section III.A.23, if the supplier elects to revise the requested offer prices pursuant to Section III.13.1.3.5.7 to values that are below the Internal Market Monitor's capacity price estimate established pursuant to subsection (v) or (vi), then the resource's offer prices shall be equal to the revised offer prices.

(c) For a new capacity resource composed of assets having different technology types the Offer Review Trigger Price shall be the weighted average of the Offer Review Trigger Prices of the asset technology types of the assets that comprise the resource, based on the expected capacity contribution from each asset technology type. Sufficient documentation must be included in the resource's qualification package to permit the Internal Market Monitor to determine the weighted average Offer Review Trigger Price.

III.A.22. [Reserved.]

III.A.23. Pivotal Supplier Test for Existing Capacity Resources and New Import Capacity Resources in the Forward Capacity Market.

III.A.23.1. Pivotal Supplier Test.

The pivotal supplier test is performed prior to the commencement of the Forward Capacity Auction at the system level and for each import-constrained Capacity Zone.

An Existing Capacity Resource or New Import Capacity Resource is associated with a pivotal supplier if, after removing all the supplier's FCA Qualified Capacity, the ability to meet the relevant requirement is less than the requirement. Only those New Import Capacity Resources that are not (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, are subject to the pivotal supplier test.

For the system level determination, the relevant requirement is the Installed Capacity Requirement (net of HQICCs). For each import-constrained Capacity Zone, the relevant requirement is the Local Sourcing Requirement for that import-constrained Capacity Zone.

At the system level, the ability to meet the relevant requirement is the sum of the following:

- (a) The total FCA Qualified Capacity from all Existing Generating Capacity Resources and Existing Demand Capacity Resources in the Rest-of-Pool Capacity Zone;
- (b) For each modeled import-constrained Capacity Zone, the greater of:
 - (1) the total FCA Qualified Capacity from all Existing Generating Capacity Resources and Existing Demand Capacity Resources within the import-constrained Capacity Zone plus, for each modeled external interface connected to the import-constrained Capacity Zone,

the lesser of: (i) the capacity transfer limit of the interface (net of tie benefits), and; (ii) the total amount of FCA Qualified Capacity from Import Capacity Resources over the interface, and;

(2) the Local Sourcing Requirement of the import-constrained Capacity Zone;

(c) For each modeled nested export-constrained Capacity Zone, the lesser of:

(1) the total FCA Qualified Capacity from all Existing Generating Capacity Resources and Existing Demand Capacity Resources within the nested export-constrained Capacity Zone plus, for each external interface connected to the nested export-constrained Capacity Zone, the lesser of: (i) the capacity transfer limit of the interface (net of tie benefits), and; (ii) the total amount of FCA Qualified Capacity from Import Capacity Resources over the interface, and;

(2) the Maximum Capacity Limit of the nested export-constrained Capacity Zone;

(d) For each modeled export-constrained Capacity Zone that is not a nested export-constrained Capacity Zone, the lesser of:

(1) the total FCA Qualified Capacity from all Existing Generating Capacity Resources and Existing Demand Capacity Resources within the export-constrained Capacity Zone, excluding the total FCA Qualified Capacity from Existing Generating Capacity Resources and Existing Demand Capacity Resources within a nested export-constrained Capacity Zone, plus, for each external interface connected to the export-constrained Capacity Zone that is not included in any nested export-constrained Capacity Zone, the lesser of: (i) the capacity transfer limit of the interface (net of tie benefits), and; (ii) the total amount of FCA Qualified Capacity from Import Capacity Resources over the interface, excluding the contribution from any nested export-constrained Capacity Zone as determined pursuant to Section III.A.23.1(c), and;

(2) the Maximum Capacity Limit of the export-constrained Capacity Zone, minus the contribution from any associated nested export-constrained Capacity Zone as determined pursuant to Section III.A.23.1(c), and;

(e) For each modeled external interface connected to the Rest-of-Pool Capacity Zone, the lesser of:

(1) the capacity transfer limit of the interface (net of tie benefits), and;

(2) the total amount of FCA Qualified Capacity from Import Capacity Resources over the interface.

Formatted: Indent: Hanging: 0.19"

For each import-constrained Capacity Zone, the ability to meet the relevant requirement is the sum of the following:

- (1) The total FCA Qualified Capacity from all Existing Generating Capacity Resources and Existing Demand Capacity Resources located within the import-constrained Capacity Zone; and
- (2) For each modeled external interface connected to the import-constrained Capacity Zone, the lesser of: (1) the capacity transfer limit of the interface (net of tie benefits), and; (2) the total amount of FCA Qualified Capacity from Import Capacity Resources over the interface.

III.A.23.2. Conditions Under Which Capacity is Treated as Non-Pivotal.

FCA Qualified Capacity of a supplier that is determined to be pivotal under Section III.A.23.1 is treated as non-pivotal under the following four conditions:

- (a) If the removal of a supplier's FCA Qualified Capacity in an export-constrained Capacity Zone or nested export-constrained Capacity Zone does not change the quantity calculated in Section III.A.23.1(c) for that export-constrained Capacity Zone or nested export-constrained Capacity Zone, then that capacity is treated as capacity of a non-pivotal supplier.
- (b) If the removal of a supplier's FCA Qualified Capacity in the form of Import Capacity Resources at an external interface does not change the quantity calculated in Section III.A.23.1(d) for that interface, then that capacity is treated as capacity of a non-pivotal supplier.
- (c) If the removal of a supplier's FCA Qualified Capacity in the form of Import Capacity Resources at an external interface connected to an import-constrained Capacity Zone does not change the quantity calculated in Section III.A.23.1(f) for that interface, then that capacity is treated as capacity of a non-pivotal supplier.
- (d) If a supplier whose only FCA Qualified Capacity is a single capacity resource with a bid that (i) is not subject to rationing under Section III.13.1.2.3.1 or III.13.2.6, and (ii) contains only one price-quantity pair for the entire FCA Qualified Capacity amount, then the capacity of that resource is treated as capacity of a non-pivotal supplier.

III.A.23.3. Pivotal Supplier Test Notification of Results.

Results of the pivotal supplier test will be made available to suppliers no later than seven days prior to the start of the Forward Capacity Auction.

III.A.23.4. Qualified Capacity for Purposes of Pivotal Supplier Test.

For purposes of the tests performed in Sections III.A.23.1 and III.A.23.2, the FCA Qualified Capacity of a supplier includes the capacity of Existing Generating Capacity Resources, Existing Demand Capacity Resources, Existing Import Capacity Resources, and New Import Capacity Resources (other than (i) 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; and (ii) a New Import Capacity Resource associated with an Elective Transmission Upgrade) that is controlled by the supplier or its Affiliates.

For purposes of determining the ability to meet the relevant requirement under Section III.A.23.1, the FCA Qualified Capacity from New Import Capacity Resources does not include (i) any 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; and (ii) any New Import Capacity Resource associated with an Elective Transmission Upgrade.

For purposes of determining the FCA Qualified Capacity of a supplier or its Affiliates under Section III.A.23.4, “control” or “controlled” means the possession, directly or indirectly, of the authority to direct the decision-making regarding how capacity is offered into the Forward Capacity Market, and includes control by contract with unaffiliated third parties. In complying with Section I.3.5 of the ISO Tariff, a supplier shall inform the ISO of all capacity that it and its Affiliates control under this Section III.A.23.4 and all capacity the control of which it has contracted to a third party.

III.A.24. Retirement Portfolio Test for Existing Capacity Resources in the Forward Capacity Market.

The retirement portfolio test is performed prior to the commencement of the Forward Capacity Auction for each Lead Market Participant submitting a Permanent De-List Bid or Retirement De-List Bid. The test will be performed as follows:

If

- i. The annual capacity revenue from the Lead Market Participant’s total FCA Qualified Capacity, not including the FCA Qualified Capacity associated with the Permanent De-

- List Bid or Retirement De-List Bid, is greater than
- ii. the annual capacity revenue from the Lead Market Participant's total FCA Qualified Capacity, including the FCA Qualified Capacity associated with the Permanent De-List Bid or Retirement De-List Bid, then
 - iii. the Lead Market Participant will be found to have a portfolio benefit pursuant to the retirement portfolio test.

Where,

- iv. the Lead Market Participant's annual capacity revenue from the Lead Market Participant's total FCA Qualified Capacity not including the FCA Qualified Capacity associated with the Permanent De-List Bid or Retirement De-List Bid is calculated as the product of (a) the Lead Market Participant's total FCA Qualified Capacity not including the FCA Qualified Capacity associated with the Permanent De-List Bid or Retirement De-List Bid and (b) the Internal Market Monitor-estimated capacity clearing price not including the FCA Qualified Capacity associated with the Permanent De-List Bid or Retirement De-List Bid.
- v. The Lead Market Participant's annual capacity revenue from the Lead Market Participant's total FCA Qualified Capacity including the FCA Qualified Capacity associated with the Permanent De-List Bid or Retirement De-List Bid is calculated as the product of (a) the Lead Market Participant's total FCA Qualified Capacity including the FCA Qualified Capacity associated with the Permanent De-List Bid or Retirement De-List Bid and (b) the Internal Market Monitor-estimated capacity clearing price including the FCA Qualified Capacity associated with the Permanent De-List Bid or Retirement De-List Bid.
- vi. The Internal Market Monitor-estimated capacity clearing price, not to exceed the Forward Capacity Auction Starting Price, is based on the parameters of the System-Wide Capacity Demand Curve and Capacity Zone Demand Curves as specified in Section III.13.2.2.

For purposes of the test performed in this Section III.A.24, the FCA Qualified Capacity of a Lead Market Participant includes the capacity of Existing Capacity Resources that is controlled by the Lead Market Participant or its Affiliates.

For purposes of determining the FCA Qualified Capacity of a Lead Market Participant or its Affiliates under this Section III.A.24, "control" or "controlled" means the possession, directly or indirectly, of the

authority to direct the decision-making regarding how capacity is offered into the Forward Capacity Market, and includes control by contract with unaffiliated third parties. In complying with Section I.3.5 of the ISO Tariff, a Lead Market Participant shall inform the ISO of all capacity that it and its Affiliates control under this Section III.A.4 and all capacity the control of which it has contracted to a third party.

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.1.5.3	Reactive Capability Audits.
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	Transmission Constraint Penalty Factors.
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	Ramping.
III.1.7.19	Real-Time Reserve Designation.
III.1.7.19.1	Eligibility.
III.1.7.19.2	Calculation of Real-Time Reserve Designation.
III.1.7.19.2.1	Generator Assets.
III.1.7.19.2.1.1	On-line Generator Assets
III.1.7.19.2.1.2	Off-line Generator Assets.
III.1.7.19.2.2	Dispatchable Asset Related Demand.
III.1.7.19.2.2.1	Storage DARDS.
III.1.7.19.2.2.2	Dispatchable Asset Related Demand Other than Storage DARDS.
III.1.7.19.2.3	Demand Response Resources.

III.1.7.19.2.3.1	Dispatched.
III.1.7.19.2.3.2	Non-Dispatched.
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	Energy Market Scheduling.
III.1.10.2	Pool-Scheduled Resources.
III.1.10.3	Self-Scheduled Resources.
III.1.10.4	External Resources.
III.1.10.5	Dispatchable Asset Related Demand.
III.1.10.6	Electric Storage.
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 Dispatchable Resources.
- III.1.11.4 Emergency Condition.
- III.1.11.5 Dispatchability Requirements for Intermittent Power Resources.
- III.1.11.6 Non-Dispatchable Intermittent Power Resources.

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 and Charges.

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.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 Adjusted Demand Response Baseline.
 - 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 Requirements.
 - III.9.2.1 System Forward Reserve Requirements.
 - III.9.2.2 Zonal Forward Reserve Requirements.
 - 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 Requirement.
 - III.9.9.2 Adjusting Forward Reserve Credits for System Requirement.
 - 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 Settlement for Real-Time Reserves
 - III.10.1 Reserve Quantity For Settlement.
 - 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.13.1.1.1.3.A Treatment of New Incremental Capacity and Existing Generating Capacity at the Same Generating Resource.
 - 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.13.1.2.1.2	Rationing Minimum Limit.
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 Common 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; Right to Increase Retirement De-List Bid or Permanent De-List Bid up to IMM-determined substitution auction test price.
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	[Reserved.]
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.13.2.5.2.5A	Fuel Security 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	[Reserved.]
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.13.2.8	Capacity Substitution Auctions.
III.13.2.8.1	Administration of Substitution Auctions.
III.13.2.8.1.1	Substitution Auction Clearing and Awards.
III.13.2.8.1.2	Substitution Auction Pricing.
III.13.2.8.2	Supply Offers in the Substitution Auction.
III.13.2.8.2.1	Supply Offers.
III.13.2.8.2.2	Supply Offer Prices.
III.13.2.8.2.3	Supply Offers Entered into the Substitution Auction.
III.13.2.8.3	Demand Bids in the Substitution Auction.
III.13.2.8.3.1	Demand Bids.
III.13.2.8.3.1A	Substitution Auction Test Prices.
III.13.2.8.3.2	Demand Bid Prices.
III.13.2.8.3.3	Demand Bids Entered into the Substitution Auction.
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.

- III.13.3.1.2 New Resources Clearing in the Forward Capacity Auction.
- III.13.3.1.3 New Resource 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 Counted as Capacity.
- III.13.3.3 Failure to Meet Critical Path Schedule.
- III.13.3.4 Covering Capacity Supply Obligations.
- III.13.3.4A Termination of Capacity Supply Obligations.
- 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 Backed by an External Control Area.
III.13.4.2.1.2.1.3.1	Import Capacity Resources Backed by One or More External 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.13.4.2.1.2.2.3	Import Capacity Resources.
III.13.4.2.1.2.2.3.1	Import Capacity Resources Backed by an External Control Area.
III.13.4.2.1.2.2.3.2	Import Capacity Resources Backed by One or More External 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 and Prior Notification to the ISO.
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	Capacity Performance Bilaterals.
III.13.5.3.1	Eligibility.
III.13.5.3.2	Submission of Capacity Performance Bilaterals.
III.13.5.3.2.1	Timing.
III.13.5.3.2.2	Application.
III.13.5.3.2.3	ISO Review.
III.13.5.3.3	Effect of Capacity Performance Bilateral.
III.13.5.4	Annual Reconfiguration Transactions.
III.13.5.4.1	Timing of Submission.

- III.13.5.4.2 Components of an Annual Reconfiguration Transaction.
- III.13.5.4.3 Settlement of Annual Reconfiguration Transactions.
- 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 Certain Import Capacity Resources.
 - III.13.6.1.2.3 Additional Requirements for Import Capacity Resources at External Interfaces with Enhanced Scheduling.
 - 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.6.1.6.1 Energy Market Offer Requirements.
- 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 without a Capacity Supply Obligation.
 - III.13.6.2.3.1 Energy Market Offer Requirements.
 - 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 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.13.7.1.2.2	Monthly PER Application.
	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.13.7.3.1	Monthly Stop-Loss.
	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 Charges Prior to June 1, 2022.

- III.13.7.5.1.1 Calculation of Capacity Charges On and After June 1, 2022.
 - III.13.7.5.1.1.1 Forward Capacity Auction Charge.
 - III.13.7.5.1.1.2 Annual Reconfiguration Auction Charge.
 - III.13.7.5.1.1.3 Monthly Reconfiguration Auction Charge.
 - III.13.7.5.1.1.4 HQICC Capacity Charge.
 - III.13.7.5.1.1.5 Self-Supply Adjustment.
 - III.13.7.5.1.1.6 Intermittent Power Resource Capacity Adjustment.
 - III.13.7.5.1.1.7 Multi-Year Rate Election Adjustment.
 - III.13.7.5.1.1.8 CTR Transmission Upgrade Charge.
 - III.13.7.5.1.1.9 CTR Pool-Planned Unit Charge.
 - III.13.7.5.1.1.10 Failure to Cover Charge Adjustment.
- III.13.7.5.2 Calculation of Capacity Load Obligation and Zonal Capacity Obligation.
 - III.13.7.5.2.1 Charges Associated with Dispatchable Asset Related Demands.
- III.13.7.5.3 Excess Revenues.
- III.13.7.5.4 Capacity Transfer Rights.
 - III.13.7.5.4.1 Definition and Payments to Holders of Capacity Transfer Rights.
 - III.13.7.5.4.2 Allocation of Capacity Transfer Rights.
 - III.13.7.5.4.3 Allocations of CTRs Resulting From Revised Capacity Zones.
 - III.13.7.5.4.4 Specifically Allocated CTRs Associated with Transmission Upgrades.
 - III.13.7.5.4.5 Specifically Allocated CTRs for Pool-Planned Units.
- III.13.7.5.5 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
Thereeto.

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 [Reserved.].
- III.14.5 Regulation Market Resource Selection.
- III.14.6 Regulation Market Dispatch.
- III.14.7 Performance Monitoring.
- III.14.8 Regulation Market Settlement and Compensation.
- III.14.9 Regulation Market Testing Environment.

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 Market Participant that elects to have a resource that has previously been counted as a capacity resource participate in the Forward Capacity Auction as a New Generating Capacity Resource, must notify the ISO when the existing resource ceases to operate and the New Generating Capacity Resource commences operation. If a Market Participant with a resource that has previously been counted as a capacity resource elects, pursuant to Section III.13.3.4(a)(iii), to have the resource that has previously been counted as a capacity resource cover the Capacity Supply Obligation of a New Generating Capacity Resource and the resource that has previously been counted as a capacity resource must take an outage in order for the New Generating Capacity Resource to commence Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff), then the Market Participant must notify the ISO that the outage is for the purpose of the New Generating Capacity

Resource commencing Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff). 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 10 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:

- (a) receive an out-of-market revenue source supported by a state- or federally-regulated rate, charge or other regulated cost recovery mechanism;
- (b) 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 New England state in which it is geographically located. A resource physically located in United States federal waters directly adjacent to New England state maritime boundaries and directly interconnecting to the New England system is considered to be geographically located in the state where its Point of Interconnection is located;

(c) 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;

(d) has been designated for treatment as a Renewable Technology Resource pursuant to Section III.13.1.1.2.9.

An Export 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; 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(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 Rationing 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.13.1.1.2.2.5:

(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 (i) 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) and (ii) exclude any existing capacity that will be retired as of the start of the same Capacity Commitment Period. 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 can not be implemented before the start of the Capacity Commitment Period, the New Generating Capacity Resource's Qualified Capacity values may be adjusted accordingly, as described in Section III.13.1.1.2.5.

(c) If as a result of the initial interconnection analysis, the ISO determines that the interconnection facilities and upgrades identified in the qualification process that are necessary to enable the New Generating Capacity Resource to provide capacity indicated in the New Capacity Show of Interest Form can not be implemented before the start of the Capacity Commitment Period and the New Generating Capacity Resource can not provide any capacity without those facilities and upgrades, the resource shall not be accepted for participation in the Forward Capacity Auction. In this case, the ISO will provide an explanation of its determination in the qualification determination notification, discussed in Section III.13.1.1.2.8.

(d) If as a result of the initial interconnection analysis, the ISO determines that the New Generating Capacity Resource can provide all or some of the capacity indicated in the New Capacity Show of Interest Form by the start of the Capacity Commitment Period, and if the New Generating Capacity Resource is accepted for participation in the Forward Capacity Auction in accordance with the other provisions and requirements of this Section III.13.1, then in the qualification determination notification, discussed in Section III.13.1.1.2.8, the ISO, after consultation with the applicable Transmission Owner(s) 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 can not be interconnected by the commencement of the Capacity Commitment Period, the Forward Capacity Market qualification process for that resource shall be terminated and the ISO will notify the Project Sponsor of such termination.

(f) Where, as a result of the initial interconnection analysis, the ISO determines that because of overlapping interconnection impacts, New Generating Capacity Resources that are otherwise accepted for participation in the Forward Capacity Auction in accordance with the other provisions and requirements of this Section III.13.1 cannot provide the full amount of capacity that they each would otherwise be able to provide (in the absence of the other relevant Existing Generating Capacity Resources and New Generating Capacity Resources seeking to qualify for the Forward Capacity Auction), those New Generating Capacity Resources will be accepted for participation in the Forward Capacity Auction on the basis of their Queue Position, as described in Schedules 22, 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).

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(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 may not elect Renewable Technology Resource treatment for the FCA associated with a Capacity Commitment Period beginning on or after June 1, 2025.

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 two 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.

- (a) If the total FCA Qualified Capacity of Renewable Technology Resources exceeds the cap specified in subsections (b), (c), (d) and (e) 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 five Business Days after the deadline for submitting Renewable Technology Resource elections.
- (b) The cap for the Capacity Commitment Period beginning on June 1, 2018 is 200 MW.
- (c) 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 Capacity Resources pursuant to Section III.13.2 in the prior Capacity Commitment Period.
- (d) The cap for each Capacity Commitment Period beginning on June 1, 2020 or June 1, 2021 is 600 MW minus the amount of Capacity Supply Obligations acquired by Renewable Technology Resources that are New Capacity Resources pursuant to Section III.13.2 in the prior two Capacity Commitment Periods.
- (e) The cap for each Capacity Commitment Period beginning on June 1, 2022 or June 1, 2023 or June 1, 2024 is 514 MW minus the cumulative amount of Capacity Supply Obligations acquired by Renewable Technology Resources that are New Capacity Resources in the first or second run of the primary auction-clearing process pursuant to Section III.13.2 for each Capacity Commitment Period that begins on or after June 1, 2021.

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 20 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.13.1.2.1.2 Rationing Minimum Limit.

No later than 120 days before the Forward Capacity Auction Market Participants may specify a Rationing Minimum Limit for an Existing Generating Capacity Resource.

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 had 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 had 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 had 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 winter 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 had 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 that summer Qualified Capacity 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.13.1.1.3(a) but not the requirements of Section III.13.1.1.3(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.13.1.1.3(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.13.1.1.3. 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 15 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 five 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 10 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 \$4.30/kW-month. The Dynamic De-List Bid Threshold shall be recalculated for the Capacity Commitment Period beginning on June 1, 2025 and no less often than once every three years thereafter. 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 Rationing 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 Rationing 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 Rationing 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 Rationing 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 during the month of August following the issuance of retirement determination notifications pursuant to Section III.13.1.2.4(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 the fifth Business Day in the month of September following the review of system needs with the Reliability Committee per (b) above, 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:

(i) 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).

(ii) 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.

The Internal Market Monitor shall review Static De-List Bids and Export Bids and, after due consideration and consultation with the Lead Market Participant, as appropriate, shall develop an Internal Market Monitor-accepted Static De-List Bid or an Internal Market Monitor-accepted Export Bid. The Internal Market Monitor-accepted Static De-List Bid and Internal Market Monitor-accepted Export Bid shall be equal to the Static De-List Bid or Export 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 Static De-List Bid or Internal Market-Monitor-accepted Export Bid that is 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.

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, shall develop 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 expected net going forward costs for the applicable Capacity Commitment Period 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.

Net Going Forward Costs =

$$\frac{(GFC - IMR) \times InfIndex}{(CQ_{Summer, kW}) \times (12 \text{ months})}$$

Where:

GFC = annual going forward costs, in dollars. These are the expected costs and capital expenditures that might otherwise be avoided or not incurred if the resource were not subject to the obligations of a resource with a Capacity Supply Obligation 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.

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

IMR = expected 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 expected 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 indicated in the submission of a Static De-List Bid that the resource will be participating in the energy and ancillary services markets during the Capacity Commitment Period, this value shall be \$0.00.

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

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) and 12 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 evaluation period in which a resource's net present value is maximized.

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:

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

Where:

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

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

III.13.1.2.4. Retirement Determination Notification for Existing Capacity and Qualification Determination Notification for Existing Capacity; Right to Increase Retirement De-List Bid or Permanent De-List Bid up to IMM-determined substitution auction test price.

(a) No later than five Business Days before the Existing Capacity Qualification Deadline, the ISO shall send notification to the Lead Market Participant that submitted each Permanent De-List Bid, Retirement De-List Bid and substitution auction test price concerning the result of the Internal Market Monitor's review conducted pursuant to Section III.13.1.2.3.2 and Section III.13.2.8.3.1A. 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. For auctions associated with a Capacity Commitment Period that begins on or after June 1, 2023, within five Business Days of the issuance of the retirement determination notification, a Lead Market Participant that submitted a Retirement De-List Bid or a Permanent De-List Bid and a substitution auction demand bid for the resource associated with the de-list bid, may make the following adjustments:

- (i) for a Retirement De-List Bid, if, but for the limits in Section III.13.1.2.3.2.1.1.2 on adjusting a Market Participant-submitted Retirement De-List Bid, the Internal Market Monitor would have calculated a Retirement De-List Bid price that is higher than the Market Participant-submitted de-list bid price and the Market Participant-submitted de-list bid is less than the Internal Market Monitor-determined substitution auction test price multiplied by 0.9, the Market Participant may increase the de-list bid price up to the minimum of (x) the Internal Market Monitor-determined substitution auction test price multiplied by 0.9 and (y) the higher Retirement De-List Bid price that the Internal Market Monitor would have calculated;
- (ii) for a Permanent De-List Bid, if, but for the limits in Section III.13.1.2.3.2.1.1.2 on adjusting a Market Participant-submitted Permanent De-List Bid, the Internal Market Monitor would have calculated a Permanent De-List Bid price that is higher than the Market Participant-submitted de-list bid price and the Market Participant-submitted de-list bid is less than the Internal Market Monitor-determined substitution auction test price multiplied by 0.9, the Market Participant may increase the de-list bid price up to the minimum of (x) the Internal Market Monitor-determined substitution auction test price multiplied by 0.9 and (y) the higher Permanent De-List Bid price that the Internal Market Monitor would have calculated.

(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 five 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.13.1.1.2 (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 Facility treatment 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.A(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.A(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.13.2.7.3A 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.13.2.7.3A, no later than 10 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.13.2.7.3A.

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) (beginning 11/01/2016)	Up to 6	October 2020
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.

(a) 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. A Demand Capacity Resource may include an end-use customer facility with a Net Supply Capability of 5 MW or more only if the facility's Net Supply Capability does not exceed its Maximum Facility Load. 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 Demand Capacity 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; 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) 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.

(b) A Project Sponsor for a New Demand Capacity Resource that includes one or more end-use customer facilities with behind-the-meter generation must include in the New Demand Capacity Resource Qualification Package information demonstrating that each facility's Net Supply Capability will be less than 5 MW or less than or equal to the facility's Maximum Facility Load.

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. [Reserved.]

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.

(a) 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.

(a) For each Existing Demand Capacity Resource, the ISO will notify the Resource's Lead Market Participant no later than 15 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 five 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 delisted 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.13.1.4.1.1.6. 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) Offers composed of separate resources are subject to the locational restrictions specified in the following table:

		Location of Summer Resource			
		Import-Constrained Capacity Zone	Rest-of-Pool Capacity Zone	Export-Constrained Capacity Zone	Nested Export-Constrained Capacity Zone
Location of Winter Resource	Import-Constrained Capacity Zone	Eligible (within same Capacity Zone)	Eligible	Eligible	Eligible
	Rest-of-Pool Capacity Zone	Ineligible	Eligible	Eligible	Eligible
	Export-Constrained Capacity Zone	Ineligible	Ineligible	Eligible (within same Capacity Zone)	Eligible (within same Capacity Zone where nested export-constrained Capacity Zone is located)
	Nested Export-Constrained Capacity Zone	Ineligible	Ineligible	Ineligible	Eligible (within same Capacity Zone)

(e) 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.
- (g) No later than five Business Days after the close of the New Capacity Show of Interest Submission Window, the ISO shall post on its website the aggregate quantity of supply offers and demand bids that have been elected to participate in the substitution auction by Capacity Zone (where the zones used are those being studied for inclusion in the associated Forward Capacity Auction pursuant to Section III.12.4).

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.13.3.4A, 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 \geq 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 \geq 2 MW	Imports and New Demand Capacity Resources		New Generating Capacity Resources $<$ 2 MW
<i>Including Up-rates, Re-powering, Environmental Compliance & Intermittent Power Resources</i>	<i>Including Up-rates, Re-powering, Environmental Compliance & Intermittent Power Resources</i>			
\$25,000	\$7,500	\$1,000		\$500
<i>With Executed Interconnection Feasibility Study Agreement or System Impact Study Agreement</i>	<i>With Executed Interconnection Feasibility Study Agreement or System Impact Study Agreement</i>			

\$15,000	\$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 90 days after the Existing Capacity Retirement Deadline, 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.

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:

- (i) 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;

- (iii) 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:
 - (a) 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.
 - (b) 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;
 - (c) 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;
 - (d) 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 truncation point, which is 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 truncation point, which is 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 include 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. The descending clock 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 Rationing Minimum Limit at any price, except where the New Capacity Offer is for a capacity quantity of zero.

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

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

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

(iv) 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 Rationing 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:
 - (i) 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;
 - (ii) the amount of capacity determined by the Capacity Zone Demand Curve at zero minus that price, and;
- (4) 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:
 - (i) that interface's approved capacity transfer limit (net of tie benefits), or;
 - (ii) 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 all of the following 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;
- (2) in the case of a nested Capacity Zone, the Forward Capacity Auction is concluded for the Capacity Zone within which the nested Capacity Zone is located, and;
- (3) 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 an export-constrained Capacity Zone that is not a nested export-constrained Capacity Zone shall be set at the greater of:

- (1) the sum of:
 - (i) 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 that Capacity Zone; and
 - (ii) 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.

The Capacity Clearing Price for a nested export-constrained Capacity Zone shall be set at the greater of:

(1) the sum of:

- (i) 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 that Capacity Zone; and
- (ii) the Capacity Clearing Price for the Capacity Zone in which the nested Capacity Zone is located,

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 all of the conditions above are not 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 for the Capacity Commitment Period beginning on June 1, 2025 and no less often than once every three years thereafter. 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.

(a) 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 primary 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 after the substitution auction is completed if one of the following conditions is met: (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 (receives a Capacity Supply Obligation) in the first run of the primary auction-clearing process and retains some portion of its Capacity Supply Obligation in the substitution auction; 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 (receives a Capacity Supply Obligation) in the first run of the primary auction-clearing process, the de-list bid submitted by the Lead Market Participant is at or above the Capacity Clearing Price, and the Proxy De-List Bid retains some portion of its Capacity Supply Obligation in the substitution auction. The second run of the primary auction-clearing process: (i) excludes all Proxy De-List Bids, (ii) includes the offers and bids of resources compiled pursuant to Section III.13.2.3.2 that did not receive a Capacity Supply Obligation in the first run of the primary

auction-clearing process, excluding the offers, or portion thereof, associated with resources that acquired a Capacity Supply Obligation in the substitution auction, and (iii) includes the capacity of resources, or portion thereof, that retain a Capacity Supply Obligation after the first run of the primary auction-clearing process and the substitution auction. The second run of the primary auction-clearing process shall not affect the Capacity Clearing Price of the Forward Capacity Auction (which is established by the first run of the primary 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 primary auction-clearing process shall be paid the Capacity Clearing Price during the associated Capacity Commitment Period. Where the second run of the primary 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 primary 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 Rationing 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, Dynamic De-List Bid, and substitution auction demand bid to determine whether the capacity associated with that bid is needed for reliability reasons during the Capacity Commitment Period associated with the Forward Capacity Auction; Proxy De-List Bids shall not be reviewed.

