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**STANDARD MARKET DESIGN**

**III.1 Market Operations**

**III.1.1 Introduction.**

This Market Rule 1 sets forth the scheduling, other procedures, and certain general provisions applicable to the operation of the New England Markets within the New England Control Area. The ISO shall operate the New England Markets in compliance with NERC, NPCC and ISO reliability criteria. The ISO is the Counterparty for agreements and transactions with its Customers (including assignments involving Customers), including bilateral transactions described in Market Rule 1, and sales to the ISO and/or purchases from the ISO of energy, reserves, Ancillary Services, capacity, demand/load response, FTRs and other products, paying or charging (if and as applicable) its Customers the amounts produced by the pertinent market clearing process or through the other pricing mechanisms described in Market Rule 1. The bilateral transactions to which the ISO is the Counterparty (subject to compliance with the requirements of Section III.1.4) include, but are not limited to, Internal Bilaterals for Load, Internal Bilaterals for Market for Energy, Capacity Supply Obligation Bilaterals, Capacity Load Obligation Bilaterals, Capacity Performance Bilaterals, and the transactions described in Sections III.9.4.1 (internal bilateral transactions that transfer Forward Reserve Obligations), and III.13.1.6 (Self-Supplied FCA Resources). Notwithstanding the foregoing, the ISO will not act as Counterparty for the import into the New England Control Area, for the use of Publicly Owned Entities, of: (1) energy, capacity, and ancillary products associated therewith, to which the Publicly Owned Entities are given preference under Articles 407 and 408 of the project license for the New York Power Authority’s Niagara Project; and (2) energy, capacity, and ancillary products associated therewith, to which Publicly Owned Entities are entitled under Article 419 of the project license for the New York Power Authority’s Franklin D. Roosevelt – St. Lawrence Project. This Market Rule 1 addresses each of the three time frames pertinent to the daily operation of the New England Markets: “Pre-scheduling” as specified in Section III.1.9, “Scheduling” as specified in III.1.10, and “Dispatch” as specified in III.1.11. This Market Rule 1 became effective on February 1, 2005.

**III.1.2 [Reserved.]**

**III.1.3 Definitions.**

Whenever used in Market Rule 1, in either the singular or plural number, capitalized terms shall have the meanings specified in Section I of the Tariff. Terms used in Market Rule 1 that are not defined in Section I shall have the meanings customarily attributed to such terms by the electric utility industry in New England or as defined elsewhere in the ISO New England Filed Documents. Terms used in Market Rule 1 that are defined in Section I are subject to the 60% Participant Vote threshold specified in Section 11.1.2 of the Participants Agreement.

**III.1.3.1 [Reserved.]**

**III.1.3.2 [Reserved.]**

**III.1.3.3 [Reserved.]**

**III.1.4 Requirements for Certain Transactions.**

**III.1.4.1 ISO Settlement of Certain Transactions.**

The ISO will settle, and act as Counterparty to, the transactions described in Section III.1.4.2 if the transactions (and their related transactions) conform to, and the transacting Market Participants comply with, the requirements specified in Section III.1.4.3.

**III.1.4.2 Transactions Subject to Requirements of Section III.1.4.**

Transactions that must conform to the requirements of Section III.1.4 include: Internal Bilaterals for Load, Internal Bilaterals for Market for Energy, Capacity Supply Obligation Bilaterals, Capacity Load Obligation Bilaterals, Capacity Performance Bilaterals, and the transactions described in Sections III.9.4.1 (internal bilateral transactions that transfer Forward Reserve Obligations), and III.13.1.6 (Self-Supplied FCA Resources). The foregoing are referred to collectively as “Section III.1.4 Transactions,” and individually as a “Section III.1.4 Transaction.” Transactions that conform to the standards are referred to collectively as “Section III.1.4 Conforming Transactions,” and individually as a “Section III.1.4 Conforming Transaction.”

**III.1.4.3 Requirements for Section III.1.4 Conforming Transactions.**

(a) To qualify as a Section III.1.4 Conforming Transaction, a Section III.1.4 Transaction must constitute an exchange for an off-market transaction (a “Related Transaction”), where the Related Transaction:

(i) is not cleared or settled by the ISO as Counterparty;

(ii) is a spot, forward or derivatives contract that contemplates the transfer of energy or a MW obligation to or from a Market Participant;

(iii) involves commercially appropriate obligations that impose a duty to transfer electricity or a MW obligation from the seller to the buyer, or from the buyer to the seller, with performance taking place within a reasonable time in accordance with prevailing cash market practices; and

(iv) is not contingent on either party to carry out the Section III.1.4 Transaction.

(b) In addition, to qualify as a Section III.1.4 Conforming Transaction:

(i) the Section III.1.4 Transaction must be executed between separate beneficial owners or separate parties trading for independently controlled accounts;

(ii) the Section III.1.4 Transaction and the Related Transaction must be separately identified in the records of the parties to the transactions; and

(iii) the Section III.1.4 Transaction must be separately identified in the records of the ISO.

(c) As further requirements:

(i) each party to the Section III.1.4 Transaction and Related Transaction must maintain, and produce upon request of the ISO, records demonstrating compliance with the requirements of Sections III.1.4.3(a) and (b) for the Section III.1.4 Transaction, the Related Transaction and any other transaction that is directly related to, or integrated in any way with, the Related Transaction, including the identity of the counterparties and the material economic terms of the transactions including their price, tenor, quantity and execution date; and

(ii) each party to the Section III.1.4 Transaction must be a Market Participant that meets all requirements of the ISO New England Financial Assurance Policy.

**III.1.5 Resource Auditing.**

**III.1.5.1 Claimed Capability Audits.**

**III.1.5.1.1 General Audit Requirements.**

1. The following types of Claimed Capability Audits may be performed:
	1. An Establish Claimed Capability Audit establishes the Generator Asset’s ability to respond to ISO dispatch instructions and to maintain performance at a specified output level for a specified duration.
	2. A Seasonal Claimed Capability Audit determines a Generator Asset’s capability to perform under specified summer and winter conditions for a specified duration.
	3. A Seasonal DR Audit determines the ability of a Demand Response Resource to perform during specified months for a specified duration.
	4. An ISO-Initiated Claimed Capability Audit is conducted by the ISO to verify the Generator Asset’s Establish Claimed Capability Audit value or the Demand Response Resource’s Seasonal DR Audit value.
2. The Claimed Capability Audit value of a Generator Asset shall reflect any limitations based upon the interdependence of common elements between two or more Generator Assets such as: auxiliaries, limiting operating parameters, and the deployment of operating personnel.
3. The Claimed Capability Audit value of gas turbine, combined cycle, and pseudo-combined cycle assets shall be normalized to standard 90° (summer) and 20° (winter) temperatures.
4. The Claimed Capability Audit value for steam turbine assets with steam exports, combined cycle, or pseudo-combined cycle assets with steam exports where steam is exported for uses external to the electric power facility, shall be normalized to the facility’s Seasonal Claimed Capability steam demand.
5. A Claimed Capability Audit may be denied or rescheduled by the ISO if its performance will jeopardize the reliable operation of the electrical system.

