

## **EXHIBIT IA**

### **ISO NEW ENGLAND FINANCIAL ASSURANCE POLICY**

#### **Table of Contents**

#### Overview

- I. GROUPS REGARDED AS SINGLE MARKET PARTICIPANTS
- II. MARKET PARTICIPANTS' REVIEW AND CREDIT LIMITS
  - A. Minimum Criteria for Market Participation
    - 1. Information Disclosure
    - 2. Risk Management
    - 3. Communications
    - 4. Capitalization
    - 5. Additional Eligibility Requirements
    - 6. Prior Uncured Defaults
  - B. Proof of Financial Viability for Applicants
  - C. Ongoing Review and Credit Ratings
    - 1. Rated and Credit Qualifying Market Participants
    - 2. Unrated Market Participants
    - 3. Information Reporting Requirements for Market Participants
  - D. Market Credit Limits
    - 1. Market Credit Limit for Non-Municipal Market Participants
      - a. Market Credit Limit for Rated Non-Municipal Market Participants
      - b. Market Credit Limit for Unrated Non-Municipal Market Participants
    - 2. Market Credit Limit for Municipal Market Participants
  - E. Transmission Credit Limits
    - 1. Transmission Credit Limit for Rated Non-Municipal Market Participants
    - 2. Transmission Credit Limit for Unrated Non-Municipal Market Participants
    - 3. Transmission Credit Limit for Municipal Market Participants
  - F. Credit Limits for FTR-Only Customers
  - G. Total Credit Limit
- III. MARKET PARTICIPANTS' REQUIREMENTS
  - A. Determination of Financial Assurance Obligations

Non-Commercial Capacity equal to three (3) times the Non-Commercial Capacity FA Amount.

**b. Non-Commercial Capacity Participating in the Ninth Forward Capacity Auction and All Forward Capacity Auctions Thereafter**

A Designated FCM Participant offering Non-Commercial Capacity into the ninth Forward Capacity Auction and all Forward Capacity Auctions thereafter must include in the calculation of its FCM Financial Assurance Requirements under the ISO New England Financial Assurance Policy, beginning at 8 a.m. (Eastern Time) on the tenth Business Day prior to the Forward Capacity Auction an amount equal to the difference between the Net CONE associated with the Forward Capacity Auction in which the Capacity Supply Obligation was awarded (adjusted as described in Section III.13.2.4) times the Non-Commercial Capacity qualified for such Forward Capacity Auction and the FCM Deposit.

Upon completion of the Forward Capacity Auction, the Non-Commercial Capacity Financial Assurance Amount shall be recalculated according to the following formula:

Non-Commercial Capacity Financial Assurance Amount = (NCC x NCCFCA\$ x Multiplier) + NCC Trading FA

Where:

NCC = the Capacity Supply Obligation awarded in the Forward Capacity Auction minus any Commercial Capacity

For Capacity Supply Obligations acquired in Forward Capacity Auctions up to and including the thirteenth Forward Capacity Auction, NCCFCA\$ = the Capacity Clearing Price from the first run of the auction-clearing process of the Forward Capacity Auction in which the Capacity Supply Obligation was awarded. For Capacity Supply Obligations acquired in the fourteenth Forward Capacity Auction and all Forward Capacity Auctions thereafter, NCCFCA\$ = the Net CONE associated with the Forward Capacity Auction in

which the Capacity Supply Obligation was awarded (adjusted as described in Section III.13.2.4).

Multiplier = one at the completion of the Forward Capacity Auction in which the Capacity Supply Obligation was awarded; two beginning at 8 a.m. (Eastern Time) on the tenth Business Day prior to the next Forward Capacity Auction after the Forward Capacity Auction in which the Capacity Supply Obligation was awarded; and three beginning at 8 a.m. (Eastern Time) on the tenth Business Day prior to the second Forward Capacity Auction after the Forward Capacity Auction in which the Capacity Supply Obligation was awarded.

In the case of Non-Commercial Capacity that fails to become commercial by the commencement of the Capacity Commitment Period associated with the Forward Capacity Auction in which it was awarded a Capacity Supply Obligation, the Non-Commercial Capacity Financial Assurance Amount shall be recalculated as follows: beginning at 8 a.m. (Eastern Time) on the first Business Day of the second month of the Capacity Commitment Period associated with the Forward Capacity Auction in which the Capacity Supply Obligation was awarded, the Multiplier in the recalculation of the Non-Commercial Capacity Financial Assurance Amount shall be four. The Multiplier in the recalculation of the Non-Commercial Capacity Financial Assurance Amount shall increase by one every six months thereafter until the Non-Commercial Capacity becomes commercial or the Capacity Supply Obligation is terminated.