(a) The reliability review of de-list bids 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 reliability review of substitution auction demand bids that would otherwise clear will be conducted in order beginning with the resource whose cleared bids contribute the greatest amount to social surplus. The capacity associated with a bid 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. 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 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.

(b) If 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. If the ISO has determined that some or all of the capacity associated with a substitution auction demand bid that would otherwise clear is needed for reliability reasons, then the entire demand bid will not be further included in the substitution auction.

(c) 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 de-list bid; or (ii) as soon as practicable after the time at which the ISO has determined that the bid must be rejected for reliability reasons. 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 a 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 (provided that resources that have Permanent De-List Bids or Retirement De-List Bids rejected for reliability 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.13.2.5.2.5A Fuel Security Reliability Review

(a) This Section III.13.2.5.2.5A will remain in effect for the 2022/23, 2023/24 and 2024/25 Capacity Commitment Period, after which this Section III.13.2.5.2.5A will sunset.

(b) This Section III.13.2.5.2.5A will apply to (i) Retirement De-List Bids, (ii) substitution auction demand bids, and (iii) bilateral transactions and reconfiguration auctions demand bids submitted by an Existing Generating Capacity Resource that has been identified as being needed for fuel security during a Forward Capacity Auction. Terms set out in this Section III.13.2.5.2.5A will apply only for the period and resources described within this Section III.13.2.5.2.5A. Where the terms and conditions in this Section III.13.2.5.2.5A differ from terms otherwise set out in Section III.13, the terms of this Section III.13.2.5.2.5A will control for the period and circumstances described in Section III.13.2.5.2.5A.

(c) A fuel security reliability review for the Forward Capacity Market will be performed pursuant to Appendix L to Section III of the Tariff, and in accordance with the inputs and methodology set out to establish the fuel security reliability standard in Appendix I of Planning Procedure No. 10.

(d) For fuel security reliability reviews performed for the primary Forward Capacity Auction, the fuel security reliability review will be performed after the Existing Capacity Retirement Deadline and conducted in descending price order using the price as submitted in the Retirement De-List Bids. Bids with the same price will be reviewed in the order that produces the least negative impact to reliability. Where multiple bids have the same price and the retirement of the Existing Generating Capacity Resources would have the same impact to reliability, they will be reviewed based on their submission time. If 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. An Existing Generating Capacity Resource may be needed for both fuel security and for transmission security pursuant to Section III.13.2.5.2.5. The fuel security reliability review will be performed in advance of the reliability review for transmission security. Where an Existing Generating Capacity Resource is needed for both fuel security reasons pursuant to this Section III.13.2.5.2.5A, and transmission security reliability reasons pursuant to Section III.13.2.5.2.5, the generator will be retained for fuel security for purposes of cost allocation.

(e) If an Existing Generating Capacity Resource is identified as being needed for fuel security reasons, and the reliability need is not met through a reconfiguration auction or other means, that resource, or portion thereof, as applicable may not participate in Annual Reconfiguration Auctions for the Capacity Commitment Period(s) for which it is needed for fuel security, or earlier 2022/23, 2023/24 and 2024/25 Capacity Commitment Periods. Such an Existing Generating Capacity Resource that is identified as being needed for fuel security may participate in monthly bilateral transactions and monthly reconfiguration auctions, but may not submit monthly bilateral transactions for December, January or February, or demand bids for the December, January, or February monthly reconfiguration auctions for any period for which they have been identified as being needed for fuel security.

(f) Participants that have submitted a Retirement De-List Bid will be notified by ISO New England if their resource is needed for fuel security reliability reasons no later than 90 days after the Existing Capacity Retirement Deadline. Participants that have submitted a substitution auction demand bid, and

where the demand bid has been rejected for reliability reasons, will be notified after the relevant Forward Capacity Auction has been completed.

(g) Where a Retirement 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 fuel security reliability reasons, the provisions of III.13.2.5.2.5(b) shall apply.

(h) Existing Generating Capacity Resources that have had their Retirement De-list Bid rejected for fuel security reliability reasons and that do not elect to unconditionally or conditionally retire shall be eligible for compensation pursuant to Section III.13.2.5.2.5.1, except that the difference between payments based on resource de-list bids or cost-of-service compensation as detailed in Section III.13.2.5.2.5.1 and payments based on the Capacity Clearing Price for the Forward Capacity Market under this Section III.13.2.5.2.5.1 shall be allocated on a regional basis to Real Time Load Obligation, excluding Real-Time Load Obligation associated with Dispatchable Asset Related Demand Resources (DARD Pumps and other electric storage based DARDs) and Real-Time Load Obligation associated with Coordinated External Transactions, allocated and collected over a 12 month period. Resources that are identified as needed for fuel security reliability reasons will have their capacity entered into the Forward Capacity Auction pursuant to III.13.2.5.2.5(g) and III.13.2.3.2(b).

(i) Where an Existing Generating Capacity Resource elects a cost-of-service agreement pursuant to Section III.13.2.5.2.5.1 to address a fuel security reliability need, the term of such a cost-of-service agreement may not exceed two years, including renewal through evergreen provisions. A cost-of-service agreement entered into for the 2024/2025 Capacity Commitment Period shall be limited to a total duration of one year.

(j) The ISO shall perform an annual reevaluation of any Existing Generating Capacity Resources retained for reliability under this provision. If a resource associated with a Retirement De-List Bid that was rejected for reliability reasons pursuant to this section, is found to no longer be needed for fuel security, and is not needed for another reliability reason pursuant to Section III.13.2.5.2.5, the resource will be retired from the system as described in Section III.13.2.5.2.5.3(a)(1). In no case will a resource retained for fuel security be retained for fuel security beyond June 1, 2025.

(k) The ISO will review Retirement De-List Bids rejected for fuel security reliability reasons with the Reliability Committee in the same manner as described in Section III.13.2.5.2.5(h).

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).

(e) If ISO-NE is a party to a cost-of-service agreement filed after January 1, 2019 that changes any resource performance-related obligations contained in Section III, Appendix I (provided that those obligations are different than the obligations of an Existing Generating Capacity Resource with a Capacity Supply Obligation), no later than 30 days after such agreement is filed with the Commission, ISO-NE shall provide to stakeholders quantitative and qualitative information on the need for, and the impacts of, the proposed changes.

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 its Rationing Minimum Limit pursuant to Sections III.13.1.1.2.2.3 and III.13.1.2.1.2. 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 Rationing 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 Rationing 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 auction as described in Section III.13.2.3, subject to the other provisions of this Section III.13.2.7. 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.

The Capacity Clearing Price in a nested Capacity Zone shall not be higher than the Capacity Clearing Price in the Capacity Zone within which it is located.

III.13.2.7.3. [Reserved.]

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.A(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.A(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.A(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.A(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.13.2.8. Capacity Substitution Auctions.

III.13.2.8.1. Administration of Substitution Auctions.

Following the completion of the primary auction-clearing process of the Forward Capacity Auction as provided for in Section III.13.2, the ISO shall conduct a substitution auction, using a static double auction to clear supply offers (offers to assume a Capacity Supply Obligation) and demand bids (bids to shed a Capacity Supply Obligation). Supply offers and demand bids will be modeled in the Capacity Zone where the associated resources are electrically interconnected.

III.13.2.8.1.1. Substitution Auction Clearing and Awards.

The substitution auction shall maximize total social surplus as specified by the demand bids and supply offers used in the auction. The maximization is constrained as follows:

- (i) By the external interface limits modeled in the primary auction-clearing process.
- (ii) Such that the net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction is equal to zero.
- (iii) Such that, for each import-constrained Capacity Zone, if the zone's total Capacity Supply Obligations awarded in the primary auction-clearing process of the Forward Capacity Auction is less than the zone threshold quantity specified below, then the zone's net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction is equal to zero; otherwise, the sum of the zone's total Capacity Supply Obligations awarded in the primary auction-clearing process and the zone's net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction is greater than or equal to the zone threshold quantity specified below.
- (iv) Such that, for each export-constrained Capacity Zone, if the zone's total Capacity Supply Obligations awarded in the primary auction-clearing process of the Forward Capacity Auction is greater than the zone threshold quantity specified below, then the zone's net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction is equal to zero; otherwise, the sum of the zone's total Capacity Supply Obligations awarded in the primary auction-clearing process and the zone's net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction is less than or equal to the zone threshold quantity specified below.

In applying constraint (iii), the zone threshold quantity for an import-constrained Capacity Zone shall be equal to the sum of its Capacity Zone Demand Curve truncation point quantity specified in Section

III.13.2.2.2 and the total quantity of any Export Bids and any Administrative Export De-List Bids for which the exporting resource is located outside the import-constrained Capacity Zone, that are used to export capacity across an external interface connected to the import-constrained Capacity Zone, and that cleared in the primary auction-clearing process of the Forward Capacity Auction.

In applying constraint (iv), the zone threshold quantity for an export-constrained Capacity Zone shall be equal to its Capacity Zone Demand Curve truncation point quantity specified in Section III.13.2.2.3 less the total quantity of any Export Bids and any Administrative Export De-List Bids for which the exporting resource is located in the export-constrained Capacity Zone, including any Export Bids and any Administrative Export De-List Bids in an associated nested export-constrained Capacity Zone, that are used to export capacity across an external interface connected to another Capacity Zone, and that cleared in the primary auction-clearing process of the Forward Capacity Auction.

In applying constraints (iii) and (iv), a zone's total Capacity Supply Obligations awarded in the primary auction-clearing process of the Forward Capacity Auction and net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction shall include the Capacity Supply Obligations of Import Capacity Resources at each external interface connected to the Capacity Zone.

In applying constraints (iii) and (iv), a zone's total Capacity Supply Obligations awarded in the primary auction-clearing process of the Forward Capacity Auction shall include the Capacity Supply Obligations awarded to Proxy De-List Bids within the zone, and the zone's net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction shall include the Capacity Supply Obligations shed from demand bids associated with Proxy De-List Bids within the zone.

In cases in which there are multiple clearing outcomes that would each maximize the substitution auction's objective, the following tie-breaking rules will apply in the following sequence: (i) non-rationable demand bids associated with Lead Market Participants having the largest total FCA Qualified Capacity of Existing Capacity Resources will be cleared first; and (ii) rationable supply offers will be cleared in proportion to their offer quantity.

For Intermittent Power Resources, other than those participating as the summer resource in a Composite FCM Transaction, the cleared award for supply offers and demand bids shall be adjusted for the months in the winter period (as described in Section III.13.1.5) using the ratio of the resource's cleared offer or bid amount divided by its FCA Qualified Capacity multiplied by its winter Qualified Capacity as

determined pursuant to Section III.13.1.1.2.2.6 and Section III.13.1.2.2.2 after removing any portion of the resource's winter Qualified Capacity that is participating in a Composite FCM Transaction.

The cleared offer amount awarded to a Composite FCM Transaction in the substitution auction will be assigned to the summer and winter resources for their respective obligation months during the Capacity Commitment Period as described in Section III.13.1.5.

If, after the substitution auction, 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.13.2.8.1.2. Substitution Auction Pricing.

The substitution auction will specify clearing prices for Capacity Zones and external interfaces as follows.

For each import-constrained Capacity Zone, if the sum of the zone's total Capacity Supply Obligations awarded in the primary auction-clearing process of the Forward Capacity Auction and the zone's net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction is greater than its zone threshold quantity specified in Section III.13.2.8.1.1, then supply offers and demand bids in the substitution auction in the import-constrained Capacity Zone shall be treated as offers and bids in the Rest-of-Pool Capacity Zone for purposes of determining substitution auction clearing prices.

For each export-constrained Capacity Zone,

- (i) if the sum of the zone's total Capacity Supply Obligations, including Capacity Supply Obligations in a nested Capacity Zone, awarded in the primary auction-clearing process of the Forward Capacity Auction and the zone's net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction including net cleared Capacity Supply Obligations in the nested Capacity Zone is less than its zone threshold quantity specified in Section III.13.2.8.1.1, then supply offers and demand bids in the substitution auction in the export-constrained Capacity Zone (excluding supply offers and demand bids in the nested Capacity Zone that are not treated as offers and bids in the export-constrained Capacity Zone pursuant to Section III.13.2.8.1.2(ii)) shall be treated as offers and bids in the Rest-of-Pool Capacity Zone for purposes of determining substitution auction clearing prices.
- (ii) if the sum of a nested Capacity Zone's Capacity Supply Obligations awarded in the primary auction-clearing process of the Forward Capacity Auction and the nested

Capacity Zone's net cleared Capacity Supply Obligations (total acquired less total shed) in the substitution auction is less than its zone threshold quantity specified in Section III.13.2.8.1.1, then supply offers and demand bids in the substitution auction in the nested Capacity Zone shall be treated as offers and bids in the export-constrained Capacity Zone within which the nested Capacity Zone is located, for purposes of determining substitution auction clearing prices.

The substitution auction clearing prices for the Rest-of-Pool Capacity Zone and for any constrained zones pooled with the Rest-of-Pool Capacity Zone for pricing purposes shall be determined by the price of the demand bid or supply offer that is marginal. If a demand bid associated with a Proxy De-List Bid is marginal, then the substitution auction clearing prices shall be set equal to the Capacity Clearing Prices.

The substitution auction clearing price for a constrained Capacity Zone that is not pooled with the Rest-of-Pool Capacity Zone for pricing purposes shall be determined by the price of the demand bid or supply offer associated with the separately-priced constrained Capacity Zone that is marginal. If a demand bid associated with a Proxy De-List Bid is marginal, then the substitution auction clearing price shall be set equal to the Capacity Clearing Price for the constrained Capacity Zone.

The substitution auction clearing price for a nested export-constrained Capacity Zone that is not pooled with the export-constrained Capacity Zone in which it is located for pricing purposes shall be determined by the price of the demand bid or supply offer that is marginal in the nested export-constrained Capacity Zone. If a demand bid associated with a Proxy De-List Bid is marginal, then the substitution auction clearing price for the nested export-constrained Capacity Zone shall be equal to the Capacity Clearing Price for that nested export-constrained Capacity Zone.

If the net quantity of Capacity Supply Obligations awarded in the primary Forward Capacity Auction and substitution auction over an interface between the New England Control Area and an external Control Area is less 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 supply offers and demand bids in the substitution auction at the interface shall be treated as offers and bids in the modeled Capacity Zone associated with that interface for purposes of determining substitution auction clearing prices.

If the net quantity of Capacity Supply Obligations awarded in the primary Forward Capacity Auction and substitution auction over an interface between the New England Control Area and an external Control Area is 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 substitution auction clearing price for that interface will be determined by the demand bid or supply offer that is marginal at that interface. If a cleared demand bid associated with a Proxy De-List Bid is marginal at the external interface, then the substitution auction clearing price for that interface shall be set equal to the Capacity Clearing Price for that interface.

The substitution auction clearing price for an import-constrained Capacity Zone where the total Capacity Supply Obligations awarded in the primary action-clearing process of the Forward Capacity Auction are greater than or equal to the zone's threshold quantity specified in Section III.13.2.8.1.1 shall not be lower than the substitution auction clearing price for the Rest-of-Pool Capacity Zone.

The substitution auction clearing price for an export-constrained Capacity Zone that is not a nested export-constrained Capacity Zone, where the total Capacity Supply Obligations awarded in the primary auction-clearing process of the Forward Capacity Auction are less than or equal to the zone's threshold quantity specified in Section III.13.2.8.1.1 shall not exceed the substitution auction clearing price for the Rest-of-Pool Capacity Zone.

The substitution auction clearing price for a nested export-constrained Capacity Zone where the total Capacity Supply Obligations awarded in the primary auction-clearing process of the Forward Capacity Auction are less than or equal to the zone's threshold quantity specified in Section III.13.2.8.1.1 shall not exceed the substitution auction clearing price for the Capacity Zone within which it is located.

The substitution auction clearing price at an external interface shall not exceed the substitution auction clearing price in the Capacity Zone connected to the external interface.

If, pursuant to the rules specified above, the substitution auction clearing price for any Capacity Zone or external interface would exceed the Capacity Clearing Price for that location, the substitution auction clearing price for that location only is set equal to its Capacity Clearing Price.

The substitution auction clearing price for any Capacity Zone or external interface cannot be less than negative one multiplied by the Forward Capacity Auction Starting Price.

III.13.2.8.2. Supply Offers in the Substitution Auction.

III.13.2.8.2.1. Supply Offers.

To participate as supply in the substitution auction, a Project Sponsor for a New Capacity Resource must meet the following criteria:

- (a) The Project Sponsor and the New Capacity Resource must meet all the requirements for participation in the Forward Capacity Auction specified in Section III.13.1.
- (b) The Project Sponsor must elect to have the resource participate in the substitution auction during the New Capacity Show of Interest Window. Pursuant to an election, the resource's total amount of FCA Qualified Capacity that qualifies as a New Capacity Resource will be obligated to participate in the substitution auction, including any capacity of a Renewable Technology Resource that was not qualified due to proration pursuant to Section III.13.1.1.2.10(a), and subject to the other provisions of this Section III.13.2.8.2.
- (c) The Project Sponsor must certify that the New Capacity Resource is a Sponsored Policy Resource as part of the submission of the New Capacity Qualification Package.

Substitution auction supply offers are rationable.

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) is not eligible to participate as supply in the substitution auction. A resource is not eligible to participate as supply in the substitution auction if it has submitted a demand bid for the substitution auction.

A Composite FCM Transaction comprised of a summer resource that is a Sponsored Policy Resource is eligible to participate as supply in the substitution auction.

A Conditional Qualified New Resource may participate in the substitution auction provided that the resource with which it has overlapping interconnection impacts: (i) did not receive a Capacity Supply Obligation, fully or partially, in the primary auction-clearing process, and: (ii) is not eligible to participate in the substitution auction. A resource having a higher priority in the queue than a Conditional Qualified New Resource with which it has overlapping interconnection impact may participate in the substitution auction provided that the Conditional Qualified New Resource did not receive a Capacity Supply Obligation, fully or partially, in the primary auction-clearing process.

III.13.2.8.2.2. Supply Offer Prices.

Project Sponsors must submit substitution auction supply offer prices no later than five Business Days after the deadline for submission of offers composed of separate resources.

A substitution auction supply offer must be in the form of a curve (with up to five price-quantity pairs). The curve may not decrease in quantity as the price increases. A supply offer price for the substitution auction may not be greater than the Forward Capacity Auction Starting Price or lower than negative one multiplied by the Forward Capacity Auction Starting Price.

If the offer quantity does not equal the resource's FCA Qualified Capacity, the quantity for which no offer price was submitted will be assigned a price equal to the Forward Capacity Auction Starting Price.

III.13.2.8.2.3. Supply Offers Entered into the Substitution Auction

Supply offers for resources that satisfy all of the criteria in Section III.13.2.8.2.1 to participate in the substitution auction may be adjusted prior to conducting the substitution auction-clearing process using the following adjustments:

(a) Any portion of a resource's FCA Qualified Capacity that was cleared (received a Capacity Supply Obligation) in the primary auction-clearing process will be removed from the resource's substitution auction supply offer beginning with the lowest priced price-quantity pairs.

(b) After performing the adjustment specified in Section III.13.2.8.2.3(a), any price-quantity pairs in a resource's substitution auction supply offer with a price greater than the Capacity Clearing Price for the resource's Capacity Zone or external interface are removed from the offer.

III.13.2.8.3. Demand Bids in the Substitution Auction.

III.13.2.8.3.1. Demand Bids.

Market Participants with Existing Generating Capacity Resources or Existing Import Capacity Resources associated with External Elective Transmission Upgrades may elect to submit demand bids for the substitution auction for those resources by the Existing Capacity Retirement Deadline. The election must specify the total amount of the resource's Qualified Capacity that will be associated with its demand bid.

A resource, including any portion of an existing resource that qualifies as a New Capacity Resource, must have achieved FCM Commercial Operation 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) in order to participate as demand in the substitution auction.

Regardless of whether an election is made, a demand bid is required for any portion of a resource that is associated with a Retirement De-List Bid, provided that the entire resource has achieved FCM Commercial Operation 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 resource for which a demand bid election has been made cannot participate in a Composite FCM Transaction, cannot be designated as a Self-Supplied FCA Resource, and will not have incremental summer or winter capacity that does not span the entire Capacity Commitment Period subjected to the treatment specified in Section III.13.1.1.1.3.A.

Demand bids are non-rationable.

A demand bid will be entered into the substitution auction for the portion of the resource that receives a Capacity Supply Obligation in the primary auction-clearing process, subject to the other provisions of this Section III.13.2.8.3. A resource, or portion thereof, associated with a cleared demand bid shall be retired from all New England Markets at the start of the Capacity Commitment Period associated with the Forward Capacity Auction.

III.13.2.8.3.1A Substitution Auction Test Prices.

(a) **Participant-Submitted Test Price.** For auctions associated with a Capacity Commitment Period that begins on or after June 1, 2023, Market Participants that submit a substitution auction demand bid must submit a test price, calculated using the method described below, by the Existing Capacity Retirement Deadline.

The test price for the capacity associated with a resource's demand bid must be calculated using the same methodology as a Retirement De-List Bid, except that a Market Participant may not submit test prices for multiple price-quantity segments but must submit a single test price using, as necessary, aggregated cost and revenue data. The test price must be accompanied by the same documentation required for Retirement De-List Bids above the Dynamic De-List Bid Threshold pursuant to Section III.13.1.2.3.2.1.

A Market Participant must submit a test price regardless of whether the price is below the Dynamic De-List Bid Threshold.

A Market Participant is not required to submit a test price for any resource for which the demand bid is less than 3 MW. The applicable test price for any such resource is \$0.00/kW-month.

(b) **IMM-Determined Test Price.** The Internal Market Monitor shall review each test price submission using the methodology specified in Section III.13.1.2.3.2.1 for evaluating Retirement De-List Bids, regardless of whether the submitted test price is below the Dynamic De-List Bid Threshold. For purposes of this review, the expected revenues for a cleared substitution auction demand bid shall not be included as a component of opportunity costs. After due consideration and consultation with the Market Participant, as appropriate, the Internal Market Monitor shall replace the submitted test price with an IMM-determined test price if the submitted test price is not 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 Internal Market Monitor's determination regarding a Market Participant-submitted test price 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).

The test price used for purposes of the substitution auction shall be the Market Participant-submitted test price, as adjusted by the Internal Market Monitor pursuant to this Section III.13.2.8.3.1A(b), and as further adjusted by the Commission in response to the Internal Market Monitor's filing pursuant to Section III.13.1.2.4(a).

III.13.2.8.3.2. Demand Bid Prices.

Market Participants must submit substitution auction demand bid prices no later than five Business Days after the deadline for submission of offers composed of separate resources.

A substitution auction demand bid must be in the form of a curve (with up to five price-quantity pairs). The curve may not decrease in quantity as the price decreases. A demand bid price for the substitution auction may not be greater than the Forward Capacity Auction Starting Price or lower than negative one multiplied by the Forward Capacity Auction Starting Price.

If the bid quantity does not equal the total bid amount submitted by the Market Participant or required for a Retirement De-List Bid pursuant to Section III.13.2.8.3.1, the quantity for which no bid price was specified will be assigned a price equal to negative one multiplied by the Forward Capacity Auction Starting Price.

For auctions associated with a Capacity Commitment Period that begins on or after June 1, 2023, Market Participants may elect either of the demand bid adjustment methods specified in Section III.13.2.8.3.3(b) for the resource by no later than five Business Days after the deadline for submission of offers composed of separate resources. If no such election is made, the adjustment applied shall be the method specified in Section III.13.2.8.3.3(b)(i).

III.13.2.8.3.3. Demand Bids Entered into the Substitution Auction.

If a resource is determined to be needed for reliability pursuant to Section III.13.2.5.2.5, then any demand bid associated with the resource will not be further included in the substitution auction. If a resource is awarded a Capacity Supply Obligation in the primary auction-clearing process and the Capacity Clearing Price is less than ninety percent of the resource's test price as established pursuant to Section III.13.2.8.3.1A, then the resource's demand bid will not be included in the substitution auction.

Demand bids for resources that satisfy all of the criteria in Section III.13.2.8.3.1 to participate in the substitution auction will be adjusted prior to conducting the substitution auction-clearing process using the following adjustments:

- (a) For the substitution auction associated with the Capacity Commitment Period beginning on June 1, 2022, any portion of a resource's demand bid that exceeds its Capacity Supply Obligation awarded in the primary auction-clearing process will be removed from the substitution auction demand bid beginning with the highest priced price-quantity pairs.
- (b) For substitution auctions associated with a Capacity Commitment Period that begins on or after June 1, 2023, a resource's demand bid will be adjusted using one of the following methods as elected pursuant to Section III.13.2.8.3.2:
 - (i) The portion of a resource's capacity that did not receive a Capacity Supply Obligation in the primary auction-clearing process will be removed from the substitution auction demand bid beginning with the highest priced price-quantity pair.

(ii) Any portion of a resource's demand bid that exceeds its Capacity Supply Obligation awarded in the primary auction-clearing process will be removed from the substitution auction demand bid beginning with the lowest priced price-quantity pair.

(c) After performing the modification specified in Sections III.13.2.8.3.3(a) or III.13.2.8.3.3(b), any price-quantity pairs in a resource's substitution auction demand bid with a price greater than the Capacity Clearing Price for the resource's Capacity Zone or external interface will have its price reduced to the Capacity Clearing Price for the resource's Capacity Zone or external interface.

Except as provided in Section III.13.2.5.2.1(c), a rationable demand bid will be entered into the substitution auction on behalf of any Proxy De-List Bid associated with a Permanent De-List Bid or Retirement De-List Bid. The demand bid quantity will equal the portion of the Proxy De-List Bid that was not cleared (received a Capacity Supply Obligation) in the first run of the primary auction-clearing process. The demand bid will have priority to clear before non-rationable demand bids.

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 and the Capacity Clearing Price in the Capacity Zone in which the resource is located 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 six 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.

(d) **Substitution Auctions.** For a resource whose offer or bid has cleared in a substitution auction, the monthly capacity payment or charge shall be equal to the product of its cleared capacity and the substitution auction clearing price. Notwithstanding the foregoing, the monthly capacity charge for a demand bid cleared at a substitution auction clearing price above its bid price shall be calculated using its bid price.

III.13.7.1.2 Peak Energy Rents.

For Capacity Commitment Periods beginning prior to June 1, 2019, 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 one of the following formulas, which include scaling adjustments for system load and availability:

For hours within the period beginning September 30, 2016 through May 31, 2018:

$$\text{Hourly PER}(\$/\text{kW}) = [(\text{LMP} - \text{Adjusted Hourly PER Strike Price}) * [\text{Scaling Factor}] * [\text{Availability Factor}]$$

Where:

$$\text{Adjusted Hourly PER Strike Price} = \text{Strike Price} + \text{Hourly PER Adjustment}$$

$$\text{Hourly PER Adjustment} = \text{average of Five-Minute PER Strike Price Adjustment values}$$

$$\text{Five-Minute PER Strike Price Adjustment} = \text{MAX} (\text{Thirty-Minute Operating Reserve clearing price} - \$500/\text{MWh}, 0) + \text{MAX} (\text{Ten-Minute Non-Spinning Reserve clearing price} - \text{Thirty-Minute Operating Reserve clearing price} - \$850/\text{MWh}, 0).$$

Strike Price = as defined below

Scaling Factor = as defined below

Availability Factor = as defined below

For all other hours:

$$\text{Hourly PER}(\$/\text{kW}) = [\text{LMP} - \text{Strike Price}] * [\text{Scaling Factor}] * [\text{Availability Factor}]$$

Where:

Strike Price = the heat rate x fuel cost of the PER Proxy Unit described below.

Scaling Factor = the ratio of actual hourly integrated system load (calculated as the sum of Real-Time Load Obligations for the system as calculated in the settlement of the Real-Time Energy Market and adjusted for losses and including imports delivered in the Real-Time Energy Market)

and the 50/50 predicted peak system load reduced appropriately for Demand 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 the following, as determined on a daily basis: 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 AGT-CG (Non-G) hub;

(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.13.7.5.2.

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 Total Reserve Requirement; (ii) the Ten-Minute Reserve Requirement; or (iii) the Zonal 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. Notwithstanding the specific provisions of this Section III.13.7.2.2, no resource shall have an Actual Capacity Provided that is less than zero.

(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 Reserve Quantity For Settlement 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 Reserve Quantity For Settlement 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 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 or Seasonal Peak Demand Resource's Actual Capacity Provided during a Capacity Scarcity Condition shall be the sum of the Actual Capacity Provided for each of its components, as determined below, where the MWs of reduction, other than MWs associated with Net Supply, are increased by average avoided peak transmission and distribution losses.

(i) For Energy Efficiency measures, if the Capacity Scarcity Condition occurs during Demand Resource On-Peak Hours or Demand Resource Seasonal Peak Hours, as applicable, then the Actual Capacity Provided shall be equal to the applicable reported monthly performance value; 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 shall be zero.