**III.1.5.1.2 Establish Claimed Capability Audit.**

1. An Establish Claimed Capability Audit may be performed only by a Generator Asset.
2. The time and date of an Establish Claimed Capability Audit shall be unannounced.
3. For a newly commercial Generator Asset:
	1. An Establish Claimed Capability Audit will be scheduled by the ISO within five Business Days of the commercial operation date for all Generator Assets except:
		1. Non-intermittent daily cycle hydro;
		2. Non-intermittent net-metered, or special qualifying facilities that do not elect to audit as described in Section III.1.5.1.3; and
		3. Intermittent Generator Assets
	2. The Establish Claimed Capability Audit values for both summer and winter shall equal the mean net real power output demonstrated over the duration of the audit, as reflected in hourly revenue metering data, normalized for temperature and steam exports.
	3. The Establish Claimed Capability Audit values shall be effective as of the commercial operation date of the Generator Asset.
4. For Generator Assets with an Establish Claimed Capability Audit value:
	1. An Establish Claimed Capability Audit may be performed at the request of a Market Participant in order to support a change in the summer and winter Establish Claimed Capability Audit values for a Generator Asset.
	2. An Establish Claimed Capability Audit shall be performed within five Business Days of the date of the request.
	3. The Establish Claimed Capability Audit values for both summer and winter shall equal the mean net real power output demonstrated over the duration of the audit, as reflected in hourly revenue metering data, normalized for temperature and steam exports.
	4. The Establish Claimed Capability Audit values become effective one Business Day following notification of the audit results to the Market Participant by the ISO.
	5. A Market Participant may cancel an audit request prior to issuance of the audit Dispatch Instruction.
5. An Establish Claimed Capability Audit value may not exceed the maximum interconnected flow specified in the Network Resource Capability for the resource associated with the Generator Asset.
6. Establish Claimed Capability Audits shall be performed on non-NERC holiday weekdays between 0800 and 2200.
7. To conduct an Establish Claimed Capability Audit, the ISO shall:
	1. Initiate an Establish Claimed Capability Audit by issuing a Dispatch Instruction ordering the Generator Asset’s net output to increase from the current operating level to its Real-Time High Operating Limit.
	2. Indicate when issuing the Dispatch Instruction that an audit will be conducted.
	3. Begin the audit with the first full clock hour after sufficient time has been allowed for the asset to ramp, based on its offered ramp rate from its current operating point to reach its Real-Time High Operating Limit.
8. An Establish Claimed Capability Audit shall be performed for the following contiguous duration:

|  |
| --- |
| **Duration Required for an Establish Claimed Capability Audit** |
| **Unit Type** | **Claimed Capability Audit Duration (Hrs)** |
| Steam Turbine (Includes Nuclear) | 4 |
| Combined Cycle | 4 |
| Integrated Coal Gasification Combustion Cycle | 4 |
| Pressurized Fluidized Bed Combustion | 4 |
| Combustion Gas Turbine | 1 |
| Internal Combustion Engine | 1 |
| Hydraulic Turbine – Reversible Hydraulic Turbine – Other | 2 |
| Hydro-Conventional Daily PondageHydro-Conventional Run of RiverHydro-Conventional Weekly | 2 |
| WindPhotovoltaicFuel Cell | 2 |
| Energy Storage (Excludes Pumped Storage) | 2 |

(i) The ISO, in consultation with the Market Participant, will determine the contiguous audit duration for a Generator Asset of a unit type not listed in Section III.1.5.1.2(h).

**III.1.5.1.3. Seasonal Claimed Capability Audits.**

1. A Seasonal Claimed Capability Audit may be performed only by a Generator Asset.
2. A Seasonal Claimed Capability Audit must be conducted by all Generator Assets except:
	1. Non-intermittent daily hydro; and
	2. Intermittent, net-metered, and special qualifying facilities. Non-intermittent net-metered and special qualifying facilities may elect to perform Seasonal Claimed Capability Audits pursuant to Section III.1.7.11(c)(iv).
3. An Establish Claimed Capability Audit or ISO-Initiated Claimed Capability Audit that meets the requirements of a Seasonal Claimed Capability Audit in this Section III.1.5.1.3 may be used to fulfill a Generator Asset’s Seasonal Claimed Capability Audit obligation.
4. Except as provided in Section III.1.5.1.3(n) below, a summer Seasonal Claimed Capability Audit must be conducted:
	1. At least once every Capability Demonstration Year;
	2. Either (1) at a mean ambient temperature during the audit that is greater than or equal to 80 degrees Fahrenheit at the location of the Generator Asset, or (2) during an ISO-announced summer Seasonal Claimed Capability Audit window.
5. A winter Seasonal Claimed Capability Audit must be conducted:
	1. At least once in the previous three Capability Demonstration Years, except that a newly commercial Generator Asset which becomes commercial on or after:
		1. September 1 and prior to December 31 shall perform a winter Seasonal Claimed Capability Audit prior to the end of that Capability Demonstration Year.
		2. January 1 shall perform a winter Seasonal Claimed Capability Audit prior to the end of the next Capability Demonstration Year.
	2. Either (1) at a mean ambient temperature during the audit that is less than or equal to 32 degrees Fahrenheit at the location of the Generator Asset, or (2) during an ISO-announced winter Seasonal Claimed Capability Audit window.
6. A Seasonal Claimed Capability Audit shall be performed by operating the Generator Asset for the audit time period and submitting to the ISO operational data that meets the following requirements:
	1. The Market Participant must notify the ISO of its request to use the dispatch to satisfy the Seasonal Claimed Capability Audit requirement by 5:00 p.m. on the fifth Business Day following the day on which the audit concludes.
	2. The notification must include the date and time period of the demonstration to be used for the Seasonal Claimed Capability Audit and other relevant operating data.
7. The Seasonal Claimed Capability Audit value (summer or winter) will be the mean net real power output demonstrated over the duration of the audit, as reflected in hourly revenue metering data, normalized for temperature and steam exports.
8. The Seasonal Claimed Capability Audit value (summer or winter) shall be the most recent audit data submitted to the ISO meeting the requirements of this Section III.1.5.1.3. In the event that a Market Participant fails to submit Seasonal Claimed Capability Audit data to meet the timing requirements in Section III.1.5.1.3(d) and (e), the Seasonal Claimed Capability Audit value for the season shall be set to zero.
9. The Seasonal Claimed Capability Audit value shall become effective one Business Day following notification of the audit results to the Market Participant by the ISO.
10. A Seasonal Claimed Capability Audit shall be performed for the following contiguous duration:

|  |
| --- |
| **Duration Required for a Seasonal Claimed Capability Audit** |
| **Unit Type** | **Claimed Capability Audit Duration (Hrs)** |
| Steam Turbine (Includes Nuclear) | 2 |
| Combined Cycle | 2 |
| Integrated Coal Gasification Combustion Cycle | 2 |
| Pressurized Fluidized Bed Combustion | 2 |
| Combustion Gas Turbine | 1 |
| Internal Combustion Engine | 1 |
| Hydraulic Turbine-Reversible Hydraulic Turbine-Other | 2 |
| Hydro-Conventional Weekly | 2 |
| Fuel Cell | 1 |
| Energy Storage (Excludes Pumped Storage) | 2 |

1. A Generator Asset that is on a planned outage that was approved in the ISO’s annual maintenance scheduling process during all hours that meet the temperature requirements for a Seasonal Claimed Capability Audit that is to be performed by the asset during that Capability Demonstration Year shall:
	1. Submit to the ISO, prior to September 10, an explanation of the circumstances rendering it incapable of meeting these auditing requirements;
	2. Have its Seasonal Claimed Capability Audit value for the season set to zero; and
	3. Perform the required Seasonal Claimed Capability Audit on the next available day that meets the Seasonal Claimed Capability Audit temperature requirements.
2. A Generator Asset that does not meet the auditing requirements of this Section III.1.5.1.3 because (1) every time the temperature requirements were met at the Generator Asset’s location the ISO denied the request to operate to full capability, or (2) the temperature requirements were not met at the Generator Asset’s location during the Capability Demonstration Year during which the asset was required to perform a Seasonal Claimed Capability Audit during the hours 0700 to 2300 for each weekday excluding those weekdays that are defined as NERC holidays, shall:
	1. Submit to the ISO, prior to September 10, an explanation of the circumstances rendering it incapable of meeting these temperature requirements, including verifiable temperature data;
	2. Retain the current Seasonal Claimed Capability Audit value for the season; and
	3. Perform the required Seasonal Claimed Capability Audit during the next Capability Demonstration Year.
3. The ISO may issue notice of a summer or winter Seasonal Claimed Capability Audit window for some or all of the New England Control Area if the ISO determines that weather forecasts indicate that temperatures during the audit window will meet the summer or winter Seasonal Claimed Capability Audit temperature requirements. A notice shall be issued at least 48 hours prior to the opening of the audit window. Any audit performed during the announced audit window shall be deemed to meet the temperature requirement for the summer or winter audit. In the event that five or more audit windows for the summer Seasonal Claimed Capability Audit temperature requirement, each of at least a four hour duration between 0700 and 2300 and occurring on a weekday excluding those weekdays that are defined as NERC holidays, are not opened for a Generator Asset prior to August 15 during a Capability Demonstration Year, a two-week audit window shall be opened for that Generator Asset to perform a summer Seasonal Claimed Capability Audit, and any audit performed by that Generator Asset during the open audit window shall be deemed to meet the temperature requirement for the summer Seasonal Claimed Capability Audit. The open audit window shall be between 0700 and 2300 each day during August 15 through August 31.
4. A Market Participant that is required to perform testing on a Generator Asset that is in addition to a summer Seasonal Claimed Capability Audit may notify the ISO that the summer Seasonal Claimed Capability Audit was performed in conjunction with this additional testing, provided that:
	1. The notification shall be provided at the time the Seasonal Claimed Capability Audit data is submitted under Section III.1.5.1.3(f).
	2. The notification explains the nature of the additional testing and that the summer Seasonal Claimed Capability Audit was performed while the Generator Asset was online to perform this additional testing.
	3. The summer Seasonal Claimed Capability Audit and additional testing are performed during the months of June, July or August between the hours of 0700 and 2300.
	4. In the event that the summer Seasonal Claimed Capability Audit does not meet the temperature requirements of Section III.1.5.1.3(d)(ii), the summer Seasonal Claimed Capability Audit value may not exceed the summer Seasonal Claimed Capability Audit value from the prior Capability Demonstration Year.
	5. This Section III.1.5.1.3(n) may be utilized no more frequently than once every three Capability Demonstration Years for a Generator Asset.
5. The ISO, in consultation with the Market Participant, will determine the contiguous audit duration for a Generator Asset of a unit type not listed in Section III.1.5.1.3(j).