For Capacity Supply Obligations acquired in Forward Capacity Auctions up to and including the twelfth Forward Capacity Auction, NCC Trading FA = zero. For Capacity Supply Obligations acquired in the thirteenth Forward Capacity Auction and all Forward Capacity Auctions thereafter, NCC Trading FA shall be zero until the start of the applicable Capacity Commitment Period, at which time NCC Trading FA shall be calculated as described below, except that in no case shall NCC Trading FA be less than zero: =

- (a) the total amount of NCC that has been shed (whether before or after the start of the Capacity Commitment Period) in any reconfiguration auctions or Capacity Supply Obligation Bilaterals or that is subject to a failure to cover

charge pursuant to Section III.13.3.4(b) (but this total amount shall not be greater than NCC); multiplied by

(b) the difference ~~(but not less than zero)~~ between: ~~(ix)~~ the weighted average price at which the Capacity Supply Obligation was acquired in the Forward Capacity Auction (adjusted, where appropriate, in accordance with the Handy-Whitman Index of Public Utility Construction Costs); and ~~(iiy)~~ the weighted average price or failure to cover charge rate at which the Capacity Supply Obligation was shed or assessed, as applicable, ~~(except that for monthly Capacity Supply Obligation Bilaterals, the applicable monthly reconfiguration auction clearing price will be used instead of the Capacity Supply Obligation Bilateral price)~~; one of the following prices will be used:

(i) If the Designated FCM Participant does not certify to the ISO that it has not entered into and will not enter into any contract or other transaction with another party regarding the pricing of such Capacity Supply Obligation Bilateral (other than those approved to be settled by the ISO) for the purpose of, or with the that has the effect of deflating its NCC Trading FA, then the lower of: (1) the applicable monthly reconfiguration auction price, and (2) the Capacity Supply Obligation Bilateral price shall be used;

(ii) If the Designated FCM Participant provides the certification described in subsection (i) above, is the Capacity Transferring Resource, and is an Affiliate of the Capacity Acquiring Resource, then the lower of: (1) the Capacity Supply Obligation Bilateral price, and (2) the applicable Capacity Clearing Price (adjusted, where appropriate, in accordance with the Handy-Whitman Index of Public Utility Construction Costs) shall be used; or

(iii) If neither subsection (i) nor (ii) applies, then the Capacity Supply Obligation Bilateral price shall be used.

plus

(c) the quantity of any Annual Reconfiguration Transactions associated with NCC for the relevant Capacity Commitment Period in which the Designated FCM Participant is the Capacity Transferring Resource (but this amount shall not be greater than NCC) multiplied by the difference between: (x) the

applicable annual reconfiguration auction clearing price, and (y) the transaction price, which shall equal one of the following:

(i) If the Designated FCM Participant does not certify to the ISO that it has not entered into ~~and will not enter into~~ any contract or other transaction with another party regarding the pricing of such Annual Reconfiguration Transaction (other than those approved to be settled by the ISO) for the purpose of or with the that has the effect of deflating its NCC Trading FA, the transaction price shall be equal to the lower of: (1) the applicable annual reconfiguration auction clearing price, and (2) applicable Annual Reconfiguration Transaction price;

(ii) If the Designated FCM Participant provides the certification described in subsection (i) above, is the Capacity Transferring Resource, and is an Affiliate of the Capacity Acquiring Resource, then the transaction price shall be equal to the lower of: (1) the applicable Annual Reconfiguration Transaction price, and (2) the applicable Capacity Clearing Price (adjusted, where appropriate, in accordance with the Handy-Whitman Index of Public Utility Construction Costs); or

~~(i)~~(iii) If neither subsection (i) nor (ii) applies, then applicable Annual Reconfiguration Transaction price shall be used.

**c. Non-Commercial Capacity Deferral**

Where the Commission approves a request to defer a Capacity Supply Obligation filed pursuant to Section III.13.3.7 of Market Rule 1, the Designated FCM Participant must include in the calculation of its FCM Financial Assurance Requirements under the ISO New England Financial Assurance Policy, beginning at 8 a.m. (Eastern Time) 30 days after Commission approval of the request to defer, an amount equal to the amount that would apply to a resource that has not achieved commercial operation one year after the start of a Capacity Commitment Period in which it has a Capacity Supply Obligation, as calculated pursuant to Section VII.B.2.a or Section VII.B.2.b, as applicable.

**3. Return of Non-Commercial Capacity Financial Assurance**