- (ii) For Distributed Generation measures submitting meter data for the full 24 hour calendar day during which the Capacity Scarcity Condition occurs, the Actual Capacity Provided shall be equal to the submitted meter data, adjusted as necessary for the five-minute interval in which the Capacity Scarcity Condition occurs.
 - (iii) For Load Management measures submitting meter data for the full 24 hour calendar day during which the Capacity Scarcity Condition occurs, the Actual Capacity Provided shall be equal to the submitted demand reduction data, adjusted as necessary for the five-minute interval in which the Capacity Scarcity Condition occurs.
 - (iv) Notwithstanding any other provision of this Section III.13.7.2.2(c), for any On-Peak Demand Resource or Seasonal Peak Demand Resource that fails to provide the data necessary for the ISO to determine the Actual Capacity Provided as described in this Section III.13.7.2.2(c), the Actual Capacity Provided shall be zero.
- (d) An Active Demand Capacity Resource's Actual Capacity Provided during a Capacity Scarcity Condition shall be the sum of the Actual Capacity Provided by its constituent Demand Response Resources during the Capacity Scarcity Condition.
- (i) A Demand Response Resource's Actual Capacity Provided during a Capacity Scarcity Condition shall be: (1) the sum of the Real-Time demand reduction of its constituent Demand Response Assets (provided, however, that if the Demand Response Resource was limited during the Capacity Scarcity Condition as a result of a transmission system limitation, then the sum of the Real-Time demand reduction of its constituent Demand Response Assets may not be greater than its Desired Dispatch Point during the interval), plus (2) the Demand Response Resource's Reserve Quantity For Settlement, where the MW quantity, other than the MW quantity associated with Net Supply, is increased by average avoided peak transmission and distribution losses; provided, however, that a Demand Response Resource's Actual Capacity Provided shall not be less than zero.
 - (ii) The Real-Time demand reduction of a Demand Response Asset shall be calculated as described in Section III.8.4, except that: (1) in the case of a Demand Response Asset that is on a forced or scheduled curtailment as described in Section III.8.3, a Real-Time

demand reduction shall also be calculated for intervals in which the associated Demand Response Resource does not receive a non-zero Dispatch Instruction; (2) in the case of a Demand Response Asset that is on a forced or scheduled curtailment as described in Section III.8.3, the minuend in the calculation described in Section III.8.4 shall be the unadjusted Demand Response Baseline of the Demand Response Asset; and (3) the resulting MWhs of reduction, other than the MWhs associated with Net Supply, shall be increased by average avoided peak transmission and distribution losses.

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:

$$(\text{Load} + \text{Reserve Requirement}) / \text{Total Capacity Supply Obligation}$$

(a) If the Capacity Scarcity Condition is a result of a violation of the Minimum Total 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 applicable Real-Time Reserve Designations) from all resources in the New England Control Area during the interval.

Reserve Requirement = the Minimum Total 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.

(b) If the Capacity Scarcity Condition is a result of a violation of the Ten-Minute 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 applicable Real-Time Reserve Designations) from all resources in the New England Control Area during the interval.

Reserve Requirement = the Ten-Minute 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 Zonal Reserve 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 applicable Real-Time 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 Zonal 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 Minimum Total Reserve Requirement and the Ten-Minute Reserve Requirement, but not the Zonal Reserve Requirement, the Capacity Balancing Ratio shall be calculated as described in Section III.13.7.2.3(a) for resources in that Capacity Zone.

(ii) In any Capacity Zone subject to Reserve Constraint Penalty Factor pricing associated with both the Ten-Minute Reserve Requirement and the Zonal Reserve Requirement, but not the Minimum Total Reserve Requirement, the Capacity Balancing Ratio for resources in that Capacity Zone shall be the higher of the Capacity Balancing Ratio calculated as described in Section III.13.7.2.3(b) and the Capacity Balancing Ratio calculated as described in Section III.13.7.2.3(c).

(iii) In any Capacity Zone subject to Reserve Constraint Penalty Factor pricing associated with the Minimum Total Reserve Requirement and the Zonal Reserve Requirement (regardless of whether the Capacity Zone is also subject to Reserve Constraint Penalty Factor pricing associated with the Ten-Minute Reserve Requirement), the Capacity Balancing Ratio for resources in that Capacity Zone shall be the higher of the Capacity Balancing Ratio calculated as described in Section III.13.7.2.3(a) and the Capacity Balancing Ratio calculated as described in Section III.13.7.2.3(c).

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 (which for this purpose shall not be less than zero) and the applicable Capacity Balancing Ratio; provided, however, that for an On-Peak Demand Resource or a Seasonal Peak Demand Resource, (i) 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 Energy Efficiency measures shall be excluded from the calculation of the resource's Capacity Performance Score; and (ii) for any Energy Efficiency, Load Management, or Distributed Generation measures reflected as a reduction in the load forecast as described in Section III.12.8 the Actual Capacity Provided and Capacity Supply Obligation 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:

$$\text{MaxCSO} \times [3 \text{ months} \times (\text{FCACP} - \text{FCASP}) - (12 \text{ months} \times \text{FCACP})]$$

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.

III.13.7.5.1. Calculation of Capacity Charges Prior to June 1, 2022.

The provisions in this subsection apply to charges associated with Capacity Commitment Periods beginning prior to June 1, 2022. 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. A load serving entity with a Capacity Load Obligation as of the end of the Obligation Month may also receive a failure to cover credit equal to the product of: (a) its Capacity Load Obligation in the Capacity Zone, and; (b) the sum of all failure to cover charges in the Capacity Zone calculated pursuant to Section III.13.3.4(b), divided by total Capacity Load Obligation in the Capacity Zone.

III.13.7.5.1.1. Calculation of Capacity Charges On and After June 1, 2022.

The provisions in this subsection apply to charges associated with Capacity Commitment Periods beginning on or after June 1, 2022. For purposes of this Section III.13.7.5.1.1, Capacity Zone costs calculated for a Capacity Zone that contains a nested Capacity Zone shall exclude the Capacity Zone costs of the nested Capacity Zone. A Market Participant with a Capacity Load Obligation as of the end of the Obligation Month shall be subject to the following charges and adjustments:

III.13.7.5.1.1.1 Forward Capacity Auction Charge.

The FCA charge, for each Capacity Zone, is: (a) Capacity Load Obligation in the Capacity Zone; multiplied by (b) Capacity Zone FCA Costs divided by Zonal Capacity Obligation.

Where

Capacity Zone FCA Costs, for each Capacity Zone, are the Total FCA Costs multiplied by the Zonal Peak Load Allocator and divided by the Total Peak Load Allocator.

Total FCA Costs are the sum of, for all Capacity Zones, (i) Capacity Supply Obligations in each zone (the total obligation awarded to or shed by resources in the Forward Capacity Auction process for the Obligation Month in the zone, excluding any obligations awarded to Intermittent Power Resources that are the basis for the Intermittent Power Resource Capacity Adjustment specified in Section III.13.7.5.1.1.6 and excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section III.13.3.4A) multiplied by the applicable clearing price from the auction in which the obligation was awarded to (or shed by) the resource, and (ii) the difference between the bid price and the substitution auction clearing price that was not included in the capacity charge pursuant to the second sentence of Section III.13.7.1.1(d). Capacity Supply Obligations awarded to Proxy De-List Bids in the primary auction, or shed by demand bids entered into the substitution auction on behalf of a Proxy De-List Bid, are excluded from Total FCA Costs.

Zonal Peak Load Allocator is the Zonal Capacity Obligation multiplied by the zonal Capacity Clearing Price.

Total Peak Load Allocator is the sum of the Zonal Peak Load Allocators.

III.13.7.5.1.1.2 Annual Reconfiguration Auction Charge.

The total annual reconfiguration auction charge, for each Capacity Zone and each associated annual reconfiguration auction, is: (a) Capacity Load Obligation in the Capacity Zone; multiplied by (b) Capacity Zone Annual Reconfiguration Auction Costs divided by Zonal Capacity Obligation.

Where

Capacity Zone Annual Reconfiguration Auction Costs, for each Capacity Zone, are the Total Annual Reconfiguration Costs multiplied by the Zonal Peak Load Allocator and divided by the Total Peak Load Allocator.

Total Annual Reconfiguration Auction Costs are the sum, for all Capacity Zones and each associated annual reconfiguration auction, of the product of the Capacity Supply Obligations acquired through the annual reconfiguration auction in each zone (adjusted for any obligations procured in the annual reconfiguration auction that are subsequently terminated pursuant to Section III.13.3.4A) and the zonal annual reconfiguration auction clearing price, minus the sum, for all Capacity Zones, of the product of the amount of any Capacity Supply Obligation shed through the annual reconfiguration auction in each zone and the applicable annual reconfiguration auction clearing price.

Zonal Peak Load Allocator is the Zonal Capacity Obligation multiplied by the zonal annual reconfiguration auction clearing price.

Total Peak Load Allocator is the sum of the Zonal Peak Load Allocators.

III.13.7.5.1.1.3. Monthly Reconfiguration Auction Charge.

The monthly reconfiguration auction charge is: (a) total Capacity Load Obligation for all Capacity Zones; multiplied by (b) Total Monthly Reconfiguration Auction Costs divided by Total Zonal Capacity Obligation.

Where

Total Monthly Reconfiguration Auction Costs are the sum of, for all Capacity Zones, the product of Capacity Supply Obligations acquired through the monthly reconfiguration auction in each zone and the applicable monthly reconfiguration auction clearing price, minus the sum of, for all Capacity Zones, any Capacity Supply Obligations shed through the monthly reconfiguration auction in each zone and the applicable monthly reconfiguration auction clearing price.

Total Zonal Capacity Obligation is the total of the Zonal Capacity Obligation in all Capacity Zones.

III.13.7.5.1.1.4. HQICC Capacity Charge.

The HQICC capacity charge is: (a) total Capacity Load Obligation for all Capacity Zones; multiplied by (b) Total HQICC Credits divided by Total Capacity Load Obligation.

Where

Total HQICC credits are the product of HQICCs multiplied by the sum of the values calculated in Sections III.13.7.5.1.1.1(b), III.13.7.5.1.1.2(b), III.13.7.5.1.1.3(b), III.13.7.5.1.1.6(b), III.13.7.5.1.1.7(b), III.13.7.5.1.1.8(b), and III.13.7.5.1.1.9(b) in the Capacity Zone in which the HQ Phase I/II external node is located.

Total Capacity Load Obligation is the total Capacity Load Obligation in all Capacity Zones.

III.13.7.5.1.1.5. Self-Supply Adjustment.

The self-supply adjustment is: (a) Capacity Load Obligation in the Capacity Zone; multiplied by (b) the Self-Supply Variance divided by Total Capacity Load Obligation.

Where

Self-Supply Variance is the difference between foregone capacity payments and avoided capacity charges associated with designated self-supply quantities.

Foregone capacity payments to Self-Supplied FCA Resources are the sum, for all Capacity Zones, of the product of the zonal Capacity Supply Obligation (excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section III.13.3.4A) designated as self-supply, multiplied by the applicable clearing price from the auction in which the obligation was awarded.

Avoided capacity charges are the sum, for all Capacity Zones, of the product of any designated self-supply quantities multiplied by the sum of the values calculated in Sections III.13.7.5.1.1.1(b), III.13.7.5.1.1.2(b), III.13.7.5.1.1.3(b), III.13.7.5.1.1.6(b),

III.13.7.5.1.1.7(b), III.13.7.5.1.1.8(b), and III.13.7.5.1.1.9(b) in the Capacity Zone associated with the designated self-supply quantity.

Total Capacity Load Obligation is the total Capacity Load Obligation in all Capacity Zones.

III.13.7.5.1.1.6. Intermittent Power Resource Capacity Adjustment.

The Intermittent Power Resource capacity adjustment in a winter season for the Obligation Months from October through May is: (a) total Capacity Load Obligation for all Capacity Zones; multiplied by (b) the Intermittent Power Resource Seasonal Variance divided by Total Zonal Capacity Obligation.

Where

Intermittent Power Resource Seasonal Variance is the difference between the FCA payments for Intermittent Power Resource in the Obligation Month and the base FCA payments for Intermittent Power Resources.

FCA payments to Intermittent Power Resources are the sum, for all Capacity Zones, of the product of the Capacity Supply Obligations awarded to or shed by Intermittent Power Resources in the Forward Capacity Auction process for the Obligation Month pursuant to Section III.13.2.7.6 or Section III.13.2.8.1.1 (excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section III.13.3.4A), multiplied by the applicable clearing price from the auction in which the obligation was awarded.

Base FCA payments for Intermittent Power Resources are the sum, for all Capacity Zones, of the product of the FCA Qualified Capacity procured from or shed by Intermittent Power Resources in the Forward Capacity Auction process (excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section III.13.3.4A), multiplied by the applicable clearing price from the auction in which the obligation was awarded.

Total Zonal Capacity Obligation is the total Capacity Load Obligation in all Capacity Zones.

III.13.7.5.1.1.7. Multi-Year Rate Election Adjustment.

For multi-year rate elections made in the primary Forward Capacity Auction for Capacity Commitment Periods beginning on or after June 1, 2022, the multi-year rate election adjustment, for each Capacity

Zone, is: (a) Capacity Load Obligation in the Capacity Zone; multiplied by (b) Zonal Multi-Year Rate Election Costs divided by Zonal Capacity Obligation.

Where

Zonal Multi-Year Rate Election Costs is the sum, for each resource with a multi-year rate election in the Obligation Month, of the amount of Capacity Supply Obligation designated to receive the multi-year rate (excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section III.13.3.4A), multiplied by the difference in the applicable zonal Capacity Clearing Price for the Forward Capacity Auction in which the resource originally was awarded a Capacity Supply Obligation (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) and the applicable zonal Capacity Clearing Price for the current Capacity Commitment Period, multiplied by the Zonal Peak Load Allocator for the Forward Capacity Auction in which the resource originally was awarded a Capacity Supply Obligation and divided by the Total Peak Load Allocator for the Forward Capacity Auction in which the resource originally was awarded a Capacity Supply Obligation.

Zonal Peak Load Allocator is the Zonal Capacity Obligation multiplied by the zonal Capacity Clearing Price.

Total Peak Load Allocator is the sum of the Zonal Peak Load Allocators.

For multi-year rate elections made in the primary Forward Capacity Auction for Capacity Commitment Periods beginning prior to June 1, 2022, the multi-year rate election adjustment, for each Capacity Zone, is: (a) Capacity Load Obligation in the Capacity Zone; multiplied by (b) Zonal Multi-Year Rate Election Costs divided by Zonal Capacity Obligation.

Where

Zonal Multi-Year Rate Election Costs is the sum in each Capacity Zone, for each resource with a multi-year rate election in the Obligation Month, of the amount of Capacity Supply Obligation designated to receive the multi-year rate (excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section III.13.3.4A), multiplied by the difference in the applicable zonal Capacity Clearing Price for the Forward Capacity Auction in which the resource originally was awarded a Capacity Supply Obligation (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) and the applicable zonal Capacity Clearing Price for the current Capacity Commitment Period.

III.13.7.5.1.1.8 CTR Transmission Upgrade Charge.

The CTR transmission upgrade charge is: (a) the Capacity Load Obligation in the Capacity Zones to which the applicable interface limits the transfer of capacity, multiplied by (b) Zonal CTR Transmission Upgrade Cost divided by Zonal Capacity Obligation.

Where

Zonal CTR Transmission Upgrade Cost for each Capacity Zone to which the interface limits the transfer of capacity is the amount calculated pursuant to Section III.13.7.5.4.4 (f), multiplied by the Zonal Capacity Obligation and divided by the sum of the Zonal Capacity Obligation for all Capacity Zones to which the interface limits the transfer of capacity.

III.13.7.5.1.1.9 CTR Pool-Planned Unit Charge.

The CTR Pool-Planned Unit charge is: (a) the Capacity Load Obligation in the Capacity Zone less the amount of any CTRs specifically allocated pursuant to Section III.13.7.5.4.5, multiplied by (b) CTR Pool-Planned Unit Cost divided by Total Zonal Capacity Obligation less the amount of any CTRs specifically allocated pursuant to Section III.13.7.5.4.5.

Where

The CTR Pool-Planned Unit Cost for each Capacity Zone is the sum of the amounts calculated pursuant to Section III.13.7.5.4.5 (b).

Total Zonal Capacity Obligation is the total of the Zonal Capacity Obligation in all Capacity Zones.

III.13.7.5.1.1.10. Failure to Cover Charge Adjustment.

The failure to cover charge adjustment, for each Capacity Zone, is (a) Capacity Load Obligation in the Capacity Zone; multiplied by (b) Zonal Failure to Cover Charges divided by Zonal Capacity Obligation.

Where:

Zonal Failure to Cover Charges are the product of: (1) the sum, for all Capacity Zones, of the failure to cover charges calculated pursuant to Section III.13.3.4(b), and; (2) the Zonal Peak Load Allocator and divided by the Total Peak Load Allocator.

Zonal Peak Load Allocator is the Zonal Capacity Obligation multiplied by the zonal annual reconfiguration auction clearing price as determined pursuant to Section III.13.3.4.

Total Peak Load Allocator is the sum of the Zonal Peak Load Allocators.

III.13.7.5.2. Calculation of Capacity Load Obligation and Zonal Capacity Obligation.

The ISO shall assign each Market Participant a share of the Zonal Capacity Obligation 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 Zonal Capacity Obligation of a Capacity Zone that contains a nested Capacity Zone shall exclude the Zonal Capacity Obligation of the nested Capacity Zone.

Zonal Capacity Obligation 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 for Capacity Commitment Periods beginning prior to June 1, 2022 and excluding any additional obligations awarded to Intermittent Power Resources pursuant to Section III.13.2.7.6 that exceed the FCA Qualified Capacity procured in the Forward Capacity Auction for Capacity Commitment Periods beginning on or after June 1, 2022) 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 (for Capacity Commitment Periods beginning prior to June 1, 2022) and from the calendar year one year prior to the start of the Capacity Commitment Period (for Capacity Commitment Periods beginning on or after June 1, 2022) 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 (for Capacity Commitment Periods beginning prior to June 1, 2022) and from the calendar year one year prior to the start of the Capacity Commitment Period (for Capacity Commitment Periods beginning on or after June 1, 2022).

The following loads are assigned a peak contribution of zero for the purposes of assigning obligations and tracking load shifts: load associated with the receipt of electricity from the grid by Storage DARDs for later injection of electricity back to the grid; 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 a 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 Market Participant's share of Zonal Capacity Obligation for each month and Capacity Zone shall equal the product of: (i) the Capacity Zone's Zonal Capacity Obligation 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 Market Participant's Capacity Load Obligation shall be its share of Zonal Capacity Obligation for each month and Capacity Zone, 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's share of Zonal Capacity Obligation will not be reconstituted to include the demand reduction of a Demand Capacity Resource or Demand Response Resource.

III.13.7.5.2.1. 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.13.7.5.3. Excess Revenues.

(a) For Capacity Commitment Periods beginning prior to June 1, 2022, 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.13.3.4A 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.13.7.5.4. Capacity Transfer Rights.

III.13.7.5.4.1. Definition and Payments to Holders of Capacity Transfer Rights.

This subsection applies to Capacity Commitment Periods beginning prior to June 1, 2022.

Capacity Transfer Rights are calculated 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.

III.13.7.5.4.2. Allocation of Capacity Transfer Rights.

This subsection applies to Capacity Commitment Periods beginning prior to June 1, 2022.

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.

III.13.7.5.4.3. Allocations of CTRs Resulting From Revised Capacity Zones.

This subsection applies to Capacity Commitment Periods beginning prior to June 1, 2022.

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.13.7.5.4.4. 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.13.7.5.4.2.

(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.13.7.5.4.2.

(e) **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.

(f) The value of CTRs specifically allocated pursuant to this Section shall be calculated as the product of: (i) the Capacity Clearing Price to which the applicable interface limits the transfer of capacity

minus the Capacity Clearing Price from which the applicable interface limits the transfer of capacity; and
(ii) the MW quantity of the specifically allocated CTRs across the applicable interface.

III.13.7.5.4.5. Specifically Allocated CTRs for Pool-Planned Units.

(a) 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 most recent seasonal claimed capability of the ownership entitlements in such unit, adjusted for any designated self-supply quantities as described in Section III.13.1.6.2. 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.

(b) The value of CTRs specifically allocated pursuant to this Section shall be calculated as the product of: (i) the Capacity Clearing Price for the Capacity Zone where the load of the municipal utility entitlement holder is located minus the Capacity Clearing Price for the Capacity Zone in which the Pool-Planned Unit is located, and; (ii) the MW quantity of the specifically allocated CTRs.

III.13.7.5.5. 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 charges; (b) its revenues from any applicable specifically allocated CTRs; (c) its share of the CTR fund (for Capacity Commitment Periods beginning prior to June 1, 2022); and (d) any applicable export charges.

SECTION III

MARKET RULE 1

APPENDIX A

**MARKET MONITORING,
REPORTING AND MARKET POWER MITIGATION**

APPENDIX A
MARKET MONITORING, REPORTING AND MARKET POWER MITIGATION

Table of Contents

- III.A.1. Introduction and Purpose: Structure and Oversight: Independence
 - III.A.1.1. Mission Statement
 - III.A.1.2. Structure and Oversight
 - III.A.1.3. Data Access and Information Sharing
 - III.A.1.4. Interpretation
 - III.A.1.5. Definitions

- III.A.2. Functions of the Market Monitor
 - III.A.2.1. Core Functions of the Internal Market Monitor and External Market Monitor
 - III.A.2.2. Functions of the External Market Monitor
 - III.A.2.3. Functions of the Internal Market Monitor
 - III.A.2.4. Overview of the Internal Market Monitor's Mitigation Functions
 - III.A.2.4.1. Purpose
 - III.A.2.4.2. Conditions for the Imposition of Mitigation Measures
 - III.A.2.4.3. Applicability
 - III.A.2.4.4. Mitigation Not Provided for Under This *Appendix A*
 - III.A.2.4.5. Duration of Mitigation

- III.A.3. Consultation Prior to Determination of Reference Levels for Physical Parameters and Financial Parameters of Resources; Fuel Price Adjustments
 - III.A.3.1. Consultation Prior to Offer
 - III.A.3.2. Dual Fuel Resources
 - III.A.3.3. Market Participant Access to its Reference Levels
 - III.A.3.4. Fuel Price Adjustments

- III.A.4. Physical Withholding
 - III.A.4.1. Identification of Conduct Inconsistent with Competition

- III.A.4.2. Thresholds for Identifying Physical Withholding
 - III.A.4.2.1. Initial Thresholds
 - III.A.4.2.2. Adjustment to Generating Capacity
 - III.A.4.2.3. Withholding of Transmission
 - III.A.4.2.4. Resources in Congestion Areas
- III.A.4.3. Hourly Market Impacts
- III.A.5. Mitigation
 - III.A.5.1. Resources with Capacity Supply Obligations
 - III.A.5.1.1. Resources with Partial Capacity Supply Obligations
 - III.A.5.2. Structural Tests
 - III.A.5.2.1. Pivotal Supplier Test
 - III.A.5.2.2. Constrained Area Test
 - III.A.5.3. Calculation of Impact Test in the Day-Ahead Energy Market
 - III.A.5.4. Calculation of Impact Tests in the Real-Time Energy Market
 - III.A.5.5. Mitigation by Type
 - III.A.5.5.1. General Threshold Energy Mitigation
 - III.A.5.5.1.1. Applicability
 - III.A.5.5.1.2. Conduct Test
 - III.A.5.5.1.3. Impact Test
 - III.A.5.5.1.4. Consequence of Failing Both Conduct and Impact Test
 - III.A.5.5.2. Constrained Area Energy Mitigation
 - III.A.5.5.2.1. Applicability
 - III.A.5.5.2.2. Conduct Test
 - III.A.5.5.2.3. Impact Test
 - III.A.5.5.2.4. Consequence of Failing Both Conduct and Impact Test
 - III.A.5.5.3. Manual Dispatch Energy Mitigation
 - III.A.5.5.3.1. Applicability
 - III.A.5.5.3.2. Conduct Test
 - III.A.5.5.3.3. Consequence of Failing the Conduct Test
 - III.A.5.5.4. General Threshold Commitment Mitigation
 - III.A.5.5.4.1. Applicability
 - III.A.5.5.4.2. Conduct Test
 - III.A.5.5.4.3. Consequence of Failing Conduct Test

- III.A.5.5.5. Constrained Area Commitment Mitigation
 - III.A.5.5.5.1. Applicability
 - III.A.5.5.5.2. Conduct Test
 - III.A.5.5.5.3. Consequence of Failing Test
 - III.A.5.5.6. Reliability Commitment Mitigation
 - III.A.5.5.6.1. Applicability
 - III.A.5.5.6.2. Conduct Test
 - III.A.5.5.6.3. Consequence of Failing Test
 - III.A.5.5.7. Start-Up Fee and No-Load Fee Mitigation
 - III.A.5.5.7.1. Applicability
 - III.A.5.5.7.2. Conduct Test
 - III.A.5.5.7.3. Consequence of Failing Conduct Test
 - III.A.5.5.8. Low Load Cost
 - III.A.5.6. Duration of Energy Threshold Mitigation
 - III.A.5.7. Duration of Commitment Mitigation
 - III.A.5.8. Duration of Start-Up Fee and No-Load Mitigation
 - III.A.5.9. Correction of Mitigation
 - III.A.5.10. Delay of Day-Ahead Energy Market Due to Mitigation Process
- III.A.6. Physical and Financial Parameter Offer Thresholds
 - III.A.6.1. Time-Based Offer Parameters
 - III.A.6.2. Financial Offer Parameters
 - III.A.6.3. Other Offer Parameters
- III.A.7. Calculation of Resource Reference Levels for Physical Parameters and Financial Parameters of Resources
 - III.A.7.1. Methods for Determining Reference Levels for Physical Parameter
 - III.A.7.2. Methods for Determining Reference Levels for Financial Parameters of Supply Offers
 - III.A.7.2.1. Order of Reference Level Calculation
 - III.A.7.2.2. Circumstances in Which Cost-Based Reference Levels Supersede the Hierarchy of Reference Level Calculation
 - III.A.7.3. Accepted Offer-Based Reference Level
 - III.A.7.4. LMP-Based Reference Level

- III.A.7.5. Cost-based Reference Level
 - III.A.7.5.1. Estimation of Incremental Operating Cost
- III.A.8. [Reserved.]
- III.A.9. Regulation
- III.A.10. Demand Bids
- III.A.11. Mitigation of Increment Offers and Decrement Bids
 - III.A.11.1. Purpose
 - III.A.11.2. Implementation
 - III.A.11.2.1. Monitoring of Increment Offers and Decrement Bids
 - III.A.11.3. Mitigation Measures
 - III.A.11.4. Monitoring and Analysis of Market Design and Rules
- III.A.12. Cap on FTR Revenues
- III.A.13. Additional Internal Market Monitor Functions Specified in Tariff
 - III.A.13.1. Review of Offers and Bids in the Forward Capacity Market
 - III.A.13.2. Supply Offers and Demand Bids Submitted for Reconfiguration Auctions in the Forward Capacity Market
 - III.A.13.3. Monitoring of Transmission Facility Outage Scheduling
 - III.A.13.4. Monitoring of Forward Reserve Resources
 - III.A.13.5. Imposition of Sanctions
- III.A.14. Treatment of Supply Offers for Resources Subject to a Cost-of-Service Agreement
- III.A.15. Request for Additional Cost Recovery
 - III.A.15.1. Filing Right
 - III.A.15.2. Contents of Filing
 - III.A.15.3. Review by Internal Market Monitor Prior to Filing
 - III.A.15.4. Cost Allocation

- III.A.16. ADR Review of Internal Market Monitor Mitigation Actions
 - III.A.16.1. Actions Subject to Review
 - III.A.16.2. Standard of Review

- III.A.17. Reporting
 - III.A.17.1. Data Collection and Retention
 - III.A.17.2. Periodic Reporting by the ISO and Internal Market Monitor
 - III.A.17.2.1. Monthly Report
 - III.A.17.2.2. Quarterly Report
 - III.A.17.2.3. Reporting on General Performance of the Forward Capacity Market
 - III.A.17.2.4. Annual Review and Report by the Internal Market Monitor
 - III.A.17.3. Periodic Reporting by the External Market Monitor
 - III.A.17.4. Other Internal Market Monitor or External Market Monitor Communications with Government Agencies
 - III.A.17.4.1. Routine Communications
 - III.A.17.4.2. Additional Communications
 - III.A.17.4.3. Confidentiality
 - III.A.17.5. Other Information Available from Internal Market Monitor and External Market Monitor on Request by Regulators

- III.A.18. Ethical Conduct Standards
 - III.A.18.1. Compliance with ISO New England Inc. Code of Conduct
 - III.A.18.2. Additional Ethical Conduct Standards
 - III.A.18.2.1. Prohibition on Employment with a Market Participant
 - III.A.18.2.2. Prohibition on Compensation for Services
 - III.A.18.2.3. Additional Standards Application to External Market Monitor

- III.A.19. Protocols on Referrals to the Commission of Suspected Violations

- III.A.20. Protocol on Referrals to the Commission of Perceived Market Design Flaws and Recommended Tariff Changes

- III.A.21. Review of Offers From New Resources in the Forward Capacity Market
 - III.A.21.1. Offer Review Trigger Prices
 - III.A.21.1.1. Offer Review Trigger Prices for the Forward Capacity Auction
 - III.A.21.1.2. Calculation of Offer Review Trigger Prices
 - III.A.21.2. New Resource Offer Floor Prices and Offer Prices
 - III.A.21.3. Special Treatment of Certain Out-of-Market Capacity Resources in the Eighth Forward Capacity Auction
- III.A.22. [Reserved]
- III.A.23. Pivotal Supplier Test for Existing Capacity Resources and New Import Capacity Resources in the Forward Capacity Market
 - III.A.23.1. Pivotal Supplier Test
 - III.A.23.2. Conditions Under Which Capacity is Treated as Non-Pivotal
 - III.A.23.3. Pivotal Supplier Test Notification of Results
 - III.A.23.4. Qualified Capacity for Purposes of Pivotal Supplier Test
- III.A.24 Retirement Portfolio Test for Existing Capacity Resources in the Forward Capacity Market
- EXHIBIT 1 [Reserved]
- EXHIBIT 2 [Reserved]
- EXHIBIT 3 [Reserved]
- EXHIBIT 4 [Reserved]
- EXHIBIT 5 ISO NEW ENGLAND INC. CODE OF CONDUCT

MARKET MONITORING, REPORTING AND MARKET POWER MITIGATION

III.A.1. Introduction and Purpose; Structure and Oversight: Independence.

III.A.1.1. Mission Statement.

The mission of the Internal Market Monitor and External Market Monitor shall be (1) to protect both consumers and Market Participants by the identification and reporting of market design flaws and market power abuses; (2) to evaluate existing and proposed market rules, tariff provisions and market design elements to remove or prevent market design flaws and recommend proposed rule and tariff changes to the ISO; (3) to review and report on the performance of the New England Markets; (4) to identify and notify the Commission of instances in which a Market Participant's behavior, or that of the ISO, may require investigation; and (5) to carry out the mitigation functions set forth in this *Appendix A*.

III.A.1.2. Structure and Oversight.