**III.1.5.1.3.1 Seasonal DR Audits.**

1. A Seasonal DR Audit may be performed only by a Demand Response Resource.
2. A Seasonal DR Audit shall be performed for 12 contiguous five-minute intervals.
3. A summer Seasonal DR Audit must be conducted by all Demand Response Resources:
	1. At least once every Capability Demonstration Year;
	2. During the months of April through November;
4. A winter Seasonal DR Audit must be conducted by all Demand Response Resources:
	1. At least once every Capability Demonstration Year;
	2. During the months of December through March.
5. A Seasonal DR Audit may be performed either:
	1. At the request of a Market Participant as described in subsection (f) below; or
	2. By the Market Participant designating a period of dispatch after the fact as described in subsection (g) below.
6. If a Market Participant requests a Seasonal DR Audit:
	1. The ISO shall perform the Seasonal DR Audit at an unannounced time between 0800 and 2200 on non-NERC holiday weekdays within five Business Days of the date of the request.
	2. The ISO shall initiate the Seasonal DR Audit by issuing a Dispatch Instruction ordering the Demand Response Resource to its Maximum Reduction.
	3. The ISO shall indicate when issuing the Dispatch Instruction that an audit will be conducted.
	4. The ISO shall begin the audit with the start of the first five-minute interval after sufficient time has been allowed for the resource to ramp, based on its Demand Reduction Offer parameters, to its Maximum Reduction.
	5. A Market Participant may cancel an audit request prior to issuance of the audit Dispatch Instruction.
7. If the Seasonal DR Audit is performed by the designation of a period of dispatch after the fact, the designated period must meet all of the requirements in this Section III.1.5.1.3.1 and:
	1. The Market Participant must notify the ISO of its request to use the dispatch to satisfy the Seasonal DR Audit requirement by 5:00 p.m. on the fifth Business Day following the day on which the audit concludes.
	2. The notification must include the date and time period of the demonstration to be used for the Seasonal DR Audit.
	3. The demonstration period may begin with the start of any five-minute interval after the completion of the Demand Response Resource Notification Time.
	4. A CLAIM10 audit or CLAIM30 audit that meets the requirements of a Seasonal DR Audit as provided in this Section III.1.5.1.3.1 may be used to fulfill the Seasonal DR Audit obligation of a Demand Response Resource.
8. An ISO-Initiated Claimed Capability Audit fulfils the Seasonal DR Audit obligation of a Demand Response Resource.
9. Each Demand Response Asset associated with a Demand Response Resource is evaluated during the Seasonal DR Audit of the Demand Response Resource.
10. Any Demand Response Asset on a forced or scheduled curtailment as defined in Section III.8.3 is assessed a zero audit value.
11. The Seasonal DR Audit value (summer or winter) of a Demand Response Resource resulting from the Seasonal DR Audit shall be the sum of the average demand reductions demonstrated during the audit by each of the Demand Response Resource’s constituent Demand Response Assets.
12. If a Demand Response Asset is added to or removed from a Demand Response Resource between audits, the Demand Response Resource’s capability shall be updated to reflect the inclusion or exclusion of the audit value of the Demand Response Asset, such that at any point in time the summer or winter Seasonal DR Audit value of a Demand Response Resource shall equal the sum of the most recent valid like-season audit values of its constituent Demand Response Assets.
13. The Seasonal DR Audit value shall become effective one Business Day following notification of the audit results to the Market Participant by the ISO.
14. The summer or winter audit value of a Demand Response Asset shall be set to zero at the end of the Capability Demonstration Year if the Demand Response Asset did not perform a Seasonal DR Audit for that season as part of a Demand Response Resource during that Capability Demonstration Year.
15. For a Demand Response Asset that was associated with a “Real-Time Demand Response Resource” or a “Real-Time Emergency Generation Resource,” as those terms were defined prior to June 1, 2018, any valid result from an audit conducted prior to June 1, 2018 shall continue to be valid on June 1, 2018, and shall retain the same expiration date.

**III.1.5.1.4. ISO-Initiated Claimed Capability Audits.**

1. An ISO-Initiated Claimed Capability Audit may be performed by the ISO at any time.
2. An ISO-Initiated Claimed Capability Audit value shall replace either the summer or winter Seasonal DR Audit value for a Demand Response Resource and shall replace both the winter and summer Establish Claimed Capability Audit values for a Generator Asset, normalized for temperature and steam exports, except:
	1. The Establish Claimed Capability Audit values for a Generator Asset may not exceed the maximum interconnected flow specified in the Network Resource Capability for that resource.
	2. An ISO-Initiated Claimed Capability Audit value for a Generator Asset shall not set the winter Establish Claimed Capability Audit value unless the ISO-Initiated Claimed Capability Audit was performed at a mean ambient temperature that is less than or equal to 32 degrees Fahrenheit at the Generator Asset location.
3. If for a Generator Asset a Market Participant submits pressure and relative humidity data for the previous Establish Claimed Capability Audit and the current ISO-Initiated Claimed Capability Audit, the Establish Claimed Capability Audit values derived from the ISO-Initiated Claimed Capability Audit will be normalized to the pressure of the previous Establish Claimed Capability Audit and a relative humidity of 64%.
4. The audit values derived from the ISO-Initiated Claimed Capability Audit shall become effective one Business Day following notification of the audit results to the Market Participant by the ISO.
5. To conduct an ISO-Initiated Claimed Capability Audit, the ISO shall:
	1. Initiate an ISO-Initiated Claimed Capability Audit by issuing a Dispatch Instruction ordering the Generator Asset to its Real-Time High Operating Limit or the Demand Response Resource to its Maximum Reduction.
	2. Indicate when issuing the Dispatch Instruction that an audit will be conducted.
	3. For Generator Assets, begin the audit with the first full clock hour after sufficient time has been allowed for the Generator Asset to ramp, based on its offered ramp rate, from its current operating point to its Real-Time High Operating Limit.
	4. For Demand Response Resources, begin the audit with the first five-minute interval after sufficient time has been allowed for the resource to ramp, based on its Demand Reduction Offer parameters, to its Maximum Reduction.
6. An ISO-Initiated Claimed Capability Audit shall be performed for the following contiguous duration:

|  |
| --- |
| **Duration Required for an ISO-Initiated Claimed Capability Audit** |
| **Asset or Resource Type** | **Claimed Capability Audit Duration (Hrs)** |
| Steam Turbine (Includes Nuclear) | 4 |
| Combined Cycle | 4 |
| Integrated Coal Gasification Combustion Cycle | 4 |
| Pressurized Fluidized Bed Combustion | 4 |
| Combustion Gas Turbine | 1 |
| Internal Combustion Engine | 1 |
| Hydraulic Turbine – Reversible Hydraulic Turbine – Other | 2 |
| Hydro-Conventional Daily PondageHydro-Conventional Run of RiverHydro-Conventional Weekly | 2 |
| WindPhotovoltaicFuel Cell | 2 |
| Energy Storage (Excludes Pumped Storage) | 2 |
| Demand Response Resource | 1 |

1. The ISO, in consultation with the Market Participant, will determine the contiguous audit duration for an Asset or Resource type not listed in Section III.1.5.1.4(f).