The market monitoring and mitigation functions contained in this *Appendix A* shall be performed by the Internal Market Monitor, which shall report to the ISO Board of Directors and, for administrative purposes only, to the ISO Chief Executive Officer, and by an External Market Monitor selected by and reporting to the ISO Board of Directors. Members of the ISO Board of Directors who also perform management functions for the ISO shall be excluded from oversight and governance of the Internal Market Monitor and External Market Monitor. The ISO shall enter into a contract with the External Market Monitor addressing the roles and responsibilities of the External Market Monitor as detailed in this *Appendix A*. The ISO shall file its contract with the External Market Monitor with the Commission. In order to facilitate the performance of the External Market Monitor's functions, the External Market Monitor shall have, and the ISO's contract with the External Market Monitor shall provide for, access by the External Market Monitor to ISO data and personnel, including ISO management responsible for market monitoring, operations and billing and settlement functions. Any proposed termination of the contract with the External Market Monitor or modification of, or other limitation on, the External Market Monitor's scope of work shall be subject to prior Commission approval.

III.A.1.3. Data Access and Information Sharing.

The ISO shall provide the Internal Market Monitor and External Market Monitor with access to all market data, resources and personnel sufficient to enable the Internal Market Monitor and External Market Monitor to perform the market monitoring and mitigation functions provided for in this *Appendix A*.

This access shall include access to any confidential market information that the ISO receives from another independent system operator or regional transmission organization subject to the Commission's jurisdiction, or its market monitor, as part of an investigation to determine (a) if a Market Violation is occurring or has occurred, (b) if market power is being or has been exercised, or (c) if a market design flaw exists. In addition, the Internal Market Monitor and External Market Monitor shall have full access to the ISO's electronically generated information and databases and shall have exclusive control over any data created by the Internal Market Monitor or External Market Monitor. The Internal Market Monitor and External Market Monitor may share any data created by it with the ISO, which shall maintain the confidentiality of such data in accordance with the terms of the ISO New England Information Policy.

III.A.1.4. Interpretation.

In the event that any provision of any ISO New England Filed Document is inconsistent with the provisions of this *Appendix A*, the provisions of *Appendix A* shall control. Notwithstanding the foregoing, Sections III.A.1.2, III.A.2.2 (a)-(c), (e)-(h), Section III.A.2.3 (a)-(g), (i), (n) and Section III.A.17.3 are also part of the Participants Agreement and cannot be modified in either *Appendix A* or the Participants Agreement without a corresponding modification at the same time to the same language in the other document.

III.A.1.5. Definitions.

Capitalized terms not defined in this *Appendix A* are defined in the definitions section of Section I of the Tariff.

III.A.2. Functions of the Market Monitor.

III.A.2.1. Core Functions of the Internal Market Monitor and External Market Monitor.

The Internal Market Monitor and External Market Monitor will perform the following core functions:

- (a) Evaluate existing and proposed market rules, tariff provisions and market design elements, and recommend proposed rule and tariff changes to the ISO, the Commission, Market Participants, public utility commissioners of the six New England states, and to other interested entities, with the understanding that the Internal Market Monitor and External Market Monitor are not to effectuate any proposed market designs (except as specifically provided in Section III.A.2.4.4, Section III.A.9 and Section III.A.10 of this *Appendix A*). In the event the Internal Market Monitor or External Market Monitor believes broader dissemination could lead to exploitation, it shall limit distribution of its

identifications and recommendations to the ISO and to the Commission, with an explanation of why broader dissemination should be avoided at that time. Nothing in this Section III.A.2.1 (a) shall prohibit or restrict the Internal Market Monitor and External Market Monitor from implementing Commission accepted rule and tariff provisions regarding market monitoring or mitigation functions that, according to the terms of the applicable rule or tariff language, are to be performed by the Internal Market Monitor or External Market Monitor.

- (b) Review and report on the performance of the New England Markets to the ISO, the Commission, Market Participants, the public utility commissioners of the six New England states, and to other interested entities.
- (c) Identify and notify the Commission's Office of Enforcement of instances in which a Market Participant's behavior, or that of the ISO, may require investigation, including suspected tariff violations, suspected violations of Commission-approved rules and regulations, suspected market manipulation, and inappropriate dispatch that creates substantial concerns regarding unnecessary market inefficiencies.

III.A.2.2. Functions of the External Market Monitor.

To accomplish the functions specified in Section III.A.2.1 of this *Appendix A*, the External Market Monitor shall perform the following functions:

- (a) Review the competitiveness of the New England Markets, the impact that the market rules and/or changes to the market rules will have on the New England Markets and the impact that the ISO's actions have had on the New England Markets. In the event that the External Market Monitor uncovers problems with the New England Markets, the External Market Monitor shall promptly inform the Commission, the Commission's Office of Energy Market Regulation staff, the ISO Board of Directors, the public utility commissions for each of the six New England states, and the Market Participants of its findings in accordance with the procedures outlined in Sections III.A.19 and III.A.20 of this *Appendix A*, provided that in the case of Market Participants and the public utility commissions, information in such findings shall be redacted as necessary to comply with the ISO New England Information Policy. Notwithstanding the foregoing, in the event the External Market Monitor believes broader dissemination could lead to exploitation, it shall limit distribution of its identifications to the ISO and to the Commission, with an explanation of why broader dissemination should be avoided at that time.
- (b) Perform independent evaluations and prepare annual and ad hoc reports on the overall competitiveness and efficiency of the New England Markets or particular aspects of the New England

Markets, including the adequacy of this *Appendix A*, in accordance with the provisions of Section III.A.17 of this *Appendix A*.

- (c) Conduct evaluations and prepare reports on its own initiative or at the request of others.
- (d) Monitor and review the quality and appropriateness of the mitigation conducted by the Internal Market Monitor. In the event that the External Market Monitor discovers problems with the quality or appropriateness of such mitigation, the External Market Monitor shall promptly inform the Commission, the Commission's Office of Energy Market Regulation staff, the ISO Board of Directors, the public utility commissions for each of the six New England states, and the Market Participants of its findings in accordance with the procedures outlined in Sections III.A.19 and/or III.A.20 of this *Appendix A*, provided that in the case of Market Participants and the public utility commissions, information in such findings shall be redacted as necessary to comply with the ISO New England Information Policy. Notwithstanding the foregoing, in the event the External Market Monitor believes broader dissemination could lead to exploitation, it shall limit distribution of its identifications to the ISO and to the Commission, with an explanation of why broader dissemination should be avoided at that time.
- (e) Prepare recommendations to the ISO Board of Directors and the Market Participants on how to improve the overall competitiveness and efficiency of the New England Markets or particular aspects of the New England Markets, including improvements to this *Appendix A*.
- (f) Recommend actions to the ISO Board of Directors and the Market Participants to increase liquidity and efficient trade between regions and improve the efficiency of the New England Markets.
- (g) Review the ISO's filings with the Commission from the standpoint of the effects of any such filing on the competitiveness and efficiency of the New England Markets. The External Market Monitor will have the opportunity to comment on any filings under development by the ISO and may file comments with the Commission when the filings are made by the ISO. The subject of any such comments will be the External Market Monitor's assessment of the effects of any proposed filing on the competitiveness and efficiency of the New England Markets, or the effectiveness of this *Appendix A*, as appropriate.
- (h) Provide information to be directly included in the monthly market updates that are provided at the meetings of the Market Participants.

III.A.2.3. Functions of the Internal Market Monitor.

To accomplish the functions specified in Section III.A.2.1 of this *Appendix A*, the Internal Market Monitor shall perform the following functions:

- (a) Maintain *Appendix A* and consider whether *Appendix A* requires amendment. Any amendments deemed to be necessary by the Internal Market Monitor shall be undertaken after consultation with Market Participants in accordance with Section 11 of the Participants Agreement.
- (b) Perform the day-to-day, real-time review of market behavior in accordance with the provisions of this *Appendix A*.
- (c) Consult with the External Market Monitor, as needed, with respect to implementing and applying the provisions of this *Appendix A*.
- (d) Identify and notify the Commission's Office of Enforcement staff of instances in which a Market Participant's behavior, or that of the ISO, may require investigation, including suspected Tariff violations, suspected violations of Commission-approved rules and regulations, suspected market manipulation, and inappropriate dispatch that creates substantial concerns regarding unnecessary market inefficiencies, in accordance with the procedures outlined in Section III.A.19 of this *Appendix A*.
- (e) Review the competitiveness of the New England Markets, the impact that the market rules and/or changes to the market rules will have on the New England Markets and the impact that ISO's actions have had on the New England Markets. In the event that the Internal Market Monitor uncovers problems with the New England Markets, the Internal Market Monitor shall promptly inform the Commission, the Commission's Office of Energy Market Regulation staff, the ISO Board of Directors, the public utility commissions for each of the six New England states, and the Market Participants of its findings in accordance with the procedures outlined in Sections III.A.19 and III.A.20 of this *Appendix A*, provided that in the case of Market Participants and the public utility commissions, information in such findings shall be redacted as necessary to comply with the ISO New England Information Policy. Notwithstanding the foregoing, in the event the Internal Market Monitor believes broader dissemination could lead to exploitation, it shall limit distribution of its identifications to the ISO and to the Commission, with an explanation of why broader dissemination should be avoided at that time.
- (f) Provide support and information to the ISO Board of Directors and the External Market Monitor consistent with the Internal Market Monitor's functions.
- (g) Prepare an annual state of the market report on market trends and the performance of the New England Markets, as well as less extensive quarterly reports, in accordance with the provisions of Section III.A.17 of this *Appendix A*.
- (h) Make one or more of the Internal Market Monitor staff members available for regular conference calls, which may be attended, telephonically or in person, by Commission and state commission staff, by representatives of the ISO, and by Market Participants. The information to be provided in the

Internal Market Monitor conference calls is generally to consist of a review of market data and analyses of the type regularly gathered and prepared by the Internal Market Monitor in the course of its business, subject to appropriate confidentiality restrictions. This function may be performed through making a staff member of the Internal Market Monitor available for the monthly meetings of the Market Participants and inviting Commission staff and the staff of state public utility commissions to those monthly meetings.

- (i) Be primarily responsible for interaction with external Control Areas, the Commission, other regulators and Market Participants with respect to the matters addressed in this **Appendix A**.
- (j) Monitor for conduct whether by a single Market Participant or by multiple Market Participants acting in concert, including actions involving more than one Resource, that may cause a material effect on prices or other payments in the New England Markets if exercised from a position of market power, and impose appropriate mitigation measures if such conduct is detected and the other applicable conditions for the imposition of mitigation measures as set forth in this **Appendix A** are met. The categories of conduct for which the Internal Market Monitor shall perform monitoring for potential mitigation are:

- (i) *Economic withholding*, that is, submitting a Supply Offer for a Resource that is unjustifiably high and violates the economic withholding criteria set forth in Section III.A.5 so that (i) the Resource is not or will not be dispatched or scheduled, or (ii) the bid or offer will set an unjustifiably high market clearing price.
- (ii) *Uneconomic production from a Resource*, that is, increasing the output of a Resource to levels that would otherwise be uneconomic, absent an order of the ISO, in order to cause, and obtain benefits from, a transmission constraint.
- (iii) *Anti-competitive Increment Offers and Decrement Bids*, which are bidding practices relating to Increment Offers and Decrement Bids that cause Day-Ahead LMPs not to achieve the degree of convergence with Real-Time LMPs that would be expected in a workably competitive market, more fully addressed in Section III.A.11 of this **Appendix A**.
- (iv) *Anti-competitive Demand Bids*, which are addressed in Section III.A.10 of this **Appendix A**.
- (v) Other categories of conduct that have material effects on prices or NCPC payments in the New England Markets. The Internal Market Monitor, in consultation with the External Market Monitor, shall; (i) seek to amend **Appendix A** as may be appropriate to include any such conduct that would substantially distort or impair the competitiveness of any of

the New England Markets; and (ii) seek such other authorization to mitigate the effects of such conduct from the Commission as may be appropriate.

(k) Perform such additional monitoring as the Internal Market Monitor deems necessary, including without limitation, monitoring for:

- (i) Anti-competitive gaming of Resources;
- (ii) Conduct and market outcomes that are inconsistent with competitive markets;
- (iii) Flaws in market design or software or in the implementation of rules by the ISO that create inefficient incentives or market outcomes;
- (iv) Actions in one market that affect price in another market;
- (v) Other aspects of market implementation that prevent competitive market results, the extent to which market rules, including this *Appendix A*, interfere with efficient market operation, both short-run and long-run; and
- (vi) Rules or conduct that creates barriers to entry into a market.

The Internal Market Monitor will include significant results of such monitoring in its reports under Section III.A.17 of this *Appendix A*. Monitoring under this Section III.A.2.3(k) cannot serve as a basis for mitigation under III.A.11 of this *Appendix A*. If the Internal Market Monitor concludes as a result of its monitoring that additional specific monitoring thresholds or mitigation remedies are necessary, it may proceed under Section III.A.20.

- (l) Propose to the ISO and Market Participants appropriate mitigation measures or market rule changes for conduct that departs significantly from the conduct that would be expected under competitive market conditions but does not rise to the thresholds specified in Sections III.A.5, III.A.10, or III.A.11. In considering whether to recommend such changes, the Internal Market Monitor shall evaluate whether the conduct has a significant effect on market prices or NCPC payments as specified below. The Internal Market Monitor will not recommend changes if it determines, from information provided by Market Participants (or parties that would be subject to mitigation) or from other information available to the Internal Market Monitor, that the conduct and associated price or NCPC payments under investigation are attributable to legitimate competitive market forces or incentives.
- (m) Evaluate physical withholding of Supply Offers in accordance with Section III.A.4 below for referral to the Commission in accordance with *Appendix B* of this Market Rule 1.

- (n) If and when established, participate in a committee of regional market monitors to review issues associated with interregional transactions, including any barriers to efficient trade and competition.

III.A.2.4. Overview of the Internal Market Monitor's Mitigation Functions.

III.A.2.4.1. Purpose.

The mitigation measures set forth in this *Appendix A* for mitigation of market power are intended to provide the means for the Internal Market Monitor to mitigate the market effects of any actions or transactions that are without a legitimate business purpose and that are intended to or foreseeably could manipulate market prices, market conditions, or market rules for electric energy or electricity products. Actions or transactions undertaken by a Market Participant that are explicitly contemplated in Market Rule 1 (such as virtual supply or load bidding) or taken at the direction of the ISO are not in violation of this *Appendix A*. These mitigation measures are intended to minimize interference with open and competitive markets, and thus to permit to the maximum extent practicable, price levels to be determined by competitive forces under the prevailing market conditions. To that end, the mitigation measures authorize the mitigation of only specific conduct that exceeds well-defined thresholds specified below. When implemented, mitigation measures affecting the LMP or clearing prices in other markets will be applied *ex ante*. Nothing in this *Appendix A*, including the application of a mitigation measure, shall be deemed to be a limitation of the ISO's authority to evaluate Market Participant behavior for potential sanctions under *Appendix B* of this Market Rule 1.

III.A.2.4.2. Conditions for the Imposition of Mitigation.

- (a) Imposing Mitigation. To achieve the foregoing purpose and objectives, mitigation measures are imposed pursuant to Sections III.A.5, III.A.10, and III.A.11 below:
- (b) Notwithstanding the foregoing or any other provision of this *Appendix A*, and as more fully described in Section III.B.3.2.6 of *Appendix B* to this Market Rule 1, certain economic decisions shall not be deemed a form of withholding or otherwise inconsistent with competitive conduct.

III.A.2.4.3. Applicability.

Mitigation measures may be applied to Supply Offers, Increment Offers, Demand Bids, and Decrement Bids, as well as to the scheduling or operation of a generation unit or transmission facility.

III.A.2.4.4. Mitigation Not Provided for Under This *Appendix A*.

The Internal Market Monitor shall monitor the New England Markets for conduct that it determines constitutes an abuse of market power but does not trigger the thresholds specified below for the imposition of mitigation measures by the Internal Market Monitor. If the Internal Market Monitor identifies any such conduct, and in particular conduct exceeding the thresholds specified in this *Appendix A*, it may make a filing under §205 of the Federal Power Act (“§205”) with the Commission requesting authorization to apply appropriate mitigation measures. Any such filing shall identify the particular conduct the Internal Market Monitor believes warrants mitigation, shall propose a specific mitigation measure for the conduct, and shall set forth the Internal Market Monitor’s justification for imposing that mitigation measure.

III.A.2.4.5. Duration of Mitigation.

Any mitigation measure imposed on a specific Market Participant, as specified below, shall expire not later than six months after the occurrence of the conduct giving rise to the measure, or at such earlier time as may be specified by the Internal Market Monitor or as otherwise provided in this *Appendix A* or in *Appendix B* to this Market Rule 1.

III.A.3. Consultation Prior to Determination of Reference Levels for Physical and Financial Parameters of Resources; Fuel Price Adjustments.

Upon request of a Market Participant or at the initiative of the Internal Market Monitor, the Internal Market Monitor shall consult with a Market Participant with respect to the information and analysis used to determine Reference Levels under Section III.A.7 for that Market Participant. In order for the Internal Market Monitor to revise Reference Levels or treat an offer as not violating applicable conduct tests specified in Section III.A.5.5 for an Operating Day for which the offer is submitted, all cost data and other information, other than automated index-based cost data received by the Internal Market Monitor from third party vendors, cost data and information calculated by the Internal Market Monitor, and cost data and information provided under the provisions of Section III.A.3.1 or Section III.A.3.2, must be submitted by a Market Participant, and all consultations must be completed, no later than 5:00 p.m. of the second business day prior to the Operating Day for which the Reference Level will be effective. Adjustments to fuel prices after this time must be submitted in accordance with the fuel price adjustment provisions in Section III.A.3.4.

III.A.3.1. Consultation Prior to Offer.

If an event occurs within the 24 hour period prior to the Operating Day that a Market Participant, including a Market Participant that is not permitted to submit a fuel price adjustment pursuant to Section III.A.3.4(d) believes will cause the operating cost of a Resource to exceed the level that would violate one of the conduct tests specified in Section III.A.5 of this *Appendix A*, the Market Participant may contact the Internal Market Monitor to provide an explanation of the increased costs. In order for the information to be considered for the purposes of the Day-Ahead Energy Market, the Market Participant must contact the Internal Market Monitor at least 30 minutes prior to the close of the Day-Ahead Energy Market. In order for the information to be considered for purposes of the first commitment analysis performed following the close of the Re-Offer Period, the Market Participant must contact the Internal Market Monitor at least 30 minutes prior to the close of the Re-Offer Period. Cost information submitted thereafter shall be considered in subsequent commitment and dispatch analyses if received between 8:00 a.m. and 5:00 p.m. and at least one hour prior to the close of the next hourly Supply Offer submittal period. If the Internal Market Monitor determines that there is an increased cost, the Internal Market Monitor will either update the Reference Level or treat an offer as not violating applicable conduct tests specified in Section III.A.5.5 for the Operating Day for which the offer is submitted. Any request and all supporting cost data and other verifiable supporting information must be submitted to the Internal Market Monitor prior to the Market participant's submission of the offer.

If a Market Participant believes that the fuel price determined under Section III.A.7.5(e) should be modified, it may contact the Internal Market Monitor to request a change to the fuel price and provide an explanation of the basis for the change. Any request to change the fuel price determined under Section III.A.7.5(e) must be received between the hours of 8:00 a.m. and 5:00 p.m. on any day.

III.A.3.2. Dual Fuel Resources.

In evaluating bids or offers under this *Appendix A* for dual fuel Resources, the Internal Market Monitor shall utilize the fuel type specified in the Supply Offer for the calculation of Reference Levels pursuant to Section III.A.7 below. If a Market Participant specifies a fuel type in the Supply Offer that, at the time the Supply Offer is submitted, is the higher cost fuel available to the Resource, then if the ratio of the higher cost fuel to the lower cost fuel, as calculated in accordance with the formula specified below, is greater than 1.75, the Market Participant must within five Business Days:

- (a) provide the Internal Market Monitor with written verification as to the cause for the use of the higher cost fuel.
- (b) provide the Internal Market Monitor with evidence that the higher cost fuel was used.

If the Market Participant fails to provide supporting information demonstrating the use of the higher-cost fuel within five Business Days of the Operating Day, then the Reference Level based on the lower cost fuel will be used in place of the Supply Offer for settlement purposes.

For purposes of this Section III.A.3.2, the ratio of the Resource's higher cost fuel to the lower cost fuel is calculated as, for the two primary fuels utilized in the dispatch of the Resource, the maximum fuel index price for the Operating Day divided by the minimum fuel index price for the Operating Day, using the two fuel indices that are utilized in the calculation of the Resource's Reference Levels for the Day-Ahead Energy Market for that Operating Day.

III.A.3.3. Market Participant Access to its Reference Levels.

The Internal Market Monitor will make available to the Market Participant the Reference Levels applicable to that Market Participant's Supply Offers through the MUI. Updated Reference Levels will be made available whenever calculated. The Market Participant shall not modify such Reference Levels in the ISO's or Internal Market Monitor's systems.

III.A.3.4. Fuel Price Adjustments.

(a) A Market Participant may submit a fuel price, to be used in calculating the Reference Levels for a Resource's Supply Offer, whenever the Market Participant's expected price to procure fuel for the Resource will be greater than that used by the Internal Market Monitor in calculating the Reference Levels for the Supply Offer. A fuel price may be submitted for Supply Offers entered in the Day-Ahead Energy Market, the Re-Offer Period, or for a Real-Time Offer Change. A fuel price is subject to the following conditions:

(i) In order for the submitted fuel price to be utilized in calculating the Reference Levels for a Supply Offer, the fuel price must be submitted prior to the applicable Supply Offer deadline,

(ii) The submitted fuel price must reflect the price at which the Market Participant expects to be able to procure fuel to supply energy under the terms of its Supply Offer, exclusive of resource-specific transportation costs. Modifications to Reference Levels based on changes to transportation costs must be addressed through the consultation process specified in Section III.A.3.1.

(iii) The submitted fuel price may be no lower than the lesser of (1) 110% of the fuel price used by the Internal Market Monitor in calculating the Reference Levels for the Resource's Supply Offer

or (2) the fuel price used by the Internal Market Monitor in calculating the Reference Levels for the Resource's Supply Offer plus \$2.50/MMbtu.

(b) Within five Business Days following submittal of a fuel price, a Market Participant must provide the Internal Market Monitor with documentation or analysis to support the submitted fuel price, which may include but is not limited to (i) an invoice or purchase confirmation for the fuel utilized or (ii) a quote from a named supplier or (iii) a price from a publicly available trading platform or price reporting agency, demonstrating that the submitted fuel price reflects the cost at which the Market Participant expected to purchase fuel for the operating period covered by the Supply Offer, as of the time that the Supply Offer was submitted, under an arm's length fuel purchase transaction. Any amount to be added to the quote from a named supplier, or to a price from a publicly available trading platform or price reporting agency, must be submitted and approved using the provision for consultations prior to the determination of Reference Levels in Section III.A.3. The submitted fuel price must be consistent with the fuel price reflected on the submitted invoice or purchase confirmation for the fuel utilized, the quote from a named supplier or the price from a publicly available trading platform or price reporting agency, plus any approved adder, or the other documentation or analysis provided to support the submitted fuel price.

(c) If, within a 12 month period, the requirements in sub-section (b) are not met for a Resource and, for the time period for which the fuel price adjustment that does not meet the requirements in sub-section (b) was submitted, (i) the Market Participant was determined to be pivotal according to the pivotal supplier test described in Section III.A.5.2.1 or (ii) the Resource was determined to be in a constrained area according to the constrained area test described in Section III.A.5.2.2 or (iii) the Resource satisfied any of the conditions described in Section III.A.5.5.6.1, then a fuel price adjustment pursuant to Section III.A.3.4 shall not be permitted for that Resource for up to six months. The following table specifies the number of months for which a Market Participant will be precluded from using the fuel price adjustment, based on the number of times the requirements in sub-section (b) are not met within the 12 month period. The 12 month period excludes any previous days for which the Market Participant was precluded from using the fuel price adjustment. The period of time for which a Market Participant is precluded from using the fuel price adjustment begins two weeks after the most-recent incident occurs.

Number of Incidents	Months Precluded (starting from most-recent incident)
1	2

2 or more	6
-----------	---

III.A.4. Physical Withholding.

III.A.4.1. Identification of Conduct Inconsistent with Competition.

This section defines thresholds used to identify possible instances of physical withholding. This section does not limit the Internal Market Monitor's ability to refer potential instances of physical withholding to the Commission.

Generally, physical withholding involves not offering to sell or schedule the output of or services provided by a Resource capable of serving the New England Markets when it is economic to do so. Physical withholding may include, but is not limited to:

- (a) falsely declaring that a Resource has been forced out of service or otherwise become unavailable,
- (b) refusing to make a Supply Offer, or schedules for a Resource when it would be in the economic interest absent market power, of the withholding entity to do so,
- (c) operating a Resource in Real-Time to produce an output level that is less than the ISO Dispatch Rate, or
- (d) operating a transmission facility in a manner that is not economic, is not justified on the basis of legitimate safety or reliability concerns, and contributes to a binding transmission constraint.

III.A.4.2. Thresholds for Identifying Physical Withholding.

III.A.4.2.1. Initial Thresholds.

Except as specified in subsection III.A.4.2.4 below, the following initial thresholds will be employed by the Internal Market Monitor to identify physical withholding of a Resource:

- (a) Withholding that exceeds the lower of 10% or 100 MW of a Resource's capacity;
- (b) Withholding that exceeds in the aggregate the lower of 5% or 200 MW of a Market Participant's total capacity for Market Participants with more than one Resource; or

- (c) Operating a Resource in Real-Time at an output level that is less than 90% of the ISO's Dispatch Rate for the Resource.

III.A.4.2.2. Adjustment to Generating Capacity.

The amounts of generating capacity considered withheld for purposes of applying the foregoing thresholds shall include unjustified deratings, that is, falsely declaring a Resource derated, and the portions of a Resource's available output that are not offered. The amounts deemed withheld shall not include generating output that is subject to a forced outage or capacity that is out of service for maintenance in accordance with an ISO maintenance schedule, subject to verification by the Internal Market Monitor as may be appropriate that an outage was forced.

III.A.4.2.3. Withholding of Transmission.

A transmission facility shall be deemed physically withheld if it is not operated in accordance with ISO instructions and such failure to conform to ISO instructions causes transmission congestion. A transmission facility shall not be deemed withheld if it is subject to a forced outage or is out of service for maintenance in accordance with an ISO maintenance schedule, subject to verification by the Internal Market Monitor as may be appropriate that an outage was forced.

III.A.4.2.4. Resources in Congestion Areas.

Minimum quantity thresholds shall not be applicable to the identification of physical withholding by a Resource in an area the ISO has determined is congested.

III.A.4.3. Hourly Market Impacts.

Before evaluating possible instances of physical withholding for imposition of sanctions, the Internal Market Monitor shall investigate the reasons for the change in accordance with Section III.A.3. If the physical withholding in question is not explained to the satisfaction of the Internal Market Monitor, the Internal Market Monitor will determine whether the conduct in question causes a price impact in the New England Markets in excess of any of the thresholds specified in Section III.A.5, as appropriate.

III.A.5. Mitigation.

III.A.5.1. Resources with Capacity Supply Obligations.

Only Supply Offers associated with Resources with Capacity Supply Obligations will be evaluated for economic withholding in the Day-Ahead Energy Market. All Supply Offers will be evaluated for economic withholding in the Real-Time Energy Market.

III.A.5.1.1. Resources with Partial Capacity Supply Obligations.

Supply Offers associated with Resources with a Capacity Supply Obligation for less than their full capacity shall be evaluated for economic withholding and mitigation as follows:

- (a) all Supply Offer parameters shall be reviewed for economic withholding;
- (b) the energy price Supply Offer parameter shall be reviewed for economic withholding up to and including the higher of: (i) the block containing the Resource's Economic Minimum Limit, or; (ii) the highest block that includes any portion of the Capacity Supply Obligation;
- (c) if a Resource with a partial Capacity Supply Obligation consists of multiple assets, the offer blocks associated with the Resource that shall be evaluated for mitigation shall be determined by using each asset's Seasonal Claimed Capability value in proportion to the total of the Seasonal Claimed Capabilities for all of the assets that make up the Resource. The Lead Market Participant of a Resource with a partial Capacity Supply Obligation consisting of multiple assets may also propose to the Internal Market Monitor the offer blocks that shall be evaluated for mitigation based on an alternative allocation on a monthly basis. The proposal must be made at least five Business Days prior to the start of the month. A proposal shall be rejected by the Internal Market Monitor if the designation would be inconsistent with competitive behavior

III.A.5.2. Structural Tests.

There are two structural tests that determine which mitigation thresholds are applied to a Supply Offer:

- (a) if a supplier is determined to be pivotal according to the pivotal supplier test, then the thresholds in Section III.A.5.5.1 "General Threshold Energy Mitigation" and Section III.A.5.5.4 "General Threshold Commitment Mitigation" apply, and;
- (b) if a Resource is determined to be in a constrained area according to the constrained area test, then the thresholds in Section III.A.5.5.2 "Constrained Area Energy Mitigation" and Section III.A.5.5.4 "Constrained Area Commitment Mitigation" apply.

III.A.5.2.1. Pivotal Supplier Test.

The pivotal supplier test examines whether a Market Participant has aggregate energy Supply Offers (up to and including Economic Max) that exceed the supply margin in the Real-Time Energy Market. A Market Participant whose aggregate energy associated with Supply Offers exceeds the supply margin is a pivotal supplier.

The supply margin for an interval is the total energy Supply Offers from available Resources (up to and including Economic Max), less total system load (as adjusted for net interchange with other Control Areas, including Operating Reserve). Resources are considered available for an interval if they can provide energy within the interval. The applicable interval for the current operating plan in the Real-Time Energy Market is any of the hours in the plan. The applicable interval for UDS is the interval for which UDS issues instructions.

The pivotal supplier test shall be run prior to each determination of a new operating plan for the Operating Day, and prior to each execution of the UDS.

III.A.5.2.2. Constrained Area Test.

A Resource is considered to be within a constrained area if:

- (a) for purposes of the Real-Time Energy Market, the Resource is located on the import-constrained side of a binding constraint and there is a sensitivity to the binding constraint such that the UDS used to relieve transmission constraints would commit or dispatch the Resource in order to relieve that binding transmission constraint, or;
- (b) for purposes of the Day-Ahead Energy Market, the LMP at the Resource's Node exceeds the LMP at the Hub by more than \$25/MWh.

III.A.5.3. Calculation of Impact Test in the Day-Ahead Energy Market.

The price impact for the purposes of Section III.A.5.5.2 "Constrained Area Energy Mitigation" is equal to the difference between the LMP at the Resource's Node and the LMP at the Hub.

III.A.5.4. Calculation of Impact Tests in the Real-Time Energy Market.

The energy price impact test applied in the Real-Time Energy Market shall compare two LMPs at the Resource's Node. The first LMP will be calculated based on the Supply Offers submitted for all Resources. If a Supply Offer has been mitigated in a prior interval, the calculation of the first LMP shall be based on the mitigated value. The second LMP shall be calculated substituting Reference Levels for

Supply Offers that have failed the applicable conduct test. The difference between the two LMPs is the price impact of the conduct violation.

A Supply Offer shall be determined to have no price impact if the offer block that violates the conduct test is:

- (a) less than the LMP calculated using the submitted Supply Offers, and less than the LMP calculated using Reference Levels for Supply Offers that have failed the conduct test, or;
- (b) greater than the LMP calculated using the submitted Supply Offers, and greater than the LMP calculated using Reference Levels for Supply Offers that have failed the conduct test, and the Resource has not been dispatched into the offer block that exceeds the LMP.

III.A.5.5. Mitigation by Type.

III.A.5.5.1. General Threshold Energy Mitigation.

III.A.5.5.1.1. Applicability.

Mitigation pursuant to this section shall be applied to all Supply Offers in the Real-Time Energy Market submitted by a Lead Market Participant that is determined to be a pivotal supplier in the Real-Time Energy Market.

III.A.5.5.1.2. Conduct Test.

A Supply Offer fails the conduct test for general threshold energy mitigation if any offer block price exceeds the Reference Level by an amount greater than 300% or \$100/MWh, whichever is lower. Offer block prices below \$25/MWh are not subject to the conduct test.

III.A.5.5.1.3. Impact Test.

A Supply Offer that fails the conduct test for general threshold energy mitigation shall be evaluated against the impact test for general threshold energy mitigation. A Supply Offer fails the impact test for general threshold energy mitigation if there is an increase in the LMP greater than 200% or \$100/MWh, whichever is lower as determined by the real-time impact test.

III.A.5.5.1.4. Consequence of Failing Both Conduct and Impact Test.

If a Supply Offer fails the general threshold conduct and impact tests, then the financial parameters of the Supply Offer shall be set to their Reference Levels, including all energy offer block prices and all types of Start-Up Fees and the No-Load Fee.

III.A.5.5.2. Constrained Area Energy Mitigation.

III.A.5.5.2.1. Applicability.

Mitigation pursuant to this section shall be applied to Supply Offers in the Day-Ahead Energy Market and Real-Time Energy Market associated with a Resource determined to be within a constrained area.

III.A.5.5.2.2. Conduct Test.

A Supply Offer fails the conduct test for constrained area energy mitigation if any offer block price exceeds the Reference Level by an amount greater than 50% or \$25/MWh, whichever is lower.

III.A.5.5.2.3. Impact Test.

A Supply Offer fails the impact test for constrained area energy mitigation if there is an increase greater than 50% or \$25/MWh, whichever is lower, in the LMP as determined by the day-ahead or real-time impact test.

III.A.5.5.2.4. Consequence of Failing Both Conduct and Impact Test.

If a Supply Offer fails the constrained area conduct and impact tests, then the financial parameters of the Supply Offer shall be set to their Reference Levels, including all energy offer blocks and all types of Start-Up Fees and the No-Load Fee.

III.A.5.5.3. Manual Dispatch Energy Mitigation.

III.A.5.5.3.1. Applicability.

Mitigation pursuant to this section shall be applied to Supply Offers associated with a Resource, when the Resource is manually dispatched above the Economic Minimum Limit value specified in the Resource's Supply Offer and the energy price parameter of its Supply Offer at the Desired Dispatch Point is greater than the Real-Time Price at the Resource's Node.

III.A.5.5.3.2. Conduct Test.

A Supply Offer fails the conduct test for manual dispatch energy mitigation if any offer block price divided by the Reference Level is greater than 1.10.

III.A.5.5.3.3. Consequence of Failing the Conduct Test.

If a Supply Offer for a Resource fails the manual dispatch energy conduct test, then the financial parameters of the Supply Offer shall be set to their Reference Levels, including all energy offer blocks and all types of Start-Up Fees and the No-Load Fee.

III.A.5.5.4. General Threshold Commitment Mitigation.

III.A.5.5.4.1. Applicability.

Mitigation pursuant to this section shall be applied to all Supply Offers in the Real-Time Energy Market submitted by a Lead Market Participant that is determined to be a pivotal supplier in the Real-Time Energy Market.

III.A.5.5.4.2. Conduct Test.

A Resource shall fail the conduct test for general threshold commitment mitigation if the low Load Cost at Offer divided by the Low Load Cost at Reference Level is greater than 3.00.

III.A.5.5.4.3. Consequence of Failing Conduct Test.

If a Resource fails the general threshold commitment conduct test, then all financial parameters of its Supply Offer are set to their Reference Levels.

III.A.5.5.5. Constrained Area Commitment Mitigation.

III.A.5.5.5.1. Applicability.

Mitigation pursuant to this section shall be applied to any Resource determined to be within a constrained area in the Real-Time Energy Market.

III.A.5.5.5.2. Conduct Test.

A Resource shall fail the conduct test for constrained area commitment mitigation if the Low Load Cost at Offer divided by the Low Load Cost at Reference Level is greater than 1.25.

III.A.5.5.5.3. Consequence of Failing Test.

If a Supply Offer fails the constrained area commitment conduct test, then all financial parameters of its Supply Offer are set to their Reference Levels.

III.A.5.5.6. Reliability Commitment Mitigation.

III.A.5.5.6.1. Applicability.

Mitigation pursuant to this section shall be applied to Supply Offers for Resources that are (a) committed to provide, or Resources that are required to remain online to provide, one or more of the following:

- i. local first contingency;
- ii. local second contingency;
- iii. VAR or voltage;
- iv. distribution (Special Constraint Resource Service);
- v. dual fuel resource auditing;

(b) otherwise manually committed by the ISO for reasons other than meeting anticipated load plus reserve requirements.

III.A.5.5.6.2. Conduct Test.

A Supply Offer shall fail the conduct test for local reliability commitment mitigation if the Low Load Cost at Offer divided by the Low Load Cost at Reference Level is greater than 1.10.

III.A.5.5.6.3. Consequence of Failing Test.

If a Supply Offer fails the local reliability commitment conduct test, it shall be evaluated for commitment based on an offer with all financial parameters set to their Reference Levels. This includes all offer blocks and all types of Start-Up Fees and the No-Load Fee. If a Resource is committed, then all financial parameters of its Supply Offer are set to their Reference Level.

III.A.5.5.7. Start-Up Fee and No-Load Fee Mitigation.

III.A.5.5.7.1. Applicability.

Mitigation pursuant to this section shall be applied to any Supply Offer submitted in the Day-Ahead Energy Market or Real-Time Energy Market if the resource is committed.

III.A.5.5.7.2. Conduct Test.

A Supply Offer shall fail the conduct test for Start-Up Fee and No-Load Fee mitigation if its Start-Up Fee or No-Load Fee divided by the Reference Level for that fee is greater than 3.

III.A.5.5.7.3. Consequence of Failing Conduct Test.

If a Supply Offer fails the conduct test, then all financial parameters of its Supply Offer shall be set to their Reference Levels.

III.A.5.5.8. Low Load Cost.

Low Load Cost, which is the cost of operating the Resource at its Economic Minimum Limit, is calculated as the sum of:

- (a) If the Resource is starting from an offline state, the Start-Up Fee;
- (b) The sum of the No Load Fees for the Commitment Period; and
- (c) The sum of the hourly values resulting from the multiplication of the price of energy at the Resource's Economic Minimum Limit times its Economic Minimum Limit, for each hour of the Commitment Period.

All Supply Offer parameter values used in calculating the Low Load Cost are the values in place at the time the commitment decision is made.

Low Load Cost at Offer equals the Low Load Cost calculated with financial parameters of the Supply Offer as submitted by the Lead Market Participant.

Low Load Cost at Reference Level equals the Low Load Cost calculated with the financial parameters of the Supply Offer set to Reference Levels.

For Low Load Cost at Offer, the price of energy is the energy price parameter of the Resource's Supply Offer at the Economic Minimum Limit offer block. For Low Load Cost at Reference Level, the price of energy is the energy price parameter of the Resource's Reference Level at the Economic Minimum Limit offer block.

III.A.5.6. Duration of Energy Threshold Mitigation.

Any mitigation imposed pursuant to Sections III.A.5.5.1 “General Threshold Energy Mitigation” or III.A.5.5.2 “Constrained Area Energy Mitigation” is in effect for the following duration:

- (a) in the Real-Time Energy Market, mitigation starts when the impact test violation occurs and remains in effect until there is one complete hour in which:
 - i. for general threshold mitigation, the Market Participant whose Supply Offer is subject to mitigation is not a pivotal supplier; or,
 - ii. for constrained area energy mitigation, the Resource is not located within a constrained area.
- (b) in the Day-Ahead Energy Market (applicable only for Section III.A.5.5.2 “Constrained Area Energy Mitigation”), mitigation is in effect in each hour in which the impact test is violated.

Any mitigation imposed pursuant to Section III.A.5.5.3 “Manual Dispatch Energy Mitigation” is in effect for at least one hour until the earlier of either (a) the hour when manual dispatch is no longer in effect and the Resource returns to its Economic Minimum Limit, or (b) the hour when the energy price parameter of its Supply Offer at the Desired Dispatch Point is no longer greater than the Real-Time Price at the Resource’s Node.

III.A.5.7. Duration of Commitment Mitigation.

Any mitigation imposed pursuant to Sections III.A.5.5.4 “General Threshold Commitment Mitigation”, III.A.5.5.5 “Constrained Area Commitment Mitigation”, or III.A.5.5.6 “Reliability Commitment Mitigation” is in effect for the duration of the Commitment Period.

III.A.5.8. Duration of Start-Up Fee and No-Load Fee Mitigation.

Any mitigation imposed pursuant to Sections III.A.5.5.7 “Start-Up Fee and No-Load Fee Mitigation” is in effect for any hour in which the Supply Offer fails the conduct test in Section III.A.5.5.7.2.

III.A.5.9. Correction of Mitigation.

If the Internal Market Monitor determines that there are one or more errors in the mitigation applied in an Operating Day due to data entry, system or software errors by the ISO or the Internal Market Monitor, the Internal Market Monitor shall notify the market monitoring contacts specified by the Lead Market Participant within five Business Days of the applicable Operating Day. The ISO shall correct the error as

part of the Data Reconciliation Process by applying the correct values to the relevant Supply Offer in the settlement process.

The permissibility of correction of errors in mitigation, and the timeframes and procedures for permitted corrections, are addressed solely in this section and not in those sections of Market Rule 1 relating to settlement and billing processes.

III.A.5.10. Delay of Day-Ahead Energy Market Due to Mitigation Process.

The posting of the Day-Ahead Energy Market results may be delayed if necessary for the completion of mitigation procedures.

III.A.6. Physical and Financial Parameter Offer Thresholds.

Physical parameters of a Supply Offer are limited to thresholds specified in this section. Physical parameters are limited by the software accepting offers, except those that can be re-declared in real time during the Operating Day. Parameters that exceed the thresholds specified here but are not limited through the software accepting offers are subject to Internal Market Monitor review after the Operating Day and possible referral to the Commission under Section III.A.19 of this Appendix.

III.A.6.1. Time-Based Offer Parameters.

Supply Offer parameters that are expressed in time (i.e., Minimum Run Time, Minimum Down Time, Start-Up Time, and Notification Time) shall have a threshold of two hours for an individual parameter or six hours for the combination of the time-based offer parameters compared to the Resource's Reference Levels. Offers may not exceed these thresholds in a manner that reduce the flexibility of the Resource. To determine if the six hour threshold is exceeded, all time-based offer parameters will be summed for each start-up state (hot, intermediate and cold). If the sum of the time-based offer parameters for a start-up state exceeds six hours above the sum of the Reference Levels for those offer parameters, then the six hour threshold is exceeded.

III.A.6.2. Financial Offer Parameters.

The Start-Up Fee and the No-Load Fee values of a Resource's Supply Offer may be no greater than three times the Start-Up Fee and No-Load Fee Reference Level values for the Resource. In the event a fuel price has been submitted under Section III.A.3.4, the Start-Up Fee and No-Load Fee for the associated Supply Offer shall be limited in a Real-Time Offer Change. The limit shall be the percent increase in the new fuel price, relative to the fuel price otherwise used by the Internal Market Monitor, multiplied by the

Start-Up Fee or No-Load Fee from the Re-Offer Period. Absent a fuel price adjustment, a Start-Up Fee or No-Load Fee may be changed in a Real-Time Offer Change to no more than the Start-Up Fee and No-Load Fee values submitted for the Re-Offer Period.

III.A.6.3. Other Offer Parameters.

Non-financial or non-time-based offer parameters shall have a threshold of a 100% increase, or greater, for parameters that are minimum values, or a 50% decrease, or greater, for parameters that are maximum values (including, but not limited to, ramp rates, Economic Maximum Limits and maximum starts per day) compared to the Resource's Reference Levels.

Offer parameters that are limited by performance caps or audit values imposed by the ISO are not subject to the provisions of this section.

III.A.7. Calculation of Resource Reference Levels for Physical Parameters and Financial Parameters of Resources.

III.A.7.1. Methods for Determining Reference Levels for Physical Parameters.

The Internal Market Monitor will calculate a Reference Level for each element of a bid or offer that is expressed in units other than dollars (such as time-based or quantity level bid or offer parameters) on the basis of one or more of the following:

- (a) Original equipment manufacturer (OEM) operating recommendations and performance data for all Resource types in the New England Control Area, grouped by unit classes, physical parameters and fuel types.
- (b) Applicable environmental operating permit information currently on file with the issuing environmental regulatory body.
- (c) Verifiable Resource physical operating characteristic data, including but not limited to facility and/or Resource operating guides and procedures, historical operating data and any verifiable documentation related to the Resource, which will be reviewed in consultation with the Market Participant.

III.A.7.2. Methods for Determining Reference Levels for Financial Parameters of Supply Offers.

The Reference Levels for Start-Up Fees, No-Load Fees, and offer blocks will be calculated separately and assuming no costs from one component are included in another component.

III.A.7.2.1. Order of Reference Level Calculation.

The Internal Market Monitor will calculate a Reference Level for each offer block of a Supply Offer according to the following hierarchy, under which the first method that can be calculated is used:

- (a) accepted offer-based Reference Levels pursuant to Section III.A.7.3;
- (b) LMP-based Reference Levels pursuant to Section III.A.7.4; and,
- (c) cost-based Reference Levels pursuant to Section III.A.7.5.

III.A.7.2.2. Circumstances in Which Cost-Based Reference Levels Supersede the Hierarchy of Reference Level Calculation.

In the following circumstances, cost-based Reference Levels shall be used notwithstanding the hierarchy specified in Section III.A.7.2.1.

- (a) When in any hour the cost-based Reference Level is higher than either the accepted offer-based or LMP-based Reference Level.
- (b) When the Supply Offer parameter is a Start-Up Fee or the No-Load Fee.
- (c) For any Operating Day for which the Lead Market Participant requests the cost-based Reference Level.
- (d) For any Operating Day for which, during the previous 90 days:
 - (i) the Resource has been flagged for VAR, SCR, or as a Local Second Contingency Protection Resource for any hour in the Day-Ahead Energy Market or the Real-Time Energy Market, and;
 - (ii) the ratio of the sum of the operating hours for days for which the Resource has been flagged during the previous 90 days in which the number of hours operated out of economic merit order in the Day-Ahead Energy Market and the Real-Time Energy Market exceed the number of hours operated in economic merit order in the Day-Ahead Energy Market and Real-Time Energy Market, to the total number of operating hours in the Day-Ahead Energy Market and Real-Time Energy Market during the previous 90 days is greater than or equal to 50 percent.
 - (iii) The Market Participant submits a fuel price pursuant to Section III.A.3.4.

For the purposes of this subsection:

- i. A flagged day is any day in which the Resource has been flagged for VAR, SCR, or as a Local Second Contingency Protection Resource for any hour in either the Day-Ahead Energy Market or the Real-Time Energy Market.
 - ii. Operating hours are the hours in the Day-Ahead Energy Market for which a Resource has cleared output (MW) greater than zero and hours in the Real-Time Energy Market for which a Resource has metered output (MW) greater than zero. For days for which Real-time Energy Market metered values are not yet available in the ISO's or the Internal Market Monitor's systems, telemetered values will be used.
 - iii. Self-scheduled hours will be excluded from all of the calculations described in this subsection, including the determination of operating hours.
 - iv. The determination as to whether a Resource operated in economic merit order during an hour will be based on the energy offer block within which the Resource is operating.
- (e) The Market Participant submits a fuel price pursuant to Section III.A.3.4. When the Market Participant submits a fuel price for any hour of a Supply Offer in the Day-Ahead Energy Market or Re-Offer Period, then the cost-based Reference Level is used for the entire Operating Day. If a fuel price is submitted for a Supply Offer after the close of the Re-Offer Period for the next Operating Day or for the current Operating Day, then the cost-based Reference Level for the Supply Offer is used from the time of the submittal to the end of the Operating Day.
- (f) When the Market Participant submits a change to any of the following parameters of the Supply Offer after the close of the Re-Offer Period:
 - (i) hot, intermediate, or cold Start-Up Fee, or a corresponding fuel blend,
 - (ii) No-Load Fee or its corresponding fuel blends,
 - (iii) whether to include the Start-Up Fee and No-Load Fee in the Supply Offer,
 - (iv) the quantity or price value of any Block in the Supply Offer or its corresponding fuel blends, and
 - (v) whether to use the offer slope for the Supply Offer,

then, the cost-based Reference Level for the Supply Offer will be used from the time of the submittal to the end of the Operating Day.

III.A.7.3. Accepted Offer-Based Reference Level.

The Internal Market Monitor shall calculate the accepted offer-based Reference Level as the lower of the mean or the median of a generating Resource's Supply Offers that have been accepted and are part of the seller's Day-Ahead Generation Obligation or Real-Time Generation Obligation in competitive periods over the previous 90 days, adjusted for changes in fuel prices utilizing fuel indices generally applicable for the location and type of Resource. For purposes of this section, a competitive period is an Operating Day in which the Resource is scheduled in economic merit order.

III.A.7.4. LMP-Based Reference Level.

The Internal Market Monitor shall calculate the LMP-based Reference Level as the mean of the LMP at the Resource's Node during the lowest-priced 25% of the hours that the Resource was dispatched over the previous 90 days for similar hours (on-peak or off-peak), adjusted for changes in fuel prices.

III.A.7.5. Cost-Based Reference Level.

The Internal Market Monitor shall calculate cost-based Reference Levels taking into account information on costs provided by the Market Participant through the consultation process prescribed in Section III.A.3.

The following criteria shall be applied to estimates of cost:

- (a) The provision of cost estimates by a Market Participant shall conform with the timing and requirements of Section III.A.3 "Consultation Prior to Determination of Reference Levels for Physical and Financial Parameters of Resources".
- (b) Costs must be documented.
- (c) All cost estimates shall be based on estimates of current market prices or replacement costs and not inventory costs wherever possible.
- (d) When market prices or replacement costs are unavailable, cost estimates shall identify whether the reported costs are the result of a product or service provided by an Affiliate of the Market Participant.
- (e) The Internal Market Monitor will evaluate cost information provided by the Market Participant in comparison to other information available to the Internal Market Monitor. Reference Levels associated with Resources for which a fuel price has been submitted under Section III.A.3.4 shall be calculated using the lower of the submitted fuel price or a price, calculated by the Internal Market Monitor, that takes account of the following factors and conditions:
 - i. Fuel market conditions, including the current spread between bids and asks for current fuel delivery, fuel trading volumes, near-term price quotes for fuel, expected

natural gas heating demand, and Market Participant-reported quotes for trading and fuel costs; and

- ii. Fuel delivery conditions, including current and forecasted fuel delivery constraints and current line pack levels for natural gas pipelines.

III.A.7.5.1. Estimation of Incremental Operating Cost.

The Internal Market Monitor's determination of a Resource's marginal costs shall include an assessment of the Resource's incremental operating costs in accordance with the following formulas,

Incremental Energy:

$(\text{incremental heat rate} * \text{fuel costs}) + (\text{emissions rate} * \text{emissions allowance price}) + \text{variable operating and maintenance costs} + \text{opportunity costs.}$

Opportunity costs may include, but are not limited to, economic costs associated with complying with:

- (a) emissions limits;
- (b) water storage limits; and,
- (c) other operating permits that limit production of energy.

No-Load:

$(\text{no-load fuel use} * \text{fuel costs}) + (\text{no-load emissions} * \text{emission allowance price})$
+ no-load variable operating and maintenance costs + other no-load costs that are not fuel, emissions or variable and maintenance costs.

Start-Up:

$(\text{start-up fuel use} * \text{fuel costs}) + (\text{start-up emissions} * \text{emission allowance price}) + \text{start-up variable and maintenance costs} + \text{other start-up costs that are not fuel, emissions or variable and maintenance costs.}$

III.A.8. [Reserved.]

III.A.9. Regulation.

The Internal Market Monitor will monitor the Regulation market for conduct that it determines constitutes an abuse of market power. If the Internal Market Monitor identifies any such conduct, it may make a filing under Section 205 of the Federal Power Act with the Commission requesting authorization to apply appropriate mitigation measures or to revise Market Rule 1 to address such conduct (or both). The Internal Market Monitor may make such a filing at any time it deems necessary, and may request expedited treatment from the Commission. Any such filing shall identify the particular conduct the Internal Market Monitor believes warrants mitigation or revisions to Market Rule 1 (or both), shall propose a specific mitigation measure for the conduct or revision to Market Rule 1 (or both), and shall set forth the Internal Market Monitor's justification for imposing that mitigation measure or revision to Market Rule 1 (or both).

III.A.10. Demand Bids.

The Internal Market Monitor will monitor the Energy Market as outlined below:

- (a) LMPs in the Day-Ahead Energy Market and Real-Time Energy Market shall be monitored to determine whether there is a persistent hourly deviation in any location that would not be expected in a workably competitive market.
- (b) The Internal Market Monitor shall compute the average hourly deviation between Day-Ahead Energy Market and Real-Time Energy Market LMPs, measured as: $(LMP_{\text{real time}} / LMP_{\text{day ahead}}) - 1$. The average hourly deviation shall be computed over a rolling four-week period or such other period determined by the Internal Market Monitor.
- (c) The Internal Market Monitor shall estimate and monitor the average percentage of each Market Participant's bid to serve load scheduled in the Day-Ahead Energy Market, using a methodology intended to identify a sustained pattern of under-bidding as accurately as deemed practicable. The average percentage will be computed over a specified time period determined by the Internal Market Monitor.

If the Internal Market Monitor determines that: (i) The average hourly deviation is greater than ten percent (10%) or less than negative ten percent (-10%), (ii) one or more Market Participants on behalf of one or more LSEs have been purchasing a substantial portion of their loads with purchases in the Real-Time Energy Market, (iii) this practice has contributed to an unwarranted divergence of LMPs between the two markets, and (iv) this practice has created operational problems, the Internal Market Monitor may make a filing under Section 205 of the Federal Power Act with the Commission requesting authorization to apply appropriate mitigation measures or to revise Market Rule 1 to address such conduct (or both).

The thresholds identified above shall not limit the Internal Market Monitor's authority to make such a filing. The Internal Market Monitor may make such a filing at any time it deems necessary, and may request expedited treatment from the Commission. Any such filing shall identify the particular conduct that the Internal Market Monitor believes warrants mitigation or revisions to Market Rule 1 (or both), shall propose a specific mitigation measure for the conduct or revision to Market Rule 1 (or both), and shall set forth the Internal Market Monitor's justification for imposing that mitigation measure or revision to Market Rule 1 (or both).

III.A.11. Mitigation of Increment Offers and Decrement Bids.

III.A.11.1. Purpose.

The provisions of this section specify the market monitoring and mitigation measures applicable to Increment Offers and Decrement Bids. An Increment Offer is one to supply energy and a Decrement Bid is one to purchase energy, in either such case not being backed by physical load or generation and submitted in the Day-Ahead Energy Market in accordance with the procedures and requirements specified in Market Rule 1 and the ISO New England Manuals.

III.A.11.2. Implementation.

III.A.11.2.1. Monitoring of Increment Offers and Decrement Bids.

Day-Ahead LMPs and Real-Time LMPs in each Load Zone or Node, as applicable, shall be monitored to determine whether there is a persistent hourly deviation in the LMPs that would not be expected in a workably competitive market. The Internal Market Monitor shall compute the average hourly deviation between Day-Ahead LMPs and Real-Time LMPs, measured as:

$$(LMP_{\text{real time}} / LMP_{\text{day ahead}}) - 1.$$

The average hourly deviation shall be computed over a rolling four-week period or such other period determined by the Internal Market Monitor to be appropriate to achieve the purpose of this mitigation measure.

III.A.11.3. Mitigation Measures.

If the Internal Market Monitor determines that (i) the average hourly deviation computed over a rolling four week period is greater than ten percent (10%) or less than negative ten percent (-10%), and (ii) the bid and offer practices of one or more Market Participants has contributed to a divergence between LMPs

in the Day-Ahead Energy Market and Real-Time Energy Market, then the following mitigation measure may be imposed:

The Internal Market Monitor may limit the hourly quantities of Increment Offers for supply or Decrement Bids for load that may be offered in a Location by a Market Participant, subject to the following provisions:

- (i) The Internal Market Monitor shall, when practicable, request explanations of the relevant bid and offer practices from any Market Participant submitting such bids.
- (ii) Prior to imposing a mitigation measure, the Internal Market Monitor shall notify the affected Market Participant of the limitation.
- (iii) The Internal Market Monitor, with the assistance of the ISO, will restrict the Market Participant for a period of six months from submitting any virtual transactions at the same Node(s), and/or electrically similar Nodes to, the Nodes where it had submitted the virtual transactions that contributed to the unwarranted divergence between the LMPs in the Day-Ahead Energy Market and Real-Time Energy Market.

III.A.11.4. Monitoring and Analysis of Market Design and Rules.

The Internal Market Monitor shall monitor and assess the impact of Increment Offers and Decrement Bids on the competitive structure and performance, and the economic efficiency of the New England Markets. Such monitoring and assessment shall include the effects, if any, on such bids and offers of any mitigation measures specified in this Market Rule 1.

III.A.12. Cap on FTR Revenues.

If a holder of an FTR between specified delivery and receipt Locations (i) had an Increment Offer and/or Decrement Bid that was accepted by the ISO for an applicable hour in the Day-Ahead Energy Market for delivery or receipt at or near delivery or receipt Locations of the FTR; and (ii) the result of the acceptance of such Increment Offer or Decrement Bid is that the difference in LMP in the Day-Ahead Energy Market between such delivery and receipt Locations is greater than the difference in LMP between such delivery and receipt Locations in the Real-Time Energy Market, then the Market Participant shall not receive any Transmission Congestion Credit associated with such FTR in such hour, in excess of one divided by the number of hours in the applicable month multiplied by the amount originally paid for the FTR in the FTR Auction. A Location shall be considered at or near the FTR delivery or receipt Location if seventy-five % or more of the energy injected or withdrawn at that Location and which is withdrawn or injected at

another Location is reflected in the constrained path between the subject FTR delivery and receipt Locations that were acquired in the FTR Auction.

III.A.13. Additional Internal Market Monitor Functions Specified in Tariff.

III.A.13.1. Review of Offers and Bids in the Forward Capacity Market.

In accordance with the following provisions of Section III.13 of Market Rule 1, the Internal Market Monitor is responsible for reviewing certain bids and offers made in the Forward Capacity Market. Section III.13 of Market Rule 1 specifies the nature and detail of the Internal Market Monitor's review and the consequences that will result from the Internal Market Monitor's determination following such review.

- (a) [Reserved].
- (b) Section III.13.1.2.3.1.6.3 - Internal Market Monitor review of Static De-List Bids, Permanent De-List Bids, and Retirement De-List Bids from an Existing Generating Capacity Resource that is associated with a Station having Common Costs.
- (c) Section III.13.1.2.3.2 - Review by Internal Market Monitor of Bids from Existing Generating Capacity Resources.
- (d) Section III.13.1.3.3A(d) - Review by Internal Market Monitor of offers from Existing Import Capacity Resources.
- (e) Section III.13.1.3.5.6 - Review by Internal Market Monitor of Offers from New Import Capacity Resources.
- (f) Section III.13.1.7 - Internal Market Monitor review of summer and winter Seasonal Claimed Capability values.

III.A.13.2. Supply Offers and Demand Bids Submitted for Reconfiguration Auctions in the Forward Capacity Market.

Section III.13.4 of Market Rule 1 addresses reconfiguration auctions in the Forward Capacity Market. As addressed in Section III.13.4.2 of Market Rule 1, a supply offer or demand bid submitted for a reconfiguration auction shall not be subject to mitigation by the Internal Market Monitor.

III.A.13.3. Monitoring of Transmission Facility Outage Scheduling.

Appendix G of Market Rule 1 addresses the scheduling of outages for transmission facilities. The Internal Market Monitor shall monitor the outage scheduling activities of the Transmission Owners. The

Internal Market Monitor shall have the right to request that each Transmission Owner provide information to the Internal Market Monitor concerning the Transmission Owner's scheduling of transmission facility outages, including the repositioning or cancellation of any interim approved or approved outage, and the Transmission Owner shall provide such information to the Internal Market Monitor in accordance with the ISO New England Information Policy.

III.A.13.4. Monitoring of Forward Reserve Resources.

The Internal Market Monitor will receive information that will identify Forward Reserve Resources, the Forward Reserve Threshold Price, and the assigned Forward Reserve Obligation. Prior to mitigation of Supply Offers or Demand Bids associated with a Forward Reserve Resource, the Internal Market Monitor shall consult with the Market Participant in accordance with Section III.A.3 of this *Appendix A*. The Internal Market Monitor and the Market Participant shall consider the impact on meeting any Forward Reserve Obligations in those consultations. If mitigation is imposed, any mitigated offers shall be used in the calculation of qualifying megawatts under Section III.9.6.4 of Market Rule 1.

III.A.13.5. Imposition of Sanctions.

Appendix B of Market Rule 1 sets forth the procedures and standards under which sanctions may be imposed for certain violations of Market Participants' obligations under the ISO New England Filed Documents and other ISO New England System Rules. The Internal Market Monitor shall administer *Appendix B* in accordance with the provisions thereof.

III.A.14. Treatment of Supply Offers for Resources Subject to a Cost-of-Service Agreement.