**III.1.5.2 ISO-Initiated Parameter Auditing**.

1. The ISO may perform an audit of any Supply Offer, Demand Reduction Offer or other operating parameter that impacts the ability of a Generator Asset or Demand Response Resource to provide real-time energy or reserves.
2. Generator audits shall be performed using the following methods for the relevant parameter:
	1. **Economic Maximum Limit**. The Generator Asset shall be evaluated based upon its ability to achieve the current offered Economic Maximum Limit value, through a review of historical dispatch data or based on a response to a current ISO-issued Dispatch Instruction.
	2. **Manual Response Rate**. The Generator Asset shall be evaluated based upon its ability to respond to Dispatch Instructions at its offered Manual Response Rate, including hold points and changes in Manual Response Rates.
	3. **Start-Up Time**. The Generator Asset shall be evaluated based upon its ability to achieve the offered Start-Up Time.
	4. **Notification Time**. The Generator Asset shall be evaluated based upon its ability to close its output breaker within its offered Notification Time.
	5. **CLAIM10**. The Generator Asset shall be evaluated based upon its ability to reach its CLAIM10 value in accordance with Section III.9.5.
	6. **CLAIM30**. The Generator Asset shall be evaluated based upon its ability to reach its CLAIM30 value in accordance with Section III.9.5.
	7. **Automatic Response Rate**. The Generator Asset shall be analyzed, based upon a review of historical performance data, for its ability to respond to four-second electronic Dispatch Instructions.
	8. **Dual Fuel Capability**. A Generator Asset that is capable of operating on multiple fuels may be required to audit on a specific fuel, as set out in Section III.1.5.2(f).
3. Demand Response Resource audits shall be performed using the following methods:
	1. **Maximum Reduction**. The Demand Response Resource shall be evaluated based upon its ability to achieve the current offered Maximum Reduction value, through a review of historical dispatch data or based on a response to a current Dispatch Instruction.
	2. **Demand Response Resource Ramp Rate**. The Demand Response Resource shall be evaluated based upon its ability to respond to Dispatch Instructions at its offered Demand Response Resource Ramp Rate.
	3. **Demand Response Resource Start-Up Time**. The Demand Response Resource shall be evaluated based upon its ability to achieve its Minimum Reduction within the offered Demand Response Resource Start-Up Time, in response to a Dispatch Instruction and after completing its Demand Response Resource Notification Time.
	4. **Demand Response Resource Notification Time**. The Demand Response Resource shall be evaluated based upon its ability to start reducing demand within its offered Demand Response Resource Notification Time, from the receipt of a Dispatch Instruction when the Demand Response Resource was not previously reducing demand.
	5. **CLAIM10**. The Demand Response Resource shall be evaluated based upon its ability to reach its CLAIM10 value in accordance with Section III.9.5.
	6. **CLAIM30**. The Demand Response Resource shall be evaluated based upon its ability to reach its CLAIM30 value in accordance with Section III.9.5.
4. To conduct an audit based upon historical data, the ISO shall:
	1. Obtain data through random sampling of generator or Demand Response Resource performance in response to Dispatch Instructions; or
	2. Obtain data through continual monitoring of generator or Demand Response Resource performance in response to Dispatch Instructions.
5. To conduct an unannounced audit, the ISO shall initiate the audit by issuing a Dispatch Instruction ordering the Generator Asset or Demand Response Resource to change from the current operating level to a level that permits the ISO to evaluate the performance of the Generator Asset or Demand Response Resource for the parameters being audited.
6. To conduct an audit of the capability of a Generator Asset described in Section III.1.5.2(b)(viii) to run on a specific fuel:
	1. The ISO shall notify the Lead Market Participant if a Generator Asset is required to undergo an audit on a specific fuel. The ISO, in consultation with the Lead Market Participant, shall develop a plan for the audit.
	2. The Lead Market Participant will have the ability to propose the time and date of the audit within the ISO’s prescribed time frame and must notify the ISO at least five Business Days in advance of the audit, unless otherwise agreed to by the ISO and the Lead Market Participant.
7. To the extent that the audit results indicate a Market Participant is providing Supply Offer, Demand Reduction Offer or other operating parameter values that are not representative of the actual capability of the Generator Asset or Demand Response Resource, the values for the Generator Asset or Demand Response Resource shall be restricted to those values that are supported by the audit.
8. In the event that a Generator Asset or Demand Response Resource has had a parameter value restricted:
	1. The Market Participant may submit a restoration plan to the ISO to restore that parameter. The restoration plan shall:
		1. Provide an explanation of the discrepancy;
		2. Indicate the steps that the Market Participant will take to re-establish the parameter’s value;
		3. Indicate the timeline for completing the restoration; and
		4. Explain the testing that the Market Participant will undertake to verify restoration of the parameter value upon completion.
	2. The ISO shall:
		1. Accept the restoration plan if implementation of the plan, including the testing plan, is reasonably likely to support the proposed change in the parameter value restriction;
		2. Coordinate with the Market Participant to perform required testing upon completion of the restoration; and
		3. Modify the parameter value restriction following completion of the restoration plan, based upon tested values.

**III.1.5.3 Reactive Capability Audits.**

(a) Two types of Reactive Capability Audits may be performed:

(i) A Lagging Reactive Capability Audit measures the Generator Asset’s ability to provide reactive power to the transmission system at a specified real power output.

(ii) A Leading Reactive Capability Audit measures the Generator Asset’s ability to absorb reactive power from the transmission system at a specified real power output.

(b) The ISO shall develop a list of Generator Assets that must conduct Reactive Capability Audits.

(c) Unless otherwise directed by the ISO, Generator Assets that are required to perform Reactive Capability Audits must perform both a Lagging Reactive Capability Audit and a Leading Reactive Capability Audit.

(d) All Reactive Capability Audits shall meet the testing conditions specified in the ISO New England Operating Documents.

(e) The Reactive Capability Audit value of a Generator Asset shall reflect any limitations based upon the interdependence of common elements between two or more Generator Assets such as: auxiliaries, limiting operating parameters, and the deployment of operating personnel.

(f) A Reactive Capability Audit may be denied or rescheduled by the ISO if conducting the Reactive Capability Audit could jeopardize the reliable operation of the electrical system.

(g) Reactive Capability Audits must be conducted at least every five years, unless otherwise required by the ISO. The ISO may require a Generator Asset to conduct Reactive Capability Audits more often than every five years if:

(i) there is a change in the Generator Asset that may affect the reactive power capability of the Generator Asset;

(ii) there is a change in electrical system conditions that may affect the achievable reactive power output or absorption of the Generator Asset; or

(iii) historical data shows that the amount of reactive power that the Generator Asset can provide to or absorb from the transmission system is higher or lower than the latest audit data.

(h) The Lead Market Participant may request a waiver of the requirement to conduct a Reactive Capability Audit. The ISO, at its sole discretion, will determine whether and for how long a waiver can be granted.

**III.1.6 [Reserved.]**

**III.1.6.1 [Reserved.]**

**III.1.6.2 [Reserved.]**

**III.1.6.3 [Reserved.]**

**III.1.6.4 ISO New England Manuals and ISO New England Administrative Procedures.**

The ISO shall prepare, maintain and update the ISO New England Manuals and ISO New England Administrative Procedures consistent with the ISO New England Filed Documents. The ISO New England Manuals and ISO New England Administrative Procedures shall be available for inspection by the Market Participants, regulatory authorities with jurisdiction over the ISO or any Market Participant, and the public.

**III.1.7 General.**

**III.1.7.1 Provision of Market Data to the Commission.**

The ISO will electronically deliver to the Commission, on an ongoing basis and in a form and manner consistent with its collection of data and in a form and manner acceptable to the Commission, data related to the markets that it administers, in accordance with the Commission’s regulations.

**III.1.7.2 [Reserved.]**

**III.1.7.3 Agents.**

A Market Participant may participate in the New England Markets through an agent, provided that such Market Participant informs the ISO in advance in writing of the appointment of such agent. A Market Participant using an agent shall be bound by all of the acts or representations of such agent with respect to transactions in the New England Markets, and shall ensure that any such agent complies with the requirements of the ISO New England Manuals and ISO New England Administrative Procedures and the ISO New England Filed Documents.

**III.1.7.4 [Reserved.]**

**III.1.7.5 [Reserved.]**

**III.1.7.6 Scheduling and Dispatching.**

(a) The ISO shall schedule Day-Ahead and schedule and dispatch in Real-Time Resources economically on the basis of least-cost, security-constrained dispatch and the prices and operating characteristics offered by Market Participants. The ISO shall schedule and dispatch sufficient Resources of the Market Participants to serve the New England Markets energy purchase requirements under normal system conditions of the Market Participants and meet the requirements of the New England Control Area for ancillary services provided by such Resources. The ISO shall use a joint optimization process to serve Real-Time Energy Market energy requirements and meet Real-Time Operating Reserve requirements based on a least-cost, security-constrained economic dispatch.

(b) In the event that one or more Resources cannot be scheduled in the Day-Ahead Energy Market on the basis of a least-cost, security-constrained dispatch as a result of one or more Self-Schedule offers contributing to a transmission limit violation, the following scheduling protocols will apply:

 (i) When a single Self-Schedule offer contributes to a transmission limit violation, the Self-Schedule offer will not be scheduled for the entire Self-Schedule period in development of Day-Ahead schedules.

(ii) When two Self-Schedule offers contribute to a transmission limit violation, parallel clearing solutions will be executed such that, for each solution, one of the Self-Schedule offers will be omitted for its entire Self-Schedule period. The least cost solution will be used for purposes of determining which Resources are scheduled in the Day-Ahead Energy Market.

(iii) When three or more Self-Schedule offers contribute to a transmission limit violation, the ISO will determine the total daily MWh for each Self-Schedule offer and will omit Self-Schedule offers in their entirety, in sequence from the offer with the least total daily MWh to the offer with the greatest total MWh, stopping when the transmission limit violation is resolved.

(c) Scheduling and dispatch shall be conducted in accordance with the ISO New England Filed Documents.

(d) The ISO shall undertake, together with Market Participants, to identify any conflict or incompatibility between the scheduling or other deadlines or specifications applicable to the New England Markets, and any relevant procedures of another Control Area, or any tariff (including the Transmission, Markets and Services Tariff). Upon determining that any such conflict or incompatibility exists, the ISO shall propose tariff or procedural changes, or undertake such other efforts as may be appropriate, to resolve any such conflict or incompatibility.

**III.1.7.7 Energy Pricing**.

The price paid for energy, including demand reductions, bought and sold by the ISO in the New England Markets will reflect the Locational Marginal Price at each Location, determined by the ISO in accordance with the ISO New England Filed Documents. Congestion Costs, which shall be determined by differences in the Congestion Component of Locational Marginal Prices caused by constraints, shall be calculated and collected, and the resulting revenues disbursed, by the ISO in accordance with this Market Rule 1. Loss costs associated with Pool Transmission Facilities, which shall be determined by the differences in Loss Components of the Locational Marginal Prices shall be calculated and collected, and the resulting revenues disbursed, by the ISO in accordance with this Market Rule 1.

**III.1.7.8 Market Participant Resources.**

A Market Participant may elect to Self-Schedule its Resources in accordance with and subject to the limitations and procedures specified in this Market Rule 1 and the ISO New England Manuals.

**III.1.7.9 Real-Time Reserve Prices.**

The price paid by the ISO for the provision of Real-Time Operating Reserve in the New England Markets will reflect Real-Time Reserve Clearing Prices determined by the ISO in accordance with the ISO New England Filed Documents for the system and each Reserve Zone.

**III.1.7.10 Other Transactions.**

(a) Market Participants may enter into internal bilateral transactions and External Transactions for the purchase or sale of energy or other products to or from each other or any other entity, subject to the

obligations of Market Participants to make resources with a Capacity Supply Obligation available for dispatch by the ISO. External Transactions that contemplate the physical transfer of energy or obligations to or from a Market Participant shall be reported to and coordinated with the ISO in accordance with this Market Rule 1 and the ISO New England Manuals.

(b) [Reserved.]

(c) [Reserved.]

**III.1.7.11 Seasonal Claimed Capability of a Generating Capacity Resource.**

1. A Seasonal Claimed Capability value must be established and maintained for all Generating Capacity Resources. A summer Seasonal Claimed Capability is established for use from June 1 through September 30 and a winter Seasonal Claimed Capability is established for use from October 1 through May 31.
2. The Seasonal Claimed Capability of a Generating Capacity Resource is the sum of the Seasonal Claimed Capabilities of the Generator Assets that are associated with the Generating Capacity Resource.
3. The Seasonal Claimed Capability of a Generator Asset is:
4. Based upon review of historical data for non-intermittent daily cycle hydro.
5. The median net real power output during reliability hours, as described in Section III.13.1.2.2.2, for (1) intermittent facilities, and (2) net-metered and special qualifying facilities that do not elect to audit, as reflected in hourly revenue metering data.
6. For non-intermittent net-metered and special qualifying facilities that elect to audit, the minimum of (1) the Generator Asset’s current Seasonal Claimed Capability Audit value, as performed pursuant to Section III.1.5.1.3; (2) the Generator Asset’s current Establish Claimed Capability Audit value; and (3) the median hourly availability during hours ending 2:00 p.m. through 6:00 p.m. each day of the preceding June through September for Summer and hours ending 6:00 p.m. and 7:00 p.m. each day of the preceding October through May for Winter. The hourly availability:
	1. For a Generator Asset that is available for commitment and following Dispatch Instructions, shall be the asset’s Economic Maximum Limit, as submitted or redeclared.
	2. For a Generator Asset that is off-line and not available for commitment shall be zero.
	3. For a Generator Asset that is on-line but not able to follow Dispatch Instructions, shall be the asset’s metered output.
7. For all other Generator Assets, the minimum of: (1) the Generator Asset’s current Establish Claimed Capability Audit value and (2) the Generator Asset’s current Seasonal Claimed Capability Audit value, as performed pursuant to Section III.1.5.1.3.

**III.1.7.12 Seasonal DR Audit Value of an Active Demand Capacity Resource.**

1. A Seasonal DR Audit value must be established and maintained for all Active Demand Capacity Resources. A summer Seasonal DR Audit value is established for use from April 1 through November 30 and a winter Seasonal DR Audit valueis established for use from December 1 through March 31.
2. The Seasonal DR Audit valueof an Active Demand Capacity Resource is the sum of the Seasonal DR Audit values of the Demand Response Resources that are associated with the Active Demand Capacity Resource.

**III.1.7.13 [Reserved.]**

**III.1.7.14 [Reserved.]**

**III.1.7.15 [Reserved.]**

**III.1.7.16 [Reserved.]**

**III.1.7.17 Operating Reserve**.

The ISO shall schedule the Operating Reserve and load-following requirements of the New England Control Area and the New England Markets in scheduling Resources pursuant to this Market Rule 1. Reserve requirements for the Forward Reserve Market are determined in accordance with the methodology specified in Section III.9.2 of Market Rule 1. Operating Reserve requirements for Real-Time dispatch within an Operating Day are determined in accordance with Market Rule 1 and ISO New England Operating Procedure No. 8, Operating Reserve and Regulation.

**III.1.7.18 [Reserved.]**

**III.1.7.19 Ramping.**

A generating unit or Demand Response Resource dispatched by the ISO pursuant to a control signal appropriate to increase or decrease the unit’s megawatt output or demand reduction level shall be able to change output or demand reduction at the ramping rate specified in the Offer Data submitted to the ISO for that unit and shall be subject to sanctions for failure to comply as described in **Appendix B**.