Article 5 of the form of Cost-of-Service Agreement in *Appendix I* to Market Rule 1 addresses the monitoring of resources subject to a cost-of-service agreement by the Internal Market Monitor and External Market Monitor. Pursuant to Section 5.2 of Article 5 of the Form of Cost-of-Service Agreement, after consultation with the Lead Participant, Supply Offers that exceed Stipulated Variable Cost as determined in the agreement are subject to adjustment by the Internal Market Monitor to Stipulated Variable Cost.

III.A.15. Request for Additional Cost Recovery.

III.A.15.1. Filing Right.

If either

(a) as a result of mitigation applied to a Resource under this *Appendix A* for all or part of one or more Operating Days, or

(b) in the absence of mitigation, despite having submitted a Supply Offer at the Energy Offer Cap,

a Market Participant believes that it will not recover the fuel and variable operating and maintenance costs of the Resource for the hours of the Operating Day during which the Supply Offer was mitigated or during which the Resource was operated at the Energy Offer Cap, the Market Participant may, within sixty days of the receipt of the first Invoice issued containing credits or charges for the applicable Operating Day, submit a filing to the Commission seeking recovery of those costs pursuant to Section 205 of the Federal Power Act.

A request under this Section III.A.15 may seek recovery of additional costs incurred during the following periods: (a) if as a result of mitigation, costs incurred for the duration of the mitigation event, and (b) if as a result of having submitted a Supply Offer at the Energy Offer Cap, costs incurred for the duration of the period of time for which the Resource was operated at the Energy Offer Cap.

III.A.15.2. Contents of Filing.

Any Section 205 filing made pursuant to this section shall include: (i) the actual fuel and variable operating and maintenance costs for the Resource for the applicable Operating Days, with supporting data and calculations for those costs; (ii) an explanation of (a) why the actual costs of operating the Resource exceeded the Reference Level costs or, (b) in the absence of mitigation, why the actual costs of operating the Resource exceeded the costs as reflected in the Supply Offer at the Energy Offer Cap; (iii) the Internal Market Monitor's written explanation provided pursuant to Section III.A.15.3; and (iv) all requested regulatory costs in connection with the filing.

III.A.15.3. Review by Internal Market Monitor Prior to Filing.

Within twenty days of the receipt of the first Invoice containing credits or charges for the applicable Operating Day, a Market Participant that intends to make a Section 205 filing pursuant to this Section III.A.15 shall submit to the Internal Market Monitor the information and explanation detailed in Section III.A.15.2 (i) and (ii) that is to be included in the Section 205 filing. Within twenty days of the receipt of a completed submittal, the Internal Market Monitor shall provide a written explanation of the events that resulted in the Section III.A.15 request for additional cost recovery. The Market Participant shall include the Internal Market Monitor's written explanation in the Section 205 filing made pursuant to this Section III A.15.

III.A.15.4. Cost Allocation.

In the event that the Commission accepts a Market Participant's filing for cost recovery under this section, the ISO shall allocate charges to Market Participants for payment of those costs in accordance with the cost allocation provisions of Market Rule 1 that otherwise would apply to payments for the services provided based on the Resource's actual dispatch for the Operating Days in question.

III.A.16. ADR Review of Internal Market Monitor Mitigation Actions.

III.A.16.1. Actions Subject to Review.

A Market Participant may obtain prompt Alternative Dispute Resolution ("ADR") review of any Internal Market Monitor mitigation imposed on a Resource as to which that Market Participant has bidding or operational authority. A Market Participant must seek review pursuant to the procedure set forth in *Appendix D* to this Market Rule 1, but in all cases within the time limits applicable to billing adjustment requests. These deadlines are currently specified in the ISO New England Manuals. Actions subject to review are:

- Imposition of a mitigation remedy.
- Continuation of a mitigation remedy as to which a Market Participant has submitted material evidence of changed facts or circumstances. (Thus, after a Market Participant has unsuccessfully challenged imposition of a mitigation remedy, it may challenge the continuation of that mitigation in a subsequent ADR review on a showing of material evidence of changed facts or circumstances.)

III.A.16.2. Standard of Review.

On the basis of the written record and the presentations of the Internal Market Monitor and the Market Participant, the ADR Neutral shall review the facts and circumstances upon which the Internal Market Monitor based its decision and the remedy imposed by the Internal Market Monitor. The ADR Neutral shall remove the Internal Market Monitor's mitigation only if it concludes that the Internal Market Monitor's application of the Internal Market Monitor mitigation policy was clearly erroneous. In considering the reasonableness of the Internal Market Monitor's action, the ADR Neutral shall consider whether adequate opportunity was given to the Market Participant to present information, any voluntary remedies proposed by the Market Participant, and the need of the Internal Market Monitor to act quickly to preserve competitive markets.

III.A.17. Reporting.

III.A.17.1. Data Collection and Retention.

Market Participants shall provide the Internal Market Monitor and External Market Monitor with any and all information within their custody or control that the Internal Market Monitor or External Market Monitor deems necessary to perform its obligations under this *Appendix A*, subject to applicable confidentiality limitations contained in the ISO New England Information Policy. This would include a Market Participant's cost information if the Internal Market Monitor or External Market Monitor deems it necessary, including start up, no-load and all other actual marginal costs, when needed for monitoring or mitigation of that Market Participant. Additional data requirements may be specified in the ISO New England Manuals. If for any reason the requested explanation or data is unavailable, the Internal Market Monitor and External Market Monitor will use the best information available in carrying out their responsibilities. The Internal Market Monitor and External Market Monitor may use any and all information they receive in the course of carrying out their market monitor and mitigation functions to the extent necessary to fully perform those functions.

Market Participants must provide data and any other information requested by the Internal Market Monitor that the Internal Market Monitor requests to determine:

- (a) the opportunity costs associated with Demand Reduction Offers;
- (b) the accuracy of Demand Response Baselines;
- (c) the method used to achieve a demand reduction, and;
- (d) the accuracy of metered demand reported to the ISO.

III.A.17.2. Periodic Reporting by the ISO and Internal Market Monitor.

III.A.17.2.1. Monthly Report.

The ISO will prepare a monthly report, which will be available to the public both in printed form and electronically, containing an overview of the market's performance in the most recent period.

III.A.17.2.2. Quarterly Report.

The Internal Market Monitor will prepare a quarterly report consisting of market data regularly collected by the Internal Market Monitor in the course of carrying out its functions under this *Appendix A* and analysis of such market data. Final versions of such reports shall be

disseminated contemporaneously to the Commission, the ISO Board of Directors, the Market Participants, and state public utility commissions for each of the six New England states, provided that in the case of the Market Participants and public utility commissions, such information shall be redacted as necessary to comply with the ISO New England Information Policy. The format and content of the quarterly reports will be updated periodically through consensus of the Internal Market Monitor, the Commission, the ISO, the public utility commissions of the six New England States and Market Participants. The entire quarterly report will be subject to confidentiality protection consistent with the ISO New England Information Policy and the recipients will ensure the confidentiality of the information in accordance with state and federal laws and regulations. The Internal Market Monitor will make available to the public a redacted version of such quarterly reports. The Internal Market Monitor, subject to confidentiality restrictions, may decide whether and to what extent to share drafts of any report or portions thereof with the Commission, the ISO, one or more state public utility commission(s) in New England or Market Participants for input and verification before the report is finalized. The Internal Market Monitor shall keep the Market Participants informed of the progress of any report being prepared pursuant to the terms of this *Appendix A*.

III.A.17.2.3. Reporting on General Performance of the Forward Capacity Market.

The performance of the Forward Capacity Market, including reconfiguration auctions, shall be subject to the review of the Internal Market Monitor. No later than 180 days after the completion of the second Forward Capacity Auction, the Internal Market Monitor shall file with the Commission and post to the ISO's website a full report analyzing the operations and effectiveness of the Forward Capacity Market. Thereafter, the Internal Market Monitor shall report on the functioning of the Forward Capacity Market in its annual markets report in accordance with the provisions of Section III.A.17.2.4 of this *Appendix A*.

III.A.17.2.4. Annual Review and Report by the Internal Market Monitor.

The Internal Market Monitor will prepare an annual state of the market report on market trends and the performance of the New England Markets and will present an annual review of the operations of the New England Markets. The annual report and review will include an evaluation of the procedures for the determination of energy, reserve and regulation clearing prices, NCPC costs and the performance of the Forward Capacity Market and FTR Auctions. The review will include a public forum to discuss the performance of the New England Markets, the state of competition, and the ISO's priorities for the coming year. In addition, the Internal Market

Monitor will arrange a non-public meeting open to appropriate state or federal government agencies, including the Commission and state regulatory bodies, attorneys general, and others with jurisdiction over the competitive operation of electric power markets, subject to the confidentiality protections of the ISO New England Information Policy, to the greatest extent permitted by law.

III.A.17.3. Periodic Reporting by the External Market Monitor.

The External Market Monitor will perform independent evaluations and prepare annual and ad hoc reports on the overall competitiveness and efficiency of the New England Markets or particular aspects of the New England Markets, including the adequacy of *Appendix A*. The External Market Monitor shall have the sole discretion to determine whether and when to prepare ad hoc reports and may prepare such reports on its own initiative or pursuant to requests by the ISO, state public utility commissions or one or more Market Participants. Final versions of such reports shall be disseminated contemporaneously to the Commission, the ISO Board of Directors, the Market Participants, and state public utility commissions for each of the six New England states, provided that in the case of the Market Participants and public utility commissions, such information shall be redacted as necessary to comply with the ISO New England Information Policy. Such reports shall, at a minimum, include:

- (i) Review and assessment of the practices, market rules, procedures, protocols and other activities of the ISO insofar as such activities, and the manner in which the ISO implements such activities, affect the competitiveness and efficiency of New England Markets.
- (ii) Review and assessment of the practices, procedures, protocols and other activities of any independent transmission company, transmission provider or similar entity insofar as its activities affect the competitiveness and efficiency of the New England Markets.
- (iii) Review and assessment of the activities of Market Participants insofar as these activities affect the competitiveness and efficiency of the New England Markets.
- (iv) Review and assessment of the effectiveness of *Appendix A* and the administration of *Appendix A* by the Internal Market Monitor for consistency and compliance with the terms of *Appendix A*.
- (v) Review and assessment of the relationship of the New England Markets with any independent transmission company and with adjacent markets.

The External Market Monitor, subject to confidentiality restrictions, may decide whether and to what extent to share drafts of any report or portions thereof with the Commission, the ISO, one or more state public utility commission(s) in New England or Market Participants for input and verification before the

report is finalized. The External Market Monitor shall keep the Market Participants informed of the progress of any report being prepared.

III.A.17.4. Other Internal Market Monitor or External Market Monitor Communications With Government Agencies.

III.A.17.4.1. Routine Communications.

The periodic reviews are in addition to any routine communications the Internal Market Monitor or External Market Monitor may have with appropriate state or federal government agencies, including the Commission and state regulatory bodies, attorneys general, and others with jurisdiction over the competitive operation of electric power markets.

III.A.17.4.2. Additional Communications.

The Internal Market Monitor and External Market Monitor are not a regulatory or enforcement agency. However, they will monitor market trends, including changes in Resource ownership as well as market performance. In addition to the information on market performance and mitigation provided in the monthly, quarterly and annual reports the External Market Monitor or Internal Market Monitor shall:

- (a) Inform the jurisdictional state and federal regulatory agencies, as well as the Markets Committee, if the External Market Monitor or Internal Market Monitor determines that a market problem appears to be developing that will not be adequately remediable by existing market rules or mitigation measures;
- (b) If the External Market Monitor or Internal Market Monitor receives information from any entity regarding an alleged violation of law, refer the entity to the appropriate state or federal agencies;
- (c) If the External Market Monitor or Internal Market Monitor reasonably concludes, in the normal course of carrying out its monitoring and mitigation responsibilities, that certain market conduct constitutes a violation of law, report these matters to the appropriate state and federal agencies; and,
- (d) Provide the names of any companies subjected to mitigation under these procedures as well as a description of the behaviors subjected to mitigation and any mitigation remedies or sanctions applied.

III.A.17.4.3. Confidentiality.

Information identifying particular participants required or permitted to be disclosed to jurisdictional bodies under this section shall be provided in a confidential report filed under Section 388.112 of the Commission regulations and corresponding provisions of other jurisdictional agencies. The Internal Market Monitor will include the confidential report with the quarterly submission it provides to the Commission pursuant to Section III.A.17.2.2.

III.A.17.5. Other Information Available from Internal Market Monitor and External Market Monitor on Request by Regulators.

The Internal Market Monitor and External Market Monitor will normally make their records available as described in this paragraph to authorized state or federal agencies, including the Commission and state regulatory bodies, attorneys general and others with jurisdiction over the competitive operation of electric power markets (“authorized government agencies”). With respect to state regulatory bodies and state attorneys general (“authorized state agencies”), the Internal Market Monitor and External Market Monitor shall entertain information requests for information regarding general market trends and the performance of the New England Markets, but shall not entertain requests that are designed to aid enforcement actions of a state agency. The Internal Market Monitor and External Market Monitor shall promptly make available all requested data and information that they are permitted to disclose to authorized government agencies under the ISO New England Information Policy. Notwithstanding the foregoing, in the event an information request is unduly burdensome in terms of the demands it places on the time and/or resources of the Internal Market Monitor or External Market Monitor, the Internal Market Monitor or External Market Monitor shall work with the authorized government agency to modify the scope of the request or the time within which a response is required, and shall respond to the modified request.

The Internal Market Monitor and External Market Monitor also will comply with compulsory process, after first notifying the owner(s) of the items and information called for by the subpoena or civil investigative demand and giving them at least ten Business Days to seek to modify or quash the compulsory process. If an authorized government agency makes a request in writing, other than compulsory process, for information or data whose disclosure to authorized government agencies is not permitted by the ISO New England Information Policy, the Internal Market Monitor and External Market Monitor shall notify each party with an interest in the confidentiality of the information and shall process the request under the applicable provisions of the ISO New England Information Policy. Requests from the Commission for information or data whose disclosure is not permitted by the ISO New England Information Policy shall be processed under Section 3.2 of the ISO New England Information Policy.

Requests from authorized state agencies for information or data whose disclosure is not permitted by the ISO New England Information Policy shall be processed under Section 3.3 of the ISO New England Information Policy. In the event confidential information is ultimately released to an authorized state agency in accordance with Section 3.3 of the ISO New England Information Policy, any party with an interest in the confidentiality of the information shall be permitted to contest the factual content of the information, or to provide context to such information, through a written statement provided to the Internal Market Monitor or External Market Monitor and the authorized state agency that has received the information.

III.A.18. Ethical Conduct Standards.

III.A.18.1. Compliance with ISO New England Inc. Code of Conduct.

The employees of the ISO that perform market monitoring and mitigation services for the ISO and the employees of the External Market Monitor that perform market monitoring and mitigation services for the ISO shall execute and shall comply with the terms of the ISO New England Inc. Code of Conduct attached hereto as *Exhibit 5*.

III.A.18.2. Additional Ethical Conduct Standards.

The employees of the ISO that perform market monitoring and mitigation services for the ISO and the employees of the External Market Monitor that perform market monitoring and mitigation services for the ISO shall also comply with the following additional ethical conduct standards. In the event of a conflict between one or more standards set forth below and one or more standards contained in the ISO New England Inc. Code of Conduct, the more stringent standard(s) shall control.

III.A.18.2.1. Prohibition on Employment with a Market Participant.

No such employee shall serve as an officer, director, employee or partner of a Market Participant.

III.A.18.2.2. Prohibition on Compensation for Services.

No such employee shall be compensated, other than by the ISO or, in the case of employees of the External Market Monitor, by the External Market Monitor, for any expert witness testimony or other commercial services, either to the ISO or to any other party, in connection with any legal or regulatory proceeding or commercial transaction relating to the ISO or the New England Markets.

III.A.18.2.3. Additional Standards Applicable to External Market Monitor.

In addition to the standards referenced in the remainder of this Section 18 of *Appendix A*, the employees of the External Market Monitor that perform market monitoring and mitigation services for the ISO are subject to conduct standards set forth in the External Market Monitor Services Agreement entered into between the External Market Monitor and the ISO, as amended from time-to-time. In the event of a conflict between one or more standards set forth in the External Market Monitor Services Agreement and one or more standards set forth above or in the ISO New England Inc. Code of Conduct, the more stringent standard(s) shall control.

III.A.19. Protocols on Referral to the Commission of Suspected Violations.

- (A) The Internal Market Monitor or External Market Monitor is to make a non-public referral to the Commission in all instances where the Internal Market Monitor or External Market Monitor has reason to believe that a Market Violation has occurred. While the Internal Market Monitor or External Market Monitor need not be able to prove that a Market Violation has occurred, the Internal Market Monitor or External Market Monitor is to provide sufficient credible information to warrant further investigation by the Commission. Once the Internal Market Monitor or External Market Monitor has obtained sufficient credible information to warrant referral to the Commission, the Internal Market Monitor or External Market Monitor is to immediately refer the matter to the Commission and desist from independent action related to the alleged Market Violation. This does not preclude the Internal Market Monitor or External Market Monitor from continuing to monitor for any repeated instances of the activity by the same or other entities, which would constitute new Market Violations. The Internal Market Monitor or External Market Monitor is to respond to requests from the Commission for any additional information in connection with the alleged Market Violation it has referred.
- (B) All referrals to the Commission of alleged Market Violations are to be in writing, whether transmitted electronically, by fax, mail or courier. The Internal Market Monitor or External Market Monitor may alert the Commission orally in advance of the written referral.
- (C) The referral is to be addressed to the Commission's Director of the Office of Enforcement, with a copy also directed to both the Director of the Office of Energy Market Regulation and the General Counsel.
- (D) The referral is to include, but need not be limited to, the following information
 - (1) The name(s) of and, if possible, the contact information for, the entity(ies) that allegedly took the action(s) that constituted the alleged Market Violation(s);

- (2) The date(s) or time period during which the alleged Market Violation(s) occurred and whether the alleged wrongful conduct is ongoing;
 - (3) The specific rule or regulation, and/or tariff provision, that was allegedly violated, or the nature of any inappropriate dispatch that may have occurred;
 - (4) The specific act(s) or conduct that allegedly constituted the Market Violation;
 - (5) The consequences to the market resulting from the acts or conduct, including, if known, an estimate of economic impact on the market;
 - (6) If the Internal Market Monitor or External Market Monitor believes that the act(s) or conduct constituted a violation of the anti-manipulation rule of Part 1c of the Commission's Rules and Regulations, 18 C.F.R. Part 1c, a description of the alleged manipulative effect on market prices, market conditions, or market rules;
 - (7) Any other information the Internal Market Monitor or External Market Monitor believes is relevant and may be helpful to the Commission.
- (E) Following a referral to the Commission, the Internal Market Monitor or External Market Monitor is to continue to notify and inform the Commission of any information that the Internal Market Monitor or External Market Monitor learns of that may be related to the referral, but the Internal Market Monitor or External Market Monitor is not to undertake any investigative steps regarding the referral except at the express direction of the Commission or Commission staff.

III.A.20. Protocol on Referrals to the Commission of Perceived Market Design Flaws and Recommended Tariff Changes.

- (A) The Internal Market Monitor or External Market Monitor is to make a referral to the Commission in all instances where the Internal Market Monitor or External Market Monitor has reason to believe market design flaws exist that it believes could effectively be remedied by rule or tariff changes. The Internal Market Monitor or External Market Monitor must limit distribution of its identifications and recommendations to the ISO and to the Commission in the event it believes broader dissemination could lead to exploitation, with an explanation of why further dissemination should be avoided at that time.
- (B) All referrals to the Commission relating to perceived market design flaws and recommended tariff changes are to be in writing, whether transmitted electronically, by fax, mail, or courier. The Internal Market Monitor or External Market Monitor may alert the Commission orally in advance of the written referral.

- (C) The referral should be addressed to the Commission’s Director of the Office of Energy Market Regulation, with copies directed to both the Director of the Office of Enforcement and the General Counsel.
- (D) The referral is to include, but need not be limited to, the following information.
- (1) A detailed narrative describing the perceived market design flaw(s);
 - (2) The consequences of the perceived market design flaw(s), including, if known, an estimate of economic impact on the market;
 - (3) The rule or tariff change(s) that the Internal Market Monitor or External Market Monitor believes could remedy the perceived market design flaw;
 - (4) Any other information the Internal Market Monitor or External Market Monitor believes is relevant and may be helpful to the Commission.
- (E) Following a referral to the Commission, the Internal Market Monitor or External Market Monitor is to continue to notify and inform the Commission of any additional information regarding the perceived market design flaw, its effects on the market, any additional or modified observations concerning the rule or tariff changes that could remedy the perceived design flaw, any recommendations made by the Internal Market Monitor or External Market Monitor to the regional transmission organization or independent system operator, stakeholders, market participants or state commissions regarding the perceived design flaw, and any actions taken by the regional transmission organization or independent system operator regarding the perceived design flaw.

III.A.21. Review of Offers From New Resources in the Forward Capacity Market.

The Internal Market Monitor shall review offers from new resources in the Forward Capacity Auction as described in this Section III.A.21.

III.A.21.1. Offer Review Trigger Prices.

For each new technology type, the Internal Market Monitor shall establish an Offer Review Trigger Price. Offers in the Forward Capacity Auction at prices that are equal to or above the relevant Offer Review Trigger Price will not be subject to further review by the Internal Market Monitor. A request to submit offers in the Forward Capacity Auction at prices that are below the relevant Offer Review Trigger Price must be submitted in advance of the Forward Capacity Auction as described in Sections III.13.1.1.2.2.3, III.13.1.3.5 or III.13.1.4.1.1.2.8 and shall be reviewed by the Internal Market Monitor as described in this Section III.A.21.

III.A.21.1.1. Offer Review Trigger Prices for the Forward Capacity Auction.

For resources other than New Import Capacity Resources, the Offer Review Trigger Prices for the twelfth Forward Capacity Auction (for the Capacity Commitment Period beginning on June 1, 2021) shall be as follows:

Generating Capacity Resources	
Technology Type	Offer Review Trigger Price (\$/kW-month)
combustion turbine	\$6.503
combined cycle gas turbine	\$7.856
on-shore wind	\$11.025

Demand Capacity Resources - Commercial and Industrial	
Technology Type	Offer Review Trigger Price (\$/kW-month)
Load Management and/or previously installed Distributed Generation	\$1.008
new Distributed Generation	based on generation technology type
Energy Efficiency	\$0.000

Demand Capacity Resources – Residential	
Technology Type	Offer Review Trigger Price (\$/kW-month)
Load Management	\$7.559
previously installed Distributed Generation	\$1.008
new Distributed Generation	based on generation technology type
Energy Efficiency	\$0.000

Other Resources	
All other technology types	Forward Capacity Auction Starting Price

Where a new resource is composed of assets having different technology types, the resource's Offer Review Trigger Price will be calculated in accordance with the weighted average formula in Section III.A.21.2(c).

For purposes of determining the Offer Review Trigger Price of a Demand Capacity Resource composed in whole or in part of Distributed Generation, the Distributed Generation is considered new, rather than previously installed, if (1) the Project Sponsor for the New Demand Capacity Resource has participated materially in the development, installation or funding of the Distributed Generation during the five years prior to commencement of the Capacity Commitment Period for which the resource is being qualified for participation, and (2) the Distributed Generation has not been assigned to a Demand Capacity Resource with a Capacity Supply Obligation in a prior Capacity Commitment Period.

For 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, the Offer Review Trigger Prices in the table above shall apply, based on the technology type of the External Resource; provided that, if a New Import Capacity Resource is associated with an Elective Transmission Upgrade, it shall have an Offer Review Trigger Price of the Forward Capacity Auction Starting Price plus \$0.01/kW-month.

For any other New Import Capacity Resource, the Offer Review Trigger Price shall be the Forward Capacity Auction Starting Price plus \$0.01/kW-month.

III.A.21.1.2. Calculation of Offer Review Trigger Prices.

(a) The Offer Review Trigger Price for each of the technology types listed above shall be recalculated using updated data for the Capacity Commitment Period beginning on June 1, 2025 and no less often than once every three years thereafter. Where any Offer Review Trigger Price is recalculated, the Internal Market Monitor will review the results of the recalculation with stakeholders and the new Offer Review Trigger Price shall be filed with the Commission prior to the Forward Capacity Auction in which the Offer Review Trigger Price is to apply.

(b) For New Generating Capacity Resources, the methodology used to recalculate the Offer Review Trigger Price pursuant to subsection (a) above is as follows. Capital costs, expected non-capacity revenues and operating costs, assumptions regarding depreciation, taxes and discount rate are input into a capital budgeting model which is used to calculate the break-even contribution required from the Forward Capacity Market to yield a discounted cash flow with a net present value of zero for the project. The Offer Review Trigger Price is set equal to the year-one capacity price output from the model. The model looks at 20 years of real-dollar cash flows discounted at a rate (Weighted Average Cost of Capital) consistent

with that expected of a project whose output is under contract (i.e., a contract negotiated at arm's length between two unrelated parties).

(c) For New Demand Capacity Resources comprised of Energy Efficiency, the methodology used to recalculate the Offer Review Trigger Price pursuant to subsection (a) above shall be the same as that used for New Generating Capacity Resources, with the following exceptions. First, the model takes account of all costs incurred by the utility and end-use customer to deploy the efficiency measure. Second, rather than energy revenues, the model recognizes end-use customer savings associated with the efficiency programs. Third, the model assumes that all costs are expensed as incurred. Fourth, the benefits realized by end-use customers are assumed to have no tax implications for the utility. Fifth, the model discounts cash flows over the Measure Life of the energy efficiency measure.

(d) For New Demand Capacity Resources other than Demand Capacity Resources comprised of Energy Efficiency, the methodology used to recalculate the Offer Review Trigger Price pursuant to subsection (a) above is the same as that used for New Generating Capacity Resources, except that the model discounts cash flows over the contract life. For Demand Capacity Resources (other than those comprised of Energy Efficiency) that are composed primarily of large commercial or industrial customers that use pre-existing equipment or strategies, incremental costs include new equipment costs and annual operating costs such as customer incentives and sales representative commissions. For Demand Capacity Resources (other than Demand Capacity Resources comprised of Energy Efficiency) primarily composed of residential or small commercial customers that do not use pre-existing equipment or strategies, incremental costs include equipment costs, customer incentives, marketing, sales, and recruitment costs, operations and maintenance costs, and software and network infrastructure costs.

(e) For years in which no full recalculation is performed pursuant to subsection (a) above, the Offer Review Trigger Prices will be adjusted as follows:

(1) Each line item associated with capital costs that is included in the capital budgeting model will be associated with the indices included in the table below:

Cost Component	Index
gas turbines	BLS-PPI "Turbines and Turbine Generator Sets"
steam turbines	BLS-PPI "Turbines and Turbine Generator Sets"
wind turbines	Bloomberg Wind Turbine Price Index
Other Equipment	BLS-PPI "General Purpose Machinery and Equipment"

construction labor	BLS “Quarterly Census of Employment and Wages” 2371 Utility System Construction Average Annual Pay: <ul style="list-style-type: none"> - Combustion turbine and combined cycle gas turbine costs to be indexed to values corresponding to the location of Hampden County, Massachusetts - On-shore wind costs to be indexed to values corresponding to the location of Cumberland County, Maine
other labor	BLS “Quarterly Census of Employment and Wages” 2211 Power Generation and Supply Average Annual Pay: <ul style="list-style-type: none"> - Combustion turbine and combined cycle gas turbine costs to be indexed to values corresponding to the location of Hampden County, Massachusetts - On-shore wind costs to be indexed to values corresponding to the location of Cumberland County, Maine
materials	BLS-PPI "Materials and Components for Construction"
electric interconnection	BLS - PPI "Electric Power Transmission, Control, and Distribution"
gas interconnection	BLS - PPI "Natural Gas Distribution: Delivered to ultimate consumers for the account of others (transportation only)"
fuel inventories	Federal Reserve Bank of St. Louis “Gross Domestic Product: Implicit Price Deflator (GDPDEF)”

(2) Each line item associated with fixed operating and maintenance costs that is included in the capital budgeting model will be associated with the indices included in the table below:

Cost Component	Index
labor, administrative and general	BLS “Quarterly Census of Employment and Wages” 2211 Power Generation and Supply Average Annual Pay: <ul style="list-style-type: none"> - Combustion turbine and combined cycle gas turbine costs to be indexed to values corresponding to the location of Hampden County, Massachusetts - On-shore wind costs to be indexed to values corresponding to the location of Cumberland County, Maine
materials and contract services	BLS-PPI "Materials and Components for Construction"
site leasing costs	Federal Reserve Bank of St. Louis “Gross Domestic Product: Implicit Price Deflator (GDPDEF)”

(3) For each line item in (1) and (2) above, the ISO shall calculate a multiplier that is equal to the average of values published during the most recent 12 month period available at the time of making the adjustment divided by the average of the most recent 12 month period available at the time of establishing the Offer Review Trigger Prices for the FCA reflected in the table in Section III.A.21.1.1 above. The value of each line item associated with capital costs and fixed operating and maintenance costs included in the capital budgeting model for the FCA reflected in the table in Section A.21.1.1 above will be adjusted by the relevant multiplier.

(4) The energy and ancillary services offset values for each technology type in the capital budgeting model shall be adjusted by inputting to the capital budgeting model the most recent Henry Hub natural gas futures prices, the Algonquin Citygates Basis natural gas futures prices and the Massachusetts Hub On-Peak electricity prices for the months in the Capacity Commitment Period beginning June 1, 2021, as published by ICE.

(5) Renewable energy credit values in the capital budgeting model shall be updated based on the most recent MA Class 1 REC price for the vintage closest to the first year of the Capacity Commitment Period associated with the relevant FCA as published by SNL Financial.

(6) The capital budgeting model and the Offer Review Trigger Prices adjusted pursuant to this subsection (e) will be published on the ISO's web site.

(7) If any of the values required for the calculations described in this subsection (e) are unavailable, then comparable values, prices or sources shall be used.

III.A.21.2. New Resource Offer Floor Prices and Offer Prices.

For every new resource participating in a Forward Capacity Auction, the Internal Market Monitor shall determine a New Resource Offer Floor Price or offer prices, as described in this Section III.A.21.2.

(a) For a Lead Market Participant with a New Capacity Resource that does not submit 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, III.13.1.3.5 or III.13.1.4.1.1.2.8, the New Resource Offer Floor Price shall be calculated as follows:

For a New Import Capacity Resource (other than a New Import Capacity Resource that is (i) backed by a single new External Resource and that is associated with an investment in transmission that increases New England's import capability or (ii) associated with an Elective Transmission Upgrade) the New Resource Offer Floor Price shall be \$0.00/kW-month.