**III.1.7.19A Real-Time Reserve**.

(a) Real-Time TMSR, TMNSR, TMOR and Real-Time Replacement Reserve, if applicable, shall be supplied from Dispatchable Resources located within the metered boundaries of the New England Control Area subject to the condition set forth in Section III.1.7.19A(c) below. The ISO shall designate Operating Reserve in Real-Time only to Market Participant Resources that comply with the applicable standards and requirements for provision and dispatch of Operating Reserve capability as specified in Section III.10 and the ISO New England Manuals and ISO New England Administrative Procedures.

(b) The ISO shall endeavor to procure and maintain an amount of Operating Reserve in Real-Time equal to the system and locational Operating Reserve requirements as specified in the ISO New England Manuals and ISO New England Administrative Procedures.

(c) External Resources will be permitted to participate in the Real-Time reserve market when the respective Control Areas implement the technology and processes necessary to support recognition of Operating Reserves from external Resources.

**III.1.7.20 Information and Operating Requirements.**

(a) [Reserved.]

(b) Market Participants selling from Resources within the New England Control Area shall: supply to the ISO all applicable Offer Data; report to the ISO units that are Self-Scheduled; report to the ISO External Transaction sales; confirm to the ISO bilateral sales to Market Participants within the New England Control Area; respond to the ISO’s directives to start, shutdown or change output or demand reduction levels of generating units or Demand Response Resources, change scheduled voltages or reactive output levels; continuously maintain all Offer Data concurrent with on-line operating information; and ensure that, where so equipped, generating and demand reduction equipment is operated with control equipment functioning as specified in the ISO New England Manuals and ISO New England Administrative Procedures.

(c) Market Participants selling from Resources outside the New England Control Area shall: provide to the ISO all applicable Offer Data, including offers specifying amounts of energy available, hours of availability and prices of energy and other services; respond to ISO directives to schedule delivery or change delivery schedules; and communicate delivery schedules to the source Control Area and any intermediary Control Areas.

(d) Market Participants, as applicable, shall: respond or ensure a response to ISO directives for load management steps; report to the ISO all bilateral purchase transactions including External Transaction purchases; and respond or ensure a response to other ISO directives such as those required during Emergency operation.

(e) Market Participant, as applicable, shall provide to the ISO requests to purchase specified amounts of energy for each hour of the Operating Day during which it intends to purchase from the Day-Ahead Energy Market, along with Dispatch Rate levels above which it does not desire to purchase.

(f) Market Participants are responsible for reporting to the ISO anticipated availability and other information concerning generating Resources, Demand Response Resources and Dispatchable Asset Related Demand required by the ISO New England Operating Documents, including but not limited to the Market Participant’s ability to procure fuel and physical limitations that could reduce Resource output or demand reduction capability for the pertinent Operating Day.

**III.1.8 [Reserved.]**

**III.1.9 Pre-scheduling.**

**III.1.9.1 [Reserved.]**

**III.1.9.2 [Reserved.]**

**III.1.9.3 [Reserved.]**

**III.1.9.4 [Reserved.]**

**III.1.9.5 [Reserved.]**

**III.1.9.6 [Reserved.]**

**III.1.9.7 Market Participant Responsibilities.**

Market Participants authorized and intending to request market-based Start-Up Fees and No-Load Fee in their Offer Data shall submit a specification of such fees to the ISO for each generating unit as to which the Market Participant intends to request such fees. Any such specification shall identify the applicable period and be submitted on or before the applicable deadline and shall remain in effect unless otherwise modified in accordance with Section III.1.10.9. The ISO shall reject any request for Start-Up Fees and No-Load Fee in a Market Participant’s Offer Data that does not conform to the Market Participant’s specification on file with the ISO.

**III.1.9.8 [Reserved.]**

**III.1.10 Scheduling.**

**III.1.10.1 General.**

(a) The ISO shall administer scheduling processes to implement a Day-Ahead Energy Market and a Real-Time Energy Market.

(b) The Day-Ahead Energy Market shall enable Market Participants to purchase and sell energy through the New England Markets at Day-Ahead Prices and enable Market Participants to submit External Transactions conditioned upon Congestion Costs not exceeding a specified level. Market Participants whose purchases and sales and External Transactions are scheduled in the Day-Ahead Energy Market shall be obligated to purchase or sell energy or pay Congestion Costs and costs for losses, at the applicable Day-Ahead Prices for the amounts scheduled.

(c) In the Real-Time Energy Market,

(i) Market Participants that deviate from the amount of energy purchases or sales scheduled in the Day-Ahead Energy Market shall replace the energy not delivered with energy from the Real-Time Energy Market or an internal bilateral transaction and shall pay for such energy not delivered, net of any internal bilateral transactions, at the applicable Real-Time Price, unless otherwise specified by this Market Rule 1, and

(ii) Non-Market Participant Transmission Customers shall be obligated to pay Congestion Costs and costs for losses for the amount of the scheduled transmission uses in the Real-Time Energy Market at the applicable Real-Time Congestion Component and Loss Component price differences, unless otherwise specified by this Market Rule 1.

(d) The following scheduling procedures and principles shall govern the commitment of Resources to the Day-Ahead Energy Market and the Real-Time Energy Market over a period extending from one week to one hour prior to the Real-Time dispatch. Scheduling encompasses the Day-Ahead and hourly scheduling process, through which the ISO determines the Day-Ahead Energy Market schedule and determines, based on changing forecasts of conditions and actions by Market Participants and system constraints, a plan to serve the hourly energy and reserve requirements of the New England Control Area in the least costly manner, subject to maintaining the reliability of the New England Control Area. Scheduling of External Transactions in the Real-Time Energy Market is subject to Section II.44 of the OATT.

(e) If the ISO’s forecast for the next seven days projects a likelihood of Emergency Condition, the ISO may commit, for all or part of such seven day period, to the use of generating units or Demand Response Resources with Notification Time greater than 24 hours as necessary in order to alleviate or mitigate such Emergency, in accordance with the Market Participants’ binding Supply Offers or Demand Reduction Offers.

**III.1.10.1A Day-Ahead Energy Market Scheduling**.

The following actions shall occur not later than 10:00 a.m. on the day before the Operating Day for which transactions are being scheduled, or such other deadline as may be specified by the ISO in order to comply with the practical requirements and the economic and efficiency objectives of the scheduling process specified in this Market Rule 1.

(a) **Day-Ahead Locational Demand Bids –** Each Market Participant may submit to the ISO specifications of the amount and location of its customer loads and/or energy purchases to be included in the Day-Ahead Energy Market for each hour of the next Operating Day, such specifications to comply with the requirements set forth in the ISO New England Manuals and ISO New England Administrative Procedures. Each Market Participant shall inform the ISO of (i) the prices, if any, at which it desires not to include its load in the Day-Ahead Energy Market rather than pay the Day-Ahead Price, (ii) hourly schedules for Resource increments, including hydropower units, Self-Scheduled by the Market Participant; and (iii) the Decrement Bid at which each such Self-Scheduled Resource will disconnect or reduce output, or confirmation of the Market Participant’s intent not to reduce output. Price-sensitive Demand Bids and Decrement Bids must be greater than zero MW and shall not exceed the energy Supply Offer limitation specified in this Section.

(b) [Reserved.]

(c) **Day-Ahead** **External Transactions –** All Market Participants shall submit to the ISO schedules for any External Transactions involving use of generating Resources or the New England Transmission System as specified below, and shall inform the ISO whether the transaction is to be included in the Day-Ahead Energy Market. Any Market Participant that elects to include an External Transaction in the Day-Ahead Energy Market may specify the price (such price not to exceed the maximum price that may be specified in the ISO New England Manuals and ISO New England Administrative Procedures), if any, at which it will be curtailed rather than pay Congestion Costs. The foregoing price specification shall apply to the price difference between the Locational Marginal Prices for specified External Transaction source and sink points in the Day-Ahead scheduling process only. Any Market Participant that deviates from its Day-Ahead External Transaction schedule or elects not to include its External Transaction in the Day-Ahead Energy Market shall be subject to Congestion Costs in the Real-Time Energy Market in order to complete any such scheduled External Transaction. A priced External Transaction submitted under Section III.1.10.7 and that clears in the Day-Ahead Energy Market will be considered tied within economic merit with a Self-Scheduled External Transaction submitted to the Real-Time Energy Market, unless the Market Participant modifies the price component of its Real-Time offer during the Re-Offer Period. Scheduling of External Transactions shall be conducted in accordance with the specifications in the ISO New England Manuals and ISO New England Administrative Procedures and the following requirements:

 (i) Market Participants shall submit schedules for all External Transaction purchases for delivery within the New England Control Area from Resources outside the New England Control Area;

(ii) Market Participants shall submit schedules for External Transaction sales to entities outside the New England Control Area from Resources within the New England Control Area;

(iii) If the sum of all submitted fixed External Transaction purchases less External Transaction sales exceeds the import capability associated with the applicable External Node, the offer prices for all fixed External Transaction purchases at the applicable External Node shall be set equal to the Energy Offer Floor;

1. If the sum of all submitted fixed External Transaction sales less External Transaction purchases exceeds the export capability associated with the applicable External Node, the offer prices for all fixed External Transaction sales at the applicable External Node shall be set equal to the Energy Offer Cap;
2. The ISO shall not consider Start-Up Fees, No-Load Fees, Notification Times or any other inter-temporal parameters in scheduling or dispatching External Transactions.

(d) **Day-Ahead Offers (Generator Assets and Dispatchable Asset Related Demand) –** Market Participants selling into the New England Markets, from either internal Resources (other than Demand Response Resources) or External Resources, shall submit Supply Offers or External Transactions for the supply of energy (including energy from hydropower units), and Demand Bids for the consumption of energy, Operating Reserve or other services as applicable, for the following Operating Day. (Coordinated External Transactions shall be submitted to the ISO in accordance with Section III.1.10.7.A of this Market Rule 1.)

Such Supply Offers and Demand Bids:

(i) Shall specify the Resource and energy for each hour of the Operating Day;

(ii) Shall specify Blocks (price and quantity of Energy) for each hour of the Operating Day for each Resource offered by the Market Participant to the ISO. The price and quantity values in a Block may each vary on an hourly basis;

(iii) If based on energy from a specific generating unit internal to the New England Control Area, may specify, for Supply Offers, Start-Up Fee and No-Load Fee for each hour of the Operating Day. Start-Up Fee and No-Load Fee values may vary on an hourly basis;

(iv) For a dual fuel Resource, shall specify, for Supply Offers, the fuel type. The fuel type value may vary on an hourly basis. A Market Participant that submits a Supply Offer using the higher cost fuel type must satisfy the consultation requirements for dual fuel Resources in Section III.A.3 of Appendix A;

(v) Shall specify, for Supply Offers, a Minimum Run Time to be used for scheduling purposes that does not exceed 24 hours for a generating Resource;

(vi) Supply Offers shall constitute an offer to submit the generating Resource increment to the ISO for scheduling and dispatch in accordance with the terms of the Supply Offer, where such Supply Offer, with regard to operating limits, shall specify changes to the Economic Maximum Limit, Economic Minimum Limit and Emergency Minimum Limit from those submitted as part of the Resource’s Offer Data to reflect the physical operating characteristics and/or availability of the Resource, except that for a Limited Energy Resource, the Economic Maximum Limit may be revised to reflect maximum energy available for the Operating Day, which offer shall remain open through the Operating Day for which the Supply Offer is submitted;

(vii) Shall constitute, for Demand Bids, an offer to submit the Dispatchable Asset Related Demand Resource increment to the ISO for scheduling and dispatch in accordance with the terms of the Demand Bid, where such Demand Bid, with regard to operating limits, shall specify changes to the Maximum Consumption Limit and Minimum Consumption Limit from those submitted as part of the Resource’s Offer Data to reflect the physical operating characteristics and/or availability of the Resource, except that, for a Self-Scheduled Resource, the Minimum Consumption Limit may vary on an hourly basis to reflect the Self-Scheduled consumption level of the Resource;

(viii) Shall be final as to the price or prices at which the Market Participant proposes to supply or consume energy or other services to the New England Markets, such price or prices for Resources or portions of Resources scheduled in the Day-Ahead Energy Market being guaranteed by the Market Participant for the period extending through the end of the following Operating Day; and

(ix) Shall not specify an energy offer or bid price below the Energy Offer Floor or above the Energy Offer Cap.

(e)  **Day-Ahead Offers (Demand Response Resources) –** Market Participants selling into the New England Markets from Demand Response Resources shall submit Demand Reduction Offers for the supply of energy, Operating Reserve or other services as applicable, for the following Operating Day. A Demand Reduction Offer shall constitute an offer to submit the Demand Response Resource increment to the ISO for scheduling and dispatch in accordance with the terms of the Demand Reduction Offer. Demand Reduction Offers:

(i) Shall specify the Demand Response Resource and Blocks (price and demand reduction quantity pairs) for each hour of the Operating Day. The price and demand reduction quantity values may vary on an hourly basis.

(ii) Shall not specify a price that is above the Energy Offer Cap, below the Energy Offer Floor, or below the Demand Reduction Threshold Price in effect for the Operating Day. For purposes of clearing the Day-Ahead and Real-Time Energy Markets and calculating Day-Ahead and Real-Time Locational Marginal Prices and Real-Time Reserve Clearing Prices, any price specified below the Demand Reduction Threshold price in effect for the Operating Day will be considered to be equal to the Demand Reduction Threshold Price for the Operating Day.

* 1. Shall not include average avoided peak transmission or distribution losses in the demand reduction quantity.
	2. May specify an Interruption Cost for each hour of the Operating Day, which may vary on an hourly basis.
	3. Shall specify a Minimum Reduction Time to be used for scheduling purposes that does not exceed 24 hours.
	4. Shall specify a Maximum Reduction amount no greater than the sum of the Maximum Interruptible Capacities of the Demand Response Resource’s operational Demand Response Assets.
	5. Shall specify changes to the Maximum Reduction and Minimum Reduction from those submitted as part of the Demand Response Resource’s Offer Data to reflect the physical operating characteristics and/or availability of the Demand Response Resource.

(f) Demand Reduction Threshold Price – The Demand Reduction Threshold Price for each month shall be determined through an analysis of a smoothed, historic supply curve for the month. The historic supply curve shall be derived from Real-Time generator and import Offer Data (excluding Coordinated External Transactions) for the same month of the previous year. The ISO may adjust the Offer Data to account for significant changes in generator and import availability or other significant changes to the historic supply curve. The historic supply curve shall be calculated as follows:

1. Each generator and import offer Block (i.e., each price-quantity pair offered in the Real-Time Energy Market) for each day of the month shall be compiled and sorted in ascending order of price to create an unsmoothed supply curve.
2. An unsmoothed supply curve for the month shall be formed from the price and cumulative quantity of each offer Block.
3. A non-linear regression shall be performed on a sampled portion of the unsmoothed supply curve to produce an increasing, convex, smooth approximation of the supply curve.
4. A historic threshold price *Pth* shall be determined as the point on the smoothed supply curve beyond which the benefit to load from the reduced LMP resulting from the demand reduction of Demand Response Resources exceeds the cost to load associated with compensating Demand Response Resources for demand reduction.
5. The Demand Reduction Threshold Price for the upcoming month shall be determined by the following formula:

$$DRTP=P\_{th}X—\frac{FPI\_{c}}{FPI\_{h}}$$

where *FPIh* is the historic fuel price index for the same month of the previous year, and *FPIc*is the fuel price index for the current month.

The historic and current fuel price indices used to establish the Demand Reduction Threshold Price for a month shall be based on the lesser of the monthly natural gas or heating oil fuel indices applicable to the New England Control Area, as calculated three business days before the start of the month preceding the Demand Reduction Threshold Price’s effective date.

The ISO will post the Demand Reduction Threshold Price, along with the index-based fuel price values used in establishing the Demand Reduction Threshold Price, on its website by the 15th day of the month preceding the Demand Reduction Threshold Price’s effective date.

(g) **Subsequent Operating Days** – Each Supply Offer, Demand Reduction Offer, or Demand Bid by a Market Participant of a Resource shall remain in effect for subsequent Operating Days until superseded or canceled except in the case of an External Resource and an External Transaction purchase, in which case, the Supply Offer shall remain in effect for the applicable Operating Day and shall not remain in effect for subsequent Operating Days. Hourly overrides of a Supply Offer, a Demand Reduction Offer, or a Demand Bid shall remain in effect only for the applicable Operating Day.