For 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, and New Demand Capacity Resource, the New Resource Offer Floor Price shall be equal to the applicable Offer Review Trigger Price.

A resource having a New Resource Offer Floor Price higher than the Forward Capacity Auction Starting Price shall not be included in the Forward Capacity Auction.

(b) For a Lead Market Participant with a New Capacity Resource that does submit 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, III.13.1.3.5 and III.13.1.4.1.1.2.8, the resource's New Resource Offer Floor Price and offer prices in the case of 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 calculated as follows:

For a New Import Capacity Resource that is subject to the pivotal supplier test in Section III.A.23 and is found not to be associated with a pivotal supplier as determined pursuant to Section III.A.23, the resource's New Resource Offer Floor Price and offer prices shall be equal to the lower of (i) the requested offer price submitted to the ISO as described in Sections III.13.1.1.2.2.3 and III.13.1.3.5; or (ii) the price revised pursuant to Section III.13.1.3.5.7.

For any other New Capacity Resource, the Internal Market Monitor shall enter all relevant resource costs and non-capacity revenue data, as well as assumptions regarding depreciation, taxes, and discount rate into the capital budgeting model used to develop the relevant Offer Review Trigger Price and shall calculate the break-even contribution required from the Forward Capacity Market to yield a discounted cash flow with a net present value of zero for the project. The Internal Market Monitor shall compare the requested offer price to this capacity price estimate and the resource's New Resource Offer Floor Price and offer prices shall be determined as follows:

(i) The Internal Market Monitor will exclude any out-of-market revenue sources from the cash flows used to evaluate the requested offer price. Out-of-market revenues are any revenues that are: (a) not tradable throughout the New England Control Area or that are restricted to resources within a particular state or other geographic sub-region; or (b) not available to all resources of the same physical type within the New England Control Area, regardless of the resource owner. Expected revenues associated with economic development incentives that are offered broadly by

state or local government and that are not expressly intended to reduce prices in the Forward Capacity Market are not considered out-of-market revenues for this purpose. In submitting its requested offer price, the Project Sponsor shall indicate whether and which project cash flows are supported by a regulated rate, charge, or other regulated cost recovery mechanism. If the project is supported by a regulated rate, charge, or other regulated cost recovery mechanism, then that rate will be replaced with the Internal Market Monitor estimate of energy revenues. Where possible, the Internal Market Monitor will use like-unit historical production, revenue, and fuel cost data. Where such information is not available (e.g., there is no resource of that type in service), the Internal Market Monitor will use a forecast provided by a credible third party source. The Internal Market Monitor will review capital costs, discount rates, depreciation and tax treatment to ensure that it is consistent with overall market conditions. Any assumptions that are clearly inconsistent with prevailing market conditions will be adjusted.

(ii) For a New Demand Capacity Resource, the resource's costs shall include all expenses, including incentive payments, equipment costs, marketing and selling and administrative and general costs incurred to acquire and/or develop the Demand Capacity Resource. Revenues shall include all non-capacity payments expected from the ISO-administered markets made for services delivered from the associated Demand Response Resource, and expected costs avoided by the associated end-use customer as a direct result of the installation or implementation of the associated Asset(s).

(iii) For a New Capacity Resource that has achieved commercial operation prior to the New Capacity Qualification Deadline for the Forward Capacity Auction in which it seeks to participate, the relevant capital costs to be entered into the capital budgeting model will be the undepreciated original capital costs adjusted for inflation. For any such resource, the prevailing market conditions will be those that were in place at the time of the decision to construct the resource.

(iv) Sufficient documentation and information must be included in the resource's qualification package to allow the Internal Market Monitor to make the determinations described in this subsection (b). Such documentation should include all relevant financial estimates and cost projections for the project, including the project's pro-forma financing support data. For a New Import Capacity Resource, such documentation should also include the expected costs of purchasing power outside the New England Control Area (including transaction costs and

supported by forward power price index values or a power price forecast for the applicable Capacity Commitment Period), expected transmission costs outside the New England Control Area, and expected transmission costs associated with importing to the New England Control Area, and may also include reasonable opportunity costs and risk adjustments. For a new capacity resource that has achieved commercial operation prior to the New Capacity Qualification Deadline, such documentation should also include all relevant financial data of actual incurred capital costs, actual operating costs, and actual revenues since the date of commercial operation. If the supporting documentation and information required by this subsection (b) is deficient, the Internal Market Monitor, at its sole discretion, may consult with the Project Sponsor to gather further information as necessary to complete its analysis. If after consultation, the Project Sponsor does not provide sufficient documentation and information for the Internal Market Monitor to complete its analysis, then the resource's New Resource Offer Floor Price shall be equal to the Offer Review Trigger Price.

(v) If the Internal Market Monitor determines that the requested offer prices are consistent with the Internal Market Monitor's capacity price estimate, then the resource's New Resource Offer Floor Price shall be equal to the requested offer price, subject to the provisions of subsection (vii) concerning New Import Capacity Resources.

(vi) If the Internal Market Monitor determines that the requested offer prices are not consistent with the Internal Market Monitor's capacity price estimate, then the resource's offer prices shall be set to a level that is consistent with the capacity price estimate, as determined by the Internal Market Monitor. Any such determination will be explained in the resource's qualification determination notification and will be filed with the Commission as part of the filing described in Section III.13.8.1(c), subject to the provisions of subsection (vii) concerning New Import Capacity Resources.

(vii) For New Import Capacity Resources that have been found to be associated with a pivotal supplier as determined pursuant to Section III.A.23, if the supplier elects to revise the requested offer prices pursuant to Section III.13.1.3.5.7 to values that are below the Internal Market Monitor's capacity price estimate established pursuant to subsection (v) or (vi), then the resource's offer prices shall be equal to the revised offer prices.

(c) For a new capacity resource composed of assets having different technology types the Offer Review Trigger Price shall be the weighted average of the Offer Review Trigger Prices of the asset technology types of the assets that comprise the resource, based on the expected capacity contribution from each asset technology type. Sufficient documentation must be included in the resource's qualification package to permit the Internal Market Monitor to determine the weighted average Offer Review Trigger Price.

III.A.22. [Reserved.]

III.A.23. Pivotal Supplier Test for Existing Capacity Resources and New Import Capacity Resources in the Forward Capacity Market.

III.A.23.1. Pivotal Supplier Test.

The pivotal supplier test is performed prior to the commencement of the Forward Capacity Auction at the system level and for each import-constrained Capacity Zone.

An Existing Capacity Resource or New Import Capacity Resource is associated with a pivotal supplier if, after removing all the supplier's FCA Qualified Capacity, the ability to meet the relevant requirement is less than the requirement. Only those New Import Capacity Resources that are not (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, are subject to the pivotal supplier test.

For the system level determination, the relevant requirement is the Installed Capacity Requirement (net of HQICCs). For each import-constrained Capacity Zone, the relevant requirement is the Local Sourcing Requirement for that import-constrained Capacity Zone.

At the system level, the ability to meet the relevant requirement is the sum of the following:

- (a) The total FCA Qualified Capacity from all Existing Generating Capacity Resources and Existing Demand Capacity Resources in the Rest-of-Pool Capacity Zone;
- (b) For each modeled import-constrained Capacity Zone, the greater of:
 - (1) the total FCA Qualified Capacity from all Existing Generating Capacity Resources and Existing Demand Capacity Resources within the import-constrained Capacity Zone plus, for each modeled external interface connected to the import-constrained Capacity Zone,

- the lesser of: (i) the capacity transfer limit of the interface (net of tie benefits), and; (ii) the total amount of FCA Qualified Capacity from Import Capacity Resources over the interface, and;
- (2) the Local Sourcing Requirement of the import-constrained Capacity Zone;
- (c) For each modeled nested export-constrained Capacity Zone, the lesser of:
- (1) the total FCA Qualified Capacity from all Existing Generating Capacity Resources and Existing Demand Capacity Resources within the nested export-constrained Capacity Zone plus, for each external interface connected to the nested export-constrained Capacity Zone, the lesser of: (i) the capacity transfer limit of the interface (net of tie benefits), and; (ii) the total amount of FCA Qualified Capacity from Import Capacity Resources over the interface, and;
- (2) the Maximum Capacity Limit of the nested export-constrained Capacity Zone;
- (d) For each modeled export-constrained Capacity Zone that is not a nested export-constrained Capacity Zone, the lesser of:
- (1) the total FCA Qualified Capacity from all Existing Generating Capacity Resources and Existing Demand Capacity Resources within the export-constrained Capacity Zone, excluding the total FCA Qualified Capacity from Existing Generating Capacity Resources and Existing Demand Capacity Resources within a nested export-constrained Capacity Zone, plus, for each external interface connected to the export-constrained Capacity Zone that is not included in any nested export-constrained Capacity Zone, the lesser of: (i) the capacity transfer limit of the interface (net of tie benefits), and; (ii) the total amount of FCA Qualified Capacity from Import Capacity Resources over the interface, excluding the contribution from any nested export-constrained Capacity Zone as determined pursuant to Section III.A.23.1(c), and;
- (2) the Maximum Capacity Limit of the export-constrained Capacity Zone minus the contribution from any associated nested export-constrained Capacity Zone as determined pursuant to Section III.A.23.1(c), and;
- (e) For each modeled external interface connected to the Rest-of-Pool Capacity Zone, the lesser of:
- (1) the capacity transfer limit of the interface (net of tie benefits), and;
- (2) the total amount of FCA Qualified Capacity from Import Capacity Resources over the interface.

For each import-constrained Capacity Zone, the ability to meet the relevant requirement is the sum of the following:

- (1) The total FCA Qualified Capacity from all Existing Generating Capacity Resources and Existing Demand Capacity Resources located within the import-constrained Capacity Zone; and
- (2) For each modeled external interface connected to the import-constrained Capacity Zone, the lesser of: (1) the capacity transfer limit of the interface (net of tie benefits), and; (2) the total amount of FCA Qualified Capacity from Import Capacity Resources over the interface.

III.A.23.2. Conditions Under Which Capacity is Treated as Non-Pivotal.

FCA Qualified Capacity of a supplier that is determined to be pivotal under Section III.A.23.1 is treated as non-pivotal under the following four conditions:

- (a) If the removal of a supplier's FCA Qualified Capacity in an export-constrained Capacity Zone or nested export-constrained Capacity Zone does not change the quantity calculated in Section III.A.23.1(c) for that export-constrained Capacity Zone or nested export-constrained Capacity Zone, then that capacity is treated as capacity of a non-pivotal supplier.
- (b) If the removal of a supplier's FCA Qualified Capacity in the form of Import Capacity Resources at an external interface does not change the quantity calculated in Section III.A.23.1(d) for that interface, then that capacity is treated as capacity of a non-pivotal supplier.
- (c) If the removal of a supplier's FCA Qualified Capacity in the form of Import Capacity Resources at an external interface connected to an import-constrained Capacity Zone does not change the quantity calculated in Section III.A.23.1(f) for that interface, then that capacity is treated as capacity of a non-pivotal supplier.
- (d) If a supplier whose only FCA Qualified Capacity is a single capacity resource with a bid that (i) is not subject to rationing under Section III.13.1.2.3.1 or III.13.2.6, and (ii) contains only one price-quantity pair for the entire FCA Qualified Capacity amount, then the capacity of that resource is treated as capacity of a non-pivotal supplier.

III.A.23.3. Pivotal Supplier Test Notification of Results.

Results of the pivotal supplier test will be made available to suppliers no later than seven days prior to the start of the Forward Capacity Auction.

III.A.23.4. Qualified Capacity for Purposes of Pivotal Supplier Test.

For purposes of the tests performed in Sections III.A.23.1 and III.A.23.2, the FCA Qualified Capacity of a supplier includes the capacity of Existing Generating Capacity Resources, Existing Demand Capacity Resources, Existing Import Capacity Resources, and New Import Capacity Resources (other than (i) 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; and (ii) a New Import Capacity Resource associated with an Elective Transmission Upgrade) that is controlled by the supplier or its Affiliates.

For purposes of determining the ability to meet the relevant requirement under Section III.A.23.1, the FCA Qualified Capacity from New Import Capacity Resources does not include (i) any 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; and (ii) any New Import Capacity Resource associated with an Elective Transmission Upgrade.

For purposes of determining the FCA Qualified Capacity of a supplier or its Affiliates under Section III.A.23.4, “control” or “controlled” means the possession, directly or indirectly, of the authority to direct the decision-making regarding how capacity is offered into the Forward Capacity Market, and includes control by contract with unaffiliated third parties. In complying with Section I.3.5 of the ISO Tariff, a supplier shall inform the ISO of all capacity that it and its Affiliates control under this Section III.A.23.4 and all capacity the control of which it has contracted to a third party.

III.A.24. Retirement Portfolio Test for Existing Capacity Resources in the Forward Capacity Market.

The retirement portfolio test is performed prior to the commencement of the Forward Capacity Auction for each Lead Market Participant submitting a Permanent De-List Bid or Retirement De-List Bid. The test will be performed as follows:

If

- i. The annual capacity revenue from the Lead Market Participant’s total FCA Qualified Capacity, not including the FCA Qualified Capacity associated with the Permanent De-

- List Bid or Retirement De-List Bid, is greater than
- ii. the annual capacity revenue from the Lead Market Participant's total FCA Qualified Capacity, including the FCA Qualified Capacity associated with the Permanent De-List Bid or Retirement De-List Bid, then
 - iii. the Lead Market Participant will be found to have a portfolio benefit pursuant to the retirement portfolio test.

Where,

- iv. the Lead Market Participant's annual capacity revenue from the Lead Market Participant's total FCA Qualified Capacity not including the FCA Qualified Capacity associated with the Permanent De-List Bid or Retirement De-List Bid is calculated as the product of (a) the Lead Market Participant's total FCA Qualified Capacity not including the FCA Qualified Capacity associated with the Permanent De-List Bid or Retirement De-List Bid and (b) the Internal Market Monitor-estimated capacity clearing price not including the FCA Qualified Capacity associated with the Permanent De-List Bid or Retirement De-List Bid.
- v. The Lead Market Participant's annual capacity revenue from the Lead Market Participant's total FCA Qualified Capacity including the FCA Qualified Capacity associated with the Permanent De-List Bid or Retirement De-List Bid is calculated as the product of (a) the Lead Market Participant's total FCA Qualified Capacity including the FCA Qualified Capacity associated with the Permanent De-List Bid or Retirement De-List Bid and (b) the Internal Market Monitor-estimated capacity clearing price including the FCA Qualified Capacity associated with the Permanent De-List Bid or Retirement De-List Bid.
- vi. The Internal Market Monitor-estimated capacity clearing price, not to exceed the Forward Capacity Auction Starting Price, is based on the parameters of the System-Wide Capacity Demand Curve and Capacity Zone Demand Curves as specified in Section III.13.2.2.

For purposes of the test performed in this Section III.A.24, the FCA Qualified Capacity of a Lead Market Participant includes the capacity of Existing Capacity Resources that is controlled by the Lead Market Participant or its Affiliates.

For purposes of determining the FCA Qualified Capacity of a Lead Market Participant or its Affiliates under this Section III.A.24, "control" or "controlled" means the possession, directly or indirectly, of the

authority to direct the decision-making regarding how capacity is offered into the Forward Capacity Market, and includes control by contract with unaffiliated third parties. In complying with Section I.3.5 of the ISO Tariff, a Lead Market Participant shall inform the ISO of all capacity that it and its Affiliates control under this Section III.A.4 and all capacity the control of which it has contracted to a third party.

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

ISO New England Inc. and)	
New England Power Pool)	Docket No. ER19-____-000
Participants Committee)	
)	

**PREPARED TESTIMONY OF DEBORAH COOKE
ON BEHALF OF
ISO NEW ENGLAND INC.**

1 **I. WITNESS IDENTIFICATION**

2 **Q: Please state your name, position and business address.**

3 A: My name is Deborah Cooke. I am employed by ISO New England Inc. (the
4 “ISO”) as a Principal Analyst in the Market Development department. My
5 business address is One Sullivan Road, Holyoke, Massachusetts 01040.

6
7 **Q: Please describe your educational background and work experience.**

8 A: I have nineteen years of energy industry experience. I joined the ISO in 2000 and
9 worked in the Internal Audit, Market Analysis and Settlements, and Demand
10 Resource Administration departments before joining the Market Development
11 department in 2015. My primary responsibilities in Market Development include
12 wholesale electric market design and development, with an emphasis on the
13 Forward Capacity Market. These responsibilities have included coordinating the
14 process for developing the Cost of New Entry and Offer Review Trigger Prices,
15 and supporting design changes and Tariff revisions to align the allocation of

New England Governors, State Utility Regulators and Related Agencies*

Connecticut

The Honorable Ned Lamont
Office of the Governor
State Capitol
210 Capitol Ave.
Hartford, CT 06106
bob.clark@ct.gov

Connecticut Attorney General Office
55 Elm Street
Hartford, CT 06106
Seth.Hollander@ct.gov
Robert.Marconi@ct.gov

Connecticut Department of Energy and
Environmental Protection
79 Elm Street
Hartford, CT 06106
steven.cadwallader@ct.gov
robert.luysterborghs@ct.gov

Connecticut Public Utilities Regulatory Authority
10 Franklin Square
New Britain, CT 06051-2605
michael.coyle@ct.gov

Maine

The Honorable Janet Mills
One State House Station
Office of the Governor
Augusta, ME 04333-0001
angela.monroe@maine.gov
Jeremy.kennedy@maine.gov
Elise.baldacci@maine.gov

Maine Public Utilities Commission
18 State House Station
Augusta, ME 04333-0018
Maine.puc@maine.gov

Massachusetts

The Honorable Charles Baker
Office of the Governor
State House
Boston, MA 02133

Massachusetts Attorney General Office
One Ashburton Place
Boston, MA 02108
rebecca.tepper@state.ma.us

Massachusetts Department of Public Utilities
One South Station
Boston, MA 02110
Nancy.Stevens@state.ma.us
morgane.treanton@state.ma.us
Lindsay.griffin@mass.gov

New Hampshire

The Honorable Chris Sununu
Office of the Governor
26 Capital Street
Concord NH 03301
Jared.chicoine@nh.gov

New Hampshire Public Utilities Commission
21 South Fruit Street, Ste. 10
Concord, NH 03301-2429
tom.frantz@puc.nh.gov
george.mccluskey@puc.nh.gov
F.Ross@puc.nh.gov
David.goyette@puc.nh.gov
RegionalEnergy@puc.nh.gov
kate.bailey@puc.nh.gov
amanda.noonan@puc.nh.gov
Corrine.lemay@puc.nh.gov

New England Governors, State Utility Regulators and Related Agencies*

Rhode Island

The Honorable Gina Raimondo
Office of the Governor
82 Smith Street
Providence, RI 02903
Rosemary.powers@governor.ri.gov
carol.grant@energy.ri.gov
christopher.kearns@energy.ri.gov
nicholas.ucci@energy.ri.gov

Rhode Island Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888
Margaret.curran@puc.ri.gov
todd.bianco@puc.ri.gov
Marion.Gold@puc.ri.gov

Vermont

The Honorable Phil Scott
Office of the Governor
109 State Street, Pavilion
Montpelier, VT 05609
jgibbs@vermont.gov

Vermont Public Utility Commission
112 State Street
Montpelier, VT 05620-2701
mary-jo.krolewski@vermont.gov
sarah.hofmann@vermont.gov

Vermont Department of Public Service
112 State Street, Drawer 20
Montpelier, VT 05620-2601
bill.jordan@vermont.gov
june.tierney@vermont.gov
Ed.McNamara@vermont.gov

New England Governors, Utility Regulatory and Related Agencies

Jay Lucey
Coalition of Northeastern Governors
400 North Capitol Street, NW
Washington, DC 20001
conegsso.org

Heather Hunt, Executive Director
New England States Committee on Electricity
655 Longmeadow Street
Longmeadow, MA 01106
HeatherHunt@nescoe.com
JasonMarshall@nescoe.com

Rachel Goldwasser, Executive Director
New England Conference of Public Utilities
Commissioners
72 N. Main Street
Concord, NH 03301
rgoldwasser@necpuc.org

Michael Caron, President
New England Conference of Public Utilities
Commissioners
Ten Franklin Square
New Britain, CT 06051
michael.caron@ct.gov

1 capacity market costs with the Marginal Reliability Impact-based demand curves.

2

3 I have a B.A. in Accounting from St. Michael's College, and an M.B.A. from

4 Western New England University.

5

6 **II. PURPOSE AND ORGANIZATION**

7 **Q: What is the purpose of your testimony?**

8 A: The purpose of my testimony is to explain the proposed Tariff revisions to

9 accommodate a nested export-constrained Capacity Zone. Additionally, I will

10 explain the proposed Tariff revisions to clarify the type of data that Market

11 Participants must submit in support of Static-De-List Bids and Export Bids.

12

13 **Q: What are the primary drivers for the Tariff revisions to accommodate a**
14 **nested export-constrained Capacity Zone?**

15 A: Annually, the ISO analyzes the system topology in New England to determine the

16 Capacity Zones to be modeled for the next Forward Capacity Auction. This

17 process first identifies potential zonal boundaries for Capacity Zones and then

18 applies objective criteria to determine if those zones should be modeled. For

19 export-constrained zones, the objective criteria include the amount of existing

20 capacity in a zone and the quantity of capacity from proposed new projects in the

21 zone.

22

1 The modeling process for the Capacity Commitment Period beginning June 1,
2 2023 (CCP 14) has determined that an export-constrained Capacity Zone for
3 Maine should be modeled within the Northern New England export-constrained
4 Capacity Zone. This is the first time that an export-constrained Capacity Zone
5 would be “nested” inside another export-constrained Capacity Zone.

6

7 **Q: Why are clarifying Tariff changes needed regarding the data submittals for**
8 **Static De-List Bids and Export Bids?**

9 A: During Market Committee discussions for the Inventoried Energy Program
10 stakeholders questioned how the Internal Market Monitor (IMM) expects
11 participants to “account for expectations of revenues from this program in the
12 administration of the FCM (Forward Capacity Market) and energy market
13 mitigation rules.”¹ Some stakeholders suggested that the existing Tariff
14 provisions are vague regarding how participants should reflect the implications of
15 future, changing market conditions in their cost and revenue data submittals for
16 Static De-List Bids and Export Bids. In response, the ISO committed to review
17 the existing Tariff provisions.

18

¹ A memo from the Internal Market Monitor to the NEPOOL Markets Committee dated February 1, 2019 addressing this issue is available at: https://www.iso-ne.com/static-assets/documents/2019/02/a2_imm_memo_interim_compensation_treatment_and_market_mitigation.pdf.

1 **Q: Are there any other Tariff changes included with this filing that are not**
2 **related to nested export-constrained Capacity Zones or Static De-List Bids**
3 **and Export Bids?**

4 A: Yes. In the process of reviewing Section III.13 to identify clarifying changes for
5 nested export-constrained Capacity Zones, the ISO identified a small number of
6 corrections and minor clarifications to the Tariff language, which have been
7 included in this filing.

8

9 **Q: How is your testimony organized?**

10 A: My testimony is organized in three distinct sections. First, Section III discusses
11 the Tariff revisions that are required to accommodate a nested export-constrained
12 Capacity Zone. Next, Section IV details the clarifying changes related to the
13 revenues used to support Static De-List Bids and Export Bids. Finally, Section V
14 briefly summarizes additional minor Tariff revisions that are included with this
15 filing.

16

17 **III. CLARIFYING TARIFF CHANGES TO ACCOMMODATE A**

18 **NESTED EXPORT-CONSTRAINED CAPACITY ZONE**

19

20 **Q: Please describe the Capacity Zone formation process and the different types**
21 **of zones that may be modeled.**

22 A: The ISO administers a Forward Capacity Market to procure capacity from
23 qualified resources on a three-year-forward basis. The design of the Forward

1 Capacity Market incorporates locational pricing, in which Capacity Zones are
2 modeled as either import- or export-constrained in order to permit zonal price
3 separation when the constraints are binding. On an annual basis, the ISO reviews
4 existing resources, resource retirements, capacity from proposed new projects,
5 and transmission transfer capabilities to identify potential Capacity Zone
6 boundaries and associated transfer limits to determine which Capacity Zones
7 should be modeled. The Tariff provisions governing the Capacity Zone modeling
8 process are set out in Section III.12.4. Further information can be found at:
9 [https://www.iso-ne.com/markets-operations/markets/forward-capacity-
11 market/fcm-participation-guide/capacity-zone-development](https://www.iso-ne.com/markets-operations/markets/forward-capacity-
10 market/fcm-participation-guide/capacity-zone-development).

12 There are three general types of Capacity Zones:

13
14 An import-constrained Capacity Zone is a region comprised of one or more
15 adjacent Load Zones where system topology indicates the possibility that the
16 delivery of energy into the zone from suppliers located outside of the zone may be
17 limited by transmission constraints.

18
19 An export-constrained Capacity Zone is a region comprised of one or more
20 adjacent Load Zones where system topology indicates the possibility that the
21 delivery of energy out of the zone from suppliers located inside of the zone may
22 be limited by transmission constraints.

23

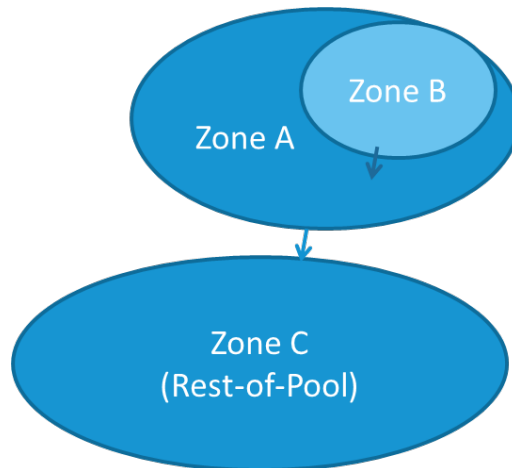
1 The Rest-of-Pool Capacity Zone is a region comprised of all adjacent Load Zones
2 that are not included in either an export-constrained or import-constrained
3 Capacity Zone.

4

5 **Q: How is a nested export-constrained Capacity Zone modeled?**

6 A: A nested export-constrained Capacity Zone is an export-constrained zone that is
7 located within another modeled export-constrained Capacity Zone. Figure 1
8 (below) illustrates this concept: there are three Capacity Zones modeled, two
9 export-constrained zones, Zone A and Zone B, with Zone B nested (the nested
10 zone) within Zone A (the parent zone), and the Rest-of-Pool Capacity Zone.

11



12

13

Figure 1 – Nested Capacity Zone

14

15 Of note is that, with a nested zone configuration, the quantity of capacity in the
16 parent zone (Zone A) is *inclusive* of the capacity in the nested zone (Zone B). For
17 example, if Zone B has 3,000 MW of qualified capacity, that quantity would be
18 included in the total capacity amount in Zone A for purposes of modeling Zone A

1 as an export-constrained Capacity Zone. This inclusiveness also extends to load,
2 as the total amount of load in the parent Zone A is inclusive of the load in the
3 nested Zone B.

4

5 **Q: What Tariff changes are necessary to accommodate a nested export-**
6 **constrained Capacity Zone?**

7 A: There are two drivers for the Tariff changes. First, certain processes associated
8 with the Forward Capacity Market require that the quantity of capacity or load in
9 the parent zone be exclusive of the quantity in the nested zone. Second, Tariff
10 references to an export-constrained Capacity Zone must be clarified to indicate if
11 the zone is a nested export-constrained Capacity Zone (or not).

12

13 I identified six general areas in which clarifying changes are required to
14 accommodate a nested export-constrained Capacity Zone:

15

- 16 • Capacity Zone closing conditions and establishing Capacity Clearing
17 Prices in the clearing of the primary Forward Capacity Auction to reflect
18 the correct capacity quantities
- 19 • Determination of clearing prices in the substitution auction clearing using
20 the quantity of capacity in each export-constrained Capacity Zone
- 21 • Calculations of the quantities contributed from each Capacity Zone used in
22 the pivotal supplier test
- 23 • Eligibility of resources to participate in Composite FCM Transactions

- 1 • Valuation of specifically allocated Capacity Transfer Rights based upon
- 2 location of Market Participant load and capacity amounts
- 3 • Allocation of costs to export-constrained Capacity Zones

4 Each of these areas is discussed in more detail in this testimony.

5

6 **A. Primary Forward Capacity Auction Closing Conditions and Capacity**
7 **Clearing Price**

8

9 **Q: Please provide a brief description of the Forward Capacity Auction process.**

10 A: The Forward Capacity Auction is run to procure capacity in a way that maximizes
11 social surplus and is comprised of three components: the descending clock
12 auction (DCA), the market clearing engine, and the substitution auction.

13

- 14 • The DCA collects submitted offers and bids and essentially builds the supply
15 curve. The DCA is conducted in a series of rounds; in each round, capacity
16 suppliers may indicate a willingness to sell their capacity at the end-of-round
17 price, or withdraw their capacity at a price that falls between the start-of-
18 round price and the end-of-round price. The auction is stopped when enough
19 offers and bids seeking to withdraw capacity are collected for each Capacity
20 Zone to ensure a market-clearing solution that maximizes social surplus is
21 possible.

- 1 • The market clearing engine determines the Capacity Supply Obligation (CSO)
2 awards by clearing resources within established limits and constraints, and
3 sets the Capacity Clearing Price for each Capacity Zone.
- 4 • The substitution auction is a secondary auction that facilitates the transfer of
5 CSOs from Existing Capacity Resources that buy out of their obligation at the
6 substitution auction clearing price and permanently exit New England’s
7 wholesale markets, to new state-sponsored policy resources that acquire the
8 CSOs. This component is discussed in more detail in the next section.

9

10 **Q: Please describe the interdependence of capacity when multiple Capacity**
11 **Zones are modeled in the DCA.**

12 A: As noted above, the DCA continues until enough information is collected about
13 supply resource offers and bids to clear the market for the system and all
14 constrained Capacity Zones. When sufficient information has been collected, the
15 DCA is concluded. The bid and offer information that has been collected at that
16 point is then used by the market-clearing engine to determine capacity awards and
17 the Capacity Clearing Prices.

18

19 Under the Marginal Reliability Impact (MRI) demand curve construct, a separate
20 demand curve is developed for each Capacity Zone that is modeled. To reflect
21 that capacity’s reliability impact is not limited to the zone in which it is located,
22 the cleared quantities of capacity in each zone are interdependent as capacity may
23 be substituted amongst zones – the outcome in one zone depends on the prices of

1 bids and offers in the other zones as well.² Pricing in constrained Capacity Zones
2 as determined by the zonal demand curves represents a congestion price (positive
3 or negative) that is paid in addition to the system Capacity Clearing Price. For
4 example, if the Rest-of-Pool Capacity Zone and an import-constrained Capacity
5 Zone are modeled for an FCA, the price paid to capacity in an import-constrained
6 Capacity Zone is equal to the sum of the system price (paid to resources in the
7 Rest-of-Pool Capacity Zone) and the congestion price determined by the demand
8 curve for the import-constrained Capacity Zone.

9

10 **Q: What changes are needed to the DCA closing rules to accommodate nested**
11 **export-constrained Capacity Zones?**

12 A: Due to the interdependencies of the auction clearing among Capacity Zones, the
13 amount of capacity that could be procured from outside a specific zone must be
14 considered before the auction can conclude for that zone. For example, in
15 evaluating the amount of system supply in the Rest-of-Pool Capacity Zone, it
16 must account for the amount of capacity that may clear from an import-
17 constrained zone at a higher price, or the capacity that may not clear in an export-
18 constrained zone at a lower price.

19

20 Effectively, this results in a precedence order in closing the auction for Capacity
21 Zones: the auction for an import-constrained Capacity Zone will conclude either

² For further background on the round-closing rules under the MRI-based demand curves, see the testimony of Christopher Geissler and Matthew White submitted by the ISO on April 15, 2016 in Docket No. ER16-1434-000 (pp. 159-165).

1 prior to or concurrent with the closing of the Rest-of-Pool Capacity Zone auction;
2 while the auction for an export-constrained Capacity Zone cannot conclude until
3 the Rest-of-Pool Capacity Zone auction has concluded.³

4
5 With the inclusion of a nested export-constrained Capacity Zone in the DCA, an
6 additional hierarchy in the closing condition is established to specify that the
7 nested export-constrained Capacity Zone cannot be closed before the parent
8 export-constrained Capacity Zone is closed. Changes to Section III.13.2.3.3
9 reflect these additional auction closing conditions.

10

11 **Q: How is the Capacity Clearing Price established for each Capacity Zone?**

12 A: The pricing in constrained Capacity Zones as determined by the zonal demand
13 curves represents a congestion price (zero, positive or negative). For an export-
14 constrained Capacity Zone, the Capacity Clearing Price is determined by adding
15 this congestion price (which is negative or zero) to the clearing price associated
16 with the Rest-of-Pool Capacity Zone.

17

18 For a nested export-constrained Capacity Zone, the congestion price determined
19 by the demand curve (also negative or zero) will be added to the Capacity
20 Clearing Price for the parent zone. This reflects that the capacity in a nested
21 export-constrained Capacity Zone provides an equal or lower marginal reliability

³ An additional requirement for an export-constrained Capacity Zone is that the aggregate zonal supply, adjusted as necessary for rationing, must be less than or equal to the amount of capacity determined by the zonal demand curve at a price of zero.

1 value to the system than capacity in the parent export-constrained Capacity Zone.
2 Section III.13.2.3.3 is updated to include this price determination. Additionally,
3 Section III.13.2.7.2 was updated to add the price ceiling for the nested export-
4 constrained Capacity Zone, which is the Capacity Clearing Price of the parent
5 zone. Finally, Section III.13.7.1.1 was updated to further clarify that payments to
6 resources are based upon the Capacity Clearing Price of the Capacity Zone in
7 which the resource is located.

8

9 **B. Substitution Auction**

10

11 **Q: Please describe the substitution auction that is performed with each Forward**
12 **Capacity Auction.**

13 A: The substitution auction was implemented for the Capacity Commitment Period
14 that began on June 1, 2022 (CCP 13).⁴ Its primary purpose is to accommodate
15 state-sponsored policy resources, which receive out-of-market revenues, in the
16 FCM while maintaining competitively-based capacity market prices. The
17 substitution auction allows capacity suppliers with existing resources that retained
18 CSOs in the primary auction and are willing to buy out of their capacity
19 obligation and exit the markets permanently (“demand”) to transfer their CSOs (in
20 their entirety) to state-sponsored policy resources that did not acquire capacity
21 obligations in the primary auction, and are willing to sell capacity (“supply”).

22 The capacity supplier transferring a CSO buys out of its obligation at the

⁴ See Docket No.ER18-619-000, Revisions to ISO New England Transmission, Markets and Services
Tariff Related to Competitive Auctions with Sponsored Policy Resources, submitted on January 8, 2018.

1 substitution auction clearing price (which is never greater than the price it is paid
2 in the primary auction), transferring the CSO and a portion of the capacity
3 revenue to the supplier receiving the CSO, and then permanently retires its
4 resource from the wholesale markets.

5
6 **Q: How will the inclusion of a nested export-constrained Capacity Zone impact**
7 **the substitution auction?**

8 A: The substitution auction clearing rules allow transfers of capacity between two (or
9 more) Capacity Zones, but only if the marginal reliability values of the capacity
10 are the same in each zone. The reliability value of the capacity is deemed to be the
11 same when the zone's capacity quantity corresponds to a level on the zonal
12 demand curves that specifies a congestion price of zero (this is also referred to as
13 the truncation point). Generally, this means that if there is no price separation in
14 the relevant zones after the primary auction, then capacity can be transferred
15 into/out of the zones up to the point where price separation would occur. If the
16 primary auction specifies a congestion price for a Capacity Zone, the substitution
17 auction will only allow transfers between entering and retiring resources located
18 within the Capacity Zone.⁵

19
20 Whether or not inter-zonal trading is allowed also impacts how the substitution
21 auction clearing price is determined. For example, assume there is no price

⁵ See Docket No. ER18-619-000, Revisions to ISO New England Transmission, Markets and Services Tariff Related to Competitive Auctions with Sponsored Policy Resources, submitted January 8, 2018, for more details on the restrictions on inter-zonal transfers.

1 separation between the Rest-of-Pool Capacity Zone and an export-constrained
2 Capacity Zone in the primary auction, and therefore inter-zonal trading is
3 allowed. In this case, the substitution auction clearing price in the export-
4 constrained Capacity Zone will be equal to or lower than the substitution auction
5 clearing price in the Rest-of-Pool Capacity Zone.

6
7 If, on the other hand, the primary auction specifies a congestion price for the
8 export-constrained Capacity Zone, trading within the export-constrained Capacity
9 Zone would be limited to offers and bids within the zone and the substitution
10 auction clearing price would be set by those offers and bids. In this scenario the
11 substitution auction clearing price in the export-constrained Capacity Zone could
12 be higher or lower than that in the Rest-of-Pool Capacity Zone.

13
14 The proposed Tariff provisions describing the inter-zonal transfer constraints and
15 the determination of the substitution auction clearing price have been updated to
16 include provisions for a nested export-constrained Capacity Zone. The revisions
17 also include a minor change to describe the truncation point of the demand curves
18 in import-constrained and export-constrained Capacity Zones.
19

1 **C. Pivotal Supplier Test**

2

3 **Q: What is the purpose of the pivotal supplier test and how is it performed?**

4 A: Prior to each Forward Capacity Auction, the IMM reviews supply offers to
5 determine if the removal of a supplier's capacity from the market could impact
6 the outcome of the auction. This review – the pivotal supplier test – ensures that
7 capacity suppliers with existing resources cannot exercise seller-side market
8 power in the Forward Capacity Auction, potentially influencing the Capacity
9 Clearing Price.

10

11 The pivotal supplier test is conducted for suppliers at the system level and for
12 each import-constrained Capacity Zone. Calculations for the system level test
13 must be modified to properly account for qualified capacity from resources
14 located in a nested export-constrained Capacity Zone.

15

16 **Q: Why must the system-level pivotal supplier test be updated for nested export-**
17 **constrained Capacity Zones?**

18 A: To determine if a supplier is pivotal in the system, the total system supply amount
19 less the capacity associated with the specific supplier is calculated and compared
20 to the system Installed Capacity Requirement. The total system supply amount is
21 based on the total qualified capacity available from existing resources in each

1 modeled Capacity Zone and external interface.⁶ The capacity included from an
2 export-constrained Capacity Zones is constrained by the Maximum Capacity
3 Limit (export-constrained Capacity Zones).

4
5 A simple example can demonstrate how the contribution to the total system
6 supply from an export-constrained Capacity Zone is determined. Assume two
7 zones – an export-constrained Capacity Zone and the Rest-of-Pool Capacity Zone
8 – with the total amount of qualified capacity in the export-constrained Capacity
9 Zone of 5,100 MW. The Maximum Capacity Limit⁷ for the export-constrained
10 zone is 5,000 MW. The contribution of capacity from the export-constrained
11 Capacity Zone to the total system supply is the minimum of those two values –
12 5,000 MW. This value will be added to the contribution from qualified capacity
13 resources in the Rest-of-Pool Capacity Zone to calculate the total system supply
14 amount used in the pivotal supplier test.

15
16 A nested export-constrained Capacity Zone will have a Maximum Capacity Limit
17 that is distinct from the Maximum Capacity Limit of its parent zone. As a result,
18 two changes must be made in calculating the total system supply for the system
19 pivotal supplier test. First, a new calculation to determine the contribution to the
20 total system supply from the nested export-constrained zone must be added and,

⁶ Qualified capacity from Import Capacity Resources is limited by the capacity transfer limit of the applicable interfaces.

⁷ The Tariff describes the Maximum Capacity Limit as “the maximum MW amount of resources ... that can be procured in the export-constrained Capacity Zone... to meet the Installed Capacity Requirement.” (Section III.12.2.2(d))

1 second, this contribution from the nested export-constrained Capacity Zone must
2 be subtracted from the contribution determined for the parent export-constrained
3 zone.

4
5 The previous example can be expanded by adding a nested export-constrained
6 zone to demonstrate these calculations. Assume that, of the 5,100 MW of
7 capacity in the (now parent) export-constrained zone, 1,700 MW are located in
8 the nested export-constrained Capacity Zone. Further assume that the Maximum
9 Capacity Limit for the nested export-constrained Capacity Zone is 1,500 MW.

10 The contribution of qualified capacity from the nested export-constrained zone to
11 the total system supply used in the pivotal supplier test calculations is 1,500 MW,
12 which is the lesser of the nested export-constrained zone capacity (1,700 MW)
13 and its Maximum Capacity Limit (1,500 MW).

14
15 Next, the calculation for the parent export-constrained Capacity Zone must be
16 adjusted so that the capacity contribution from the nested zone is not accounted
17 for twice. Continuing the example, the 5,100 MW of capacity in the export-
18 constrained zone is reduced by the 1,700 MW of qualified capacity in the nested
19 zone, with a result of 3,400 MW. The Maximum Capacity Limit for the export-
20 constrained zone is reduced by the contribution calculated for the nested zone; in
21 the example, this is 5,000 MW less 1,500 MW, or 3,500 MW. The lesser of these
22 two values, 3,500 MW and 3,400 MW, is the contribution to the total system
23 supply from the export-constrained Capacity Zone. The total from both of these

1 zones used in the system pivotal supplier test is 4,900 MW
2 (3,400 MW + 1,700 MW).

3
4 The Tariff revisions in Section III.A.23 reflect these adjustments to properly
5 account for the contributions of a nested constrained Capacity Zone in the
6 calculation of total system supply for the pivotal supplier test.

7

8 **D. Composite FCM Transactions**

9

10 **Q: What are Composite FCM Transactions and how do they participate in the**
11 **Forward Capacity Auction?**

12 **A:** Generally, the Forward Capacity Auction awards resources an *annual* CSO for the
13 Capacity Commitment Period (*i.e.*, the same CSO for each month in the period).
14 For most resources, the amount that can be offered annually is the lesser of their
15 summer and winter qualified capacity – their FCA Qualified Capacity.

16

17 For example, assume Resource A is qualified for 100 MW of capacity in the
18 summer and 75 MW of capacity in the winter. The FCA Qualified Capacity for
19 this resource is 75 MW with 25 MW of excess capacity in the summer period.

20 Assume Resource B is qualified for 50 MW of capacity in the summer and
21 80 MW of capacity in the winter. The FCA Qualified Capacity for Resource B is
22 50 MW with 30 MW of excess capacity in the winter period.

23

1 Composite FCM Transactions allow Market Participants to monetize a resource's
2 excess seasonal qualified capacity by partnering with one or more other resources
3 and participating as a single composite resource in a Forward Capacity Auction.
4 In the example above, Resource A and Resource B could be combined through a
5 Composite FCM Transaction using the 25 MW excess summer qualified capacity
6 from Resource A and 25 MW of the 30 MW excess winter qualified capacity
7 from Resource B.

8
9 This Composite FCM Transaction is treated as one 25 MW supply offer in the
10 Forward Capacity Auction for the commitment period. Although the offer
11 appears as a single transaction in the auction, after clearing in the Forward
12 Capacity Auction each resource will be awarded a CSO only for the applicable
13 months in which they had excess qualified capacity; that is, Resource A will have
14 a CSO of 25 MW in the summer months and Resource B will have a CSO of
15 25 MW in the winter months.

16

17 **Q: How are Composite FCM Transactions impacted by a nested export-**
18 **constrained Capacity Zone?**

19 A: The existing Tariff establishes locational restrictions on the resources that may
20 participate together in a Composite FCM Transaction to ensure that the clearing
21 achieves the expected level of reliability set by the annual MRI-based demand
22 curves. These locational restrictions must be extended to the nested export-
23 constrained Capacity Zone construct.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

Current rules require that resources that participate in Composite FCM Transactions be substitutable. In other words, clearing the composite transaction should result in equal (or better) annual reliability benefits. This substitutability constraint is enforced on the resource with summer excess qualified capacity such that this resource must be in an equally-constrained or more constrained zone than the resource with the winter excess qualified capacity.

Building upon my prior example, assume two Capacity Zones are modeled: an export-constrained zone and the Rest-of-Pool Capacity Zone. Assuming that Resource A (with the excess summer qualified capacity) is located in the export-constrained zone and Resource B (with the excess winter qualified capacity) is located in the Rest-of-Pool Capacity Zone, the locational requirements for a Composite FCM Transaction are met. This is because the Forward Capacity Auction will evaluate the reliability benefit provided by Resource A in the clearing process. As the capacity provided from Resource B (with excess winter qualified capacity), located in the Rest-of-Pool Capacity Zone provides an equal or higher annual reliability benefit than Resource A (with excess summer qualified capacity), there is no negative impact on the level of reliability achieved from the auction clearing.

However, if the locations were swapped – Resource A is located in the Rest-of-Pool Capacity Zone and Resource B is located in the export-constrained Capacity

1 Zone – on a MW for MW basis, the reliability of capacity provided by Resource
2 B is less than that of Resource A and may not be substitutable in the auction
3 clearing.

4
5 These locational restrictions must be extended to the nested export-constrained
6 Capacity Zones. A resource located in a nested export-constrained Capacity Zone
7 can offer excess summer qualified capacity in a Composite FCM Transaction with
8 excess winter qualified capacity of a resource that is located in any other Capacity
9 Zone, as that winter qualified capacity would provide an equal or higher
10 reliability benefit to the system. However, if the resource with excess winter
11 qualified capacity is located in the nested export-constrained Capacity Zone, the
12 resource with the excess summer qualified capacity in the Composite FCM
13 Transaction must also be located in the same nested export-constrained Capacity
14 Zone. The revised rules explicitly clarify the treatment of a nested zone and are
15 included in Section III.13.1.5, Offers Composed of Separate Resources.

16
17 **E. Specifically Allocated Capacity Transfer Rights**

18
19 **Q: What are specifically allocated Capacity Transfer Rights and how are they**
20 **calculated?**

21 A: There are two types of specifically allocated Capacity Transfer Rights (CTRs):
22 those allocated to Market Participants that pay to support transmission upgrades
23 that decrease congestion between Capacity Zones and those allocated to Market

1 Participants with ownership entitlements in Pool-Planned Units.⁸ A Market
2 Participant can use a specifically allocated CTR to self-supply load across
3 modeled interfaces in the Forward Capacity Auction,⁹ or may receive a payment
4 based on differences in the Capacity Clearing Prices between the location where
5 the load of the municipal utility entitlement holder is located and the location of
6 the Pool-Planned Unit.

7

8 **Q: What revisions are needed to accommodate a nested export-constrained**
9 **Capacity Zone?**

10 A: The Tariff language describing the rate used for payments to Market Participants
11 with CTRs requires clarification to ensure the correct locations are used. Existing
12 language refers to interfaces to which or from which the transfer of capacity is
13 limited, which could result in confusion about whether the Capacity Clearing
14 Price for the parent or nested export-constrained Capacity Zone is used in the
15 calculation. To clearly describe the calculation, the Tariff language specifies that
16 the payment is based upon differences in Capacity Clearing Prices in the zone
17 where the resource is located and the zone where the Market Participant's load is
18 located.

19

⁸ A Pool-Planned Unit is a resource associated with pre-Regional Transmission Organization life-of-unit contracts that provide for the purchase of energy to meet the customer load of some municipal utilities.

⁹ Under the self-supply construct, a resource providing capacity to self-supply forgoes a capacity payment at the Capacity Clearing Price for the amount of self-supply, but avoids capacity charges for a corresponding quantity.

1 **Q: Are there any other Tariff revisions related to specifically allocated CTRs?**

2 A: Yes, there are two other minor revisions. First, the current Tariff language
3 describing the rates used for payments to Market Participants with specifically
4 allocated CTRs refers to administratively set payment rates that apply to auctions
5 conducted prior to June 2015. Those rules no longer apply and the references
6 have been removed.

7
8 Additionally, Section III.13.7.5.4.4 of the Tariff which describes the treatment of
9 specifically allocated CTRs associated with transmission upgrades includes
10 language describing specifically allocated CTRs associated with Pool-Planned
11 Units. This language is duplicative of provisions included in
12 Section III.13.7.5.4.5 and will be removed.

13
14 **F. Zonal Cost Allocation**

15
16 **Q: How are costs associated with the Forward Capacity Market allocated to
17 each Capacity Zone?**

18 A: Starting with the Capacity Commitment Period that begins on June 1, 2023 (CCP
19 14), costs associated with the various components of the Forward Capacity
20 Market will be allocated to Capacity Zones based upon each zone's share of the
21 system's annual coincident peak load from the prior year (the Zonal Capacity
22 Obligation) and the Capacity Clearing Price in the zone. The product of these two
23 values – the zonal peak load allocator – is divided by the sum of the zonal peak

1 load allocators in all zones; the resulting value is used to allocate costs to each
2 Capacity Zone.¹⁰

3

4 **Q: What revisions to the Zonal Capacity Obligation are needed to accommodate**
5 **a nested export-constrained Capacity Zone?**

6 A nested export-constrained Capacity Zone will be allocated a share of the
7 capacity market costs in the same manner as all other Capacity Zones. Current
8 Tariff provisions allow for the calculation of a Zonal Capacity Obligation for each
9 export-constrained Capacity Zone; and as a nested export-constrained Capacity
10 Zone is, by definition, classified as an export-constrained zone, no specific
11 language update is needed.

12

13 However, the calculation of the Zonal Capacity Obligation for the parent export-
14 constrained Capacity Zone must be clarified to indicate that the amount of load in
15 the nested export-constrained Capacity Zone is not included in the calculation.
16 Including it would inappropriately increase the capacity charges allocated to the
17 parent zone.

18

19 A simple example will help illustrate this concept. Assume there are two
20 Capacity Zones: the Rest-of-Pool Capacity Zone and an export-constrained
21 Capacity Zone. The Rest-of-Pool Capacity Zone has a peak contribution value of
22 20,000 MW and the export-constrained zone has a peak contribution value of

¹⁰ For more details regarding FCM cost allocation, see the filing letter and testimony submitted in support of the FCM Cost Allocation Improvements on August 1, 2018 in Docket No. ER18-2125-000.

1 5,000 MW. For cost allocation purposes, the Rest-of-Pool Capacity Zone will be
2 allocated 80% of the charges (20,000 MW divided by the total peak contribution
3 of 25,000 MW) and the export-constrained zone will be allocated 20% of the
4 charges (5,000 MW divided by 25,000 MW).

5
6 Now let's assume that the (now parent) export-constrained Capacity Zone
7 contains a nested zone, which has a peak contribution value of 2,000 MW. The
8 charges allocated to the nested export-constrained Capacity Zone will be 8%,
9 which is the nested export-constrained zone's peak contribution of 2,000 MW,
10 divided by the total peak contribution value of 25,000 MW. The parent zone will
11 be allocated 12% of the charges, based upon its peak contribution value of
12 5,000 MW *less* the nested zone's peak contribution of 2,000 MW (5,000 MW –
13 2,000 MW = 3,000 MW; this value divided by the 25,000 MW total peak
14 contribution = 12%).

15
16 The Tariff revisions reflect that the Zonal Capacity Obligation of the parent zone
17 is exclusive of the Zonal Capacity Obligation of the nested export-constrained
18 Capacity Zones. Language was also added in the introductory section of the cost
19 allocation rules to further clarify that costs in a parent zone do not include the
20 costs allocated to its nested Capacity Zone.

21

1 **IV. CLARIFYING TARIFF CHANGES FOR STATIC DE-LIST BID AND**
2 **EXPORT BID DATA SUBMITTALS**

3 **Q: Please provide background on the data that is submitted for Static De-List**
4 **Bids and Export Bids.**

5 A: Static De-List Bids allow an Existing Capacity Resource to remove itself from the
6 capacity market for a one-year period. An Export Bid is submitted for a
7 Generating Capacity Resource located within the New England Control Area that
8 wishes to export capacity outside of the New England Control Area. Static De-
9 List Bids and Export Bids priced at or above a certain threshold (the Dynamic De-
10 List Bid Threshold) are reviewed by the IMM to determine if they are
11 competitively priced.

12
13 A Market Participant must submit detailed cost data to support the Static De-List
14 Bid or Export Bid. This data includes net going forward costs (including
15 revenues and costs), expectations about Capacity Performance Payments, risk
16 premium assumptions, and opportunity costs.

17
18 During Market Committee discussions for the Inventoried Energy Program¹¹ and
19 related discussions regarding the impact of program revenues on Static De-List
20 Bids and Export Bids, some stakeholders suggested that the existing Tariff
21 language is ambiguous and implies that the supporting data should be based upon
22 historic data rather than forward-looking expectations.

¹¹ See Docket No. ER19-1428-000, Inventoried Energy Program, filed March 25, 2019.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

Q: What Tariff revisions are needed regarding the data submitted for Static De-List Bids and Export Bids?

A: Current Tariff provisions do not explicitly state that forecasted costs and revenues are allowed in support of the determination of Static De-List Bids and Export Bids. The Tariff provisions governing data submittals for Retirement De-List Bids and Permanent De-List Bids already indicate that costs and revenues should reflect expected values for the appropriate commitment period or evaluation period.

It is appropriate to allow Market Participants to reflect reasonable expectations of future, changing market conditions in their cost and revenue data submittals. The revisions to the Tariff will clarify this expectation and align the Tariff provisions to be more consistent with the data submittal provisions governing Permanent De-List Bids and Retirement De-List Bids.

Q: Can Market Participants use historic data to support Static De-List Bids and Export Bids?

A: While the Tariff changes clarifies that net going forward costs should reflect expected costs and revenues, participants can use historic data as a basis for projecting those forward-looking costs and revenues for their resource.

1 **Q: Will the review performed by the Internal Market Monitor of data submitted**
2 **for Static De-List Bids and Export Bids change?**

3 A: Yes. The review process of data submitted for Static De-List Bids and Export
4 Bids will be modified to better align with the process used to review Permanent
5 De-List Bids and Retirement De-List Bids.

6
7 Currently, the IMM reviews Static De-List Bids and Export Bids to verify that the
8 values are consistent with the net going forward costs and reasonable assumptions
9 for Capacity Performance Payments, risk premiums, and opportunity costs. The
10 IMM will separately calculate a de-list bid price for any de-list prices that are not
11 deemed to be consistent with these assumptions and this IMM-calculated de-list
12 bid price is submitted to the Commission with the participant submitted de-list bid
13 prior to the Forward Capacity Auction.¹²

14
15 A slightly different process is followed for Permanent De-List Bids and
16 Retirement De-List Bids. The IMM also separately determines a de-list bid price
17 if the underlying data is not deemed to be consistent with overall market
18 conditions or does not reflect expected values. The IMM-calculated bid price is
19 then compared to the participant submitted value. If the participant submitted bid
20 is more than 10% greater than the IMM-established bid,¹³ then the IMM

¹² The IMM de-list bid may be used in the Forward Capacity Auction if the resource is deemed to be pivotal.

¹³ This materiality threshold was established pursuant to Tariff changes submitted in Docket No. ER16-551 in 2016. The compliance filing noted that 10% was selected as a balance between the risks of mitigating an offer that has no market power vs. allowing market power to go unchecked.

1 calculated bid price is included in the retirement determination notification to the
2 participant and is included in the filing to the Commission prior to the auction.

3

4 This same materiality threshold will be applied to Static De-List Bids and Export
5 Bids to provide consistency in the review process of de-list bids. This change is
6 reflected in the Tariff revisions in Section III.13.1.2.3.2.1.1.1.

7

8 **Q: Are there any other changes to the data submittals for Static De-List Bids**
9 **and Export Bids?**

10 A: Yes. There are two additional modifications to the data submittals for these bids.

11

12 First, the requirement to account for Peak Energy Rents was removed from the
13 calculation of net going forward costs. Peak Energy Rents are no longer
14 assessed against capacity revenues effective as of the Capacity Commitment
15 Period beginning June 1, 2019 (CCP 10).¹⁴

16

17 Second, the provision for the ISO to calculate and provide historical revenue data
18 to Market Participants has been removed. Since Market Participants provide data
19 based on expectations of future costs and revenues this data is not always
20 relevant. As with other market data, it will still be available to Market
21 Participants upon request.

22

¹⁴ See Docket No. ER15-1184-003, PER Mechanism Changes, filed March 6, 2015.

1 **V. MINOR TARIFF REVISIONS**

2

3 **Q: Are there any other Tariff revisions included that have not been discussed**
4 **above?**

5 A: Yes. A few minor Tariff edits and corrections in the impacted sections are
6 included with this filing. These include punctuation and cross-reference
7 corrections and minor wording edits to clarify existing provisions.

8

9 **IV. EFFECTIVE DATES FOR THE CLARIFYING TARIFF REVISIONS**

10 **Q: What is the proposed effective date for the proposed Tariff revisions?**

11 A: The proposed implementation date for the nested export-constrained Capacity
12 Zone clarifications is October 1, 2019. This will allow the Tariff revisions to be
13 in effect prior to the Composite FCM Transaction and self-supply designation
14 submittal deadlines for the Capacity Commitment Period beginning June 1, 2023
15 (CCP 14), which occurs in early October 2019.

16

1 V. CONCLUSION

2 Q: Does this conclude your testimony?

3 A: Yes.

4

5 I declare, under penalty of perjury, that the foregoing is true and correct.

6

7 Executed on July 18, 2019.

8

9

10



11

Deborah Cooke, Principal Analyst, Market Development

New England Governors, State Utility Regulators and Related Agencies*

Connecticut

The Honorable Ned Lamont
Office of the Governor
State Capitol
210 Capitol Ave.
Hartford, CT 06106
bob.clark@ct.gov

Connecticut Attorney General Office
55 Elm Street
Hartford, CT 06106
Seth.Hollander@ct.gov
Robert.Marconi@ct.gov

Connecticut Department of Energy and
Environmental Protection
79 Elm Street
Hartford, CT 06106
steven.cadwallader@ct.gov
robert.luysterborghs@ct.gov

Connecticut Public Utilities Regulatory Authority
10 Franklin Square
New Britain, CT 06051-2605
michael.coyle@ct.gov

Maine

The Honorable Janet Mills
One State House Station
Office of the Governor
Augusta, ME 04333-0001
angela.monroe@maine.gov
Jeremy.kennedy@maine.gov
Elise.baldacci@maine.gov

Maine Public Utilities Commission
18 State House Station
Augusta, ME 04333-0018
Maine.puc@maine.gov

Massachusetts

The Honorable Charles Baker
Office of the Governor
State House
Boston, MA 02133

Massachusetts Attorney General Office
One Ashburton Place
Boston, MA 02108
rebecca.tepper@state.ma.us

Massachusetts Department of Public Utilities
One South Station
Boston, MA 02110
Nancy.Stevens@state.ma.us
morgane.treanton@state.ma.us
Lindsay.griffin@mass.gov

New Hampshire

The Honorable Chris Sununu
Office of the Governor
26 Capital Street
Concord NH 03301
Jared.chicoine@nh.gov

New Hampshire Public Utilities Commission
21 South Fruit Street, Ste. 10
Concord, NH 03301-2429
tom.frantz@puc.nh.gov
george.mccluskey@puc.nh.gov
F.Ross@puc.nh.gov
David.goyette@puc.nh.gov
RegionalEnergy@puc.nh.gov
kate.bailey@puc.nh.gov
amanda.noonan@puc.nh.gov
Corrine.lemay@puc.nh.gov

New England Governors, State Utility Regulators and Related Agencies*

Rhode Island

The Honorable Gina Raimondo
Office of the Governor
82 Smith Street
Providence, RI 02903
Rosemary.powers@governor.ri.gov
carol.grant@energy.ri.gov
christopher.kearns@energy.ri.gov
nicholas.ucci@energy.ri.gov

Rhode Island Public Utilities Commission
89 Jefferson Blvd.
Warwick, RI 02888
Margaret.curran@puc.ri.gov
todd.bianco@puc.ri.gov
Marion.Gold@puc.ri.gov

Vermont

The Honorable Phil Scott
Office of the Governor
109 State Street, Pavilion
Montpelier, VT 05609
jgibbs@vermont.gov

Vermont Public Utility Commission
112 State Street
Montpelier, VT 05620-2701
mary-jo.krolewski@vermont.gov
sarah.hofmann@vermont.gov

Vermont Department of Public Service
112 State Street, Drawer 20
Montpelier, VT 05620-2601
bill.jordan@vermont.gov
june.tierney@vermont.gov
Ed.McNamara@vermont.gov

New England Governors, Utility Regulatory and Related Agencies

Jay Lucey
Coalition of Northeastern Governors
400 North Capitol Street, NW
Washington, DC 20001
conegsso.org

Heather Hunt, Executive Director
New England States Committee on Electricity
655 Longmeadow Street
Longmeadow, MA 01106
HeatherHunt@nescoe.com
JasonMarshall@nescoe.com

Rachel Goldwasser, Executive Director
New England Conference of Public Utilities
Commissioners
72 N. Main Street
Concord, NH 03301
rgoldwasser@necpuc.org

Michael Caron, President
New England Conference of Public Utilities
Commissioners
Ten Franklin Square
New Britain, CT 06051
michael.caron@ct.gov