(h) **Load Estimate** – The ISO shall post on the internet the total hourly loads including Decrement Bids scheduled in the Day-Ahead Energy Market, as well as the ISO’s estimate of the Control Area hourly load for the next Operating Day.

(i) **Prorated Supply** – In determining Day-Ahead schedules, in the event of multiple marginal Supply Offers, Demand Reduction Offers, Increment Offers and/or External Transaction purchases at a pricing location, the ISO shall clear the marginal Supply Offers, Demand Reduction Offers, Increment Offers and/or External Transaction purchases proportional to the amount of energy (MW) from each marginal offer and/or External Transaction at the pricing location. The Economic Maximum Limits, Economic Minimum Limits, Minimum Reductions and Maximum Reductions are not used in determining the amount of energy (MW) in each marginal Supply Offer or Demand Reduction Offer to be cleared on a pro-rated basis. However, the Day-Ahead schedules resulting from the pro-ration process will reflect Economic Maximum Limits, Economic Minimum Limits, Minimum Reductions and Maximum Reductions.

(j) **Prorated Demand** – In determining Day-Ahead schedules, in the event of multiple marginal Demand Bids, Decrement Bids and/or External Transaction sales at a pricing location, the ISO shall clear the marginal Demand Bids, Decrement Bids and/or External Transaction sales proportional to the amount of energy (MW) from each marginal bid and/or External Transaction at the pricing location.

(k) **Virtuals** – All Market Participants may submit Increment Offers and/or Decrement Bids that apply to the Day-Ahead Energy Market only. Such offers and bids must comply with the requirements set forth in the ISO New England Manuals and ISO New England Administrative Procedures and must specify amount, location and price, if any, at which the Market Participant desires to purchase or sell energy in the Day-Ahead Energy Market.

(l) **DARD Pumps** – DARD Pumps will not be scheduled below their Minimum Consumption Limits.

**III.1.10.2 Pool-Scheduled Resources.**

Pool-Scheduled Resources are those Resources for which Market Participants submitted Supply Offers or Demand Reduction Offers or, for DARDs, submitted Demand Bids to purchase, to sell energy in the Day-Ahead Energy Market and which the ISO scheduled in the Day-Ahead Energy Market as well as generators, DARD Pumps or Demand Response Resources committed by the ISO subsequent to the Day-Ahead Energy Market. Such Resources shall be committed to provide or consume energy in the Real-Time dispatch unless the schedules for such Resources are revised pursuant to Sections III.1.10.9 or III.1.11. Pool-Scheduled Resources shall be governed by the following principles and procedures.

(a) Pool-Scheduled Resources shall be selected by the ISO on the basis of the prices offered for energy supply or consumption and related services, Start-Up Fees, No-Load Fees, Interruption Cost and the specified operating characteristics, offered by Market Participants.

(b) The ISO shall optimize the dispatch of energy from Limited Energy Resources by request to minimize the as-bid production cost for the New England Control Area. In implementing the use of Limited Energy Resources, the ISO shall use its best efforts to select the most economic hours of operation for Limited Energy Resources, in order to make optimal use of such Resources in the Day-Ahead Energy Market consistent with the Supply Offers and Demand Reduction Offers of other Resources, the submitted Demand Bids and Decrement Bids and Operating Reserve and Replacement Reserve requirements.

(c) Market Participants offering energy from hydropower or other facilities with fuel or environmental limitations may submit data to the ISO that is sufficient to enable the ISO to determine the available operating hours of such facilities.

(d) The Market Participant seller whose Resource is selected as a Pool-Scheduled Resource shall receive payments or credits for energy or related services, or for Start-Up Fees, No-Load Fees or Interruption Costs, from the ISO on behalf of the Market Participant buyers in accordance with Section III.3 of this Market Rule 1.

(e) Market Participants shall make available their Pool-Scheduled Resources to the ISO for coordinated operation to supply the needs of the New England Control Area for energy and ancillary services.

**III.1.10.3 Self-Scheduled Resources.**

A Resource that is Self-Scheduled shall be governed by the following principles and procedures. Demand Response Resources shall not be Self-Scheduled.

(a) The minimum duration of a Self-Schedule for a Generator Asset or DARD Pump shall not result in the Generator Asset or DARD Pump operating for less than its Minimum Run Time. A Generator Asset that is online as a result of a Self-Schedule will be dispatched above its Economic Minimum Limit based on the economic merit of its Supply Offer. A DARD Pump that is consuming as a result of a Self-Schedule may be dispatched above its Minimum Consumption Limit based on the economic merit of its Demand Bid.

(b) The offered prices of Resources or portions of Resources that are Self-Scheduled, or otherwise not following the dispatch orders of the ISO, shall not be considered by the ISO in determining Locational Marginal Prices.

(c) A Market Participant with a Resource that does not have a Capacity Supply Obligation shall comply with the requirements in Section III.13.6.2 when Self-Scheduling that Resource.

 (d) A Market Participant Self-Scheduling a Resource in the Day-Ahead Energy Market that does not deliver the energy in the Real-Time Energy Market, shall replace the energy not delivered with energy from the Real-Time Energy Market or an internal bilateral transaction and shall pay for such energy not delivered, net of any internal bilateral transactions, at the applicable Real-Time Price.

**III.1.10.4 [Reserved.]**

**III.1.10.5 External Resources**.

(a) Market Participants with External Resources that have dynamic scheduling and dispatch capability may submit Supply Offers to the New England Markets in accordance with the Day-Ahead and Real-Time scheduling processes specified above. Market Participants must submit Supply Offers for External Resources on a Resource specific basis. An External Resource with dynamic scheduling and dispatch capability selected as a Pool-Scheduled Resource shall be made available for scheduling and dispatch at the direction of the ISO and shall be compensated on the same basis as other Pool-Scheduled Resources.

(b) Supply Offers for External Resources with dynamic scheduling and dispatch capability shall specify the Resource being offered, along with the information specified in the Offer Data as applicable.

(c) For Resources external to the New England Control Area that are not capable of dynamic scheduling and dispatch, Market Participants shall submit External Transactions as detailed in Section III.1.10.7 and Section III.1.10.7.A of this Market Rule 1.

(d) A Market Participant whose External Resource is capable of dynamic scheduling and dispatch capability or whose External Transaction does not deliver the energy scheduled in the Day-Ahead Energy Market shall replace such energy not delivered as scheduled in the Day-Ahead Energy Market with energy from the Real-Time Energy Market or an internal bilateral transaction and shall pay for such energy not delivered, net of any internal bilateral transactions, at the applicable Real-Time Price.

**III.1.10.6 Dispatchable Asset Related Demand.**

External Transactions that are sales to an external Control Area are not eligible to be Dispatchable Asset Related Demand Resources.

Except as noted below with respect to a pumped storage generator that does not have a Capacity Supply Obligation, a Market Participant with a Dispatchable Asset Related Demand in the New England Control Area must:

(a) each day, either Self-Schedule or submit a Demand Bid into the Day-Ahead Energy Market as described in Section III.1.10.1A of this Market Rule 1 that specifies the prices at which the Resource is willing to consume energy, unless and to the extent that the Dispatchable Asset Related Demand is unable to do so due to an outage as defined in the ISO New England Manuals;

(b) submit Demand Bid data that specifies a Maximum Consumption Limit and Minimum Consumption Limit;

(c) submit Demand Bid data that specifies a Minimum Consumption Limit that is less than or equal to its Nominated Consumption Limit;

(d) notify the ISO of any outage (including partial outages) that may reduce the Dispatchable Asset Related Demand’s ability to respond to Dispatch Instructions and the expected return date from the outage;

(e) in accordance with the ISO New England Manuals and Operating Procedures, perform audit tests and submit the results to the ISO or provide to the ISO appropriate historical production data;

(f) abide by the ISO maintenance coordination procedures;

(g) provide information reasonably requested by the ISO, including the name and location of the Dispatchable Asset Related Demand; and

(h) comply with the ISO New England Manuals.

To schedule the dispatchable pumping demand of a pumped storage generator that does not have a Capacity Supply Obligation, a Market Participant must comply with the requirements in (b) through (h) for the applicable Operating Day and must either Self-Schedule or submit a Demand Bid into the Day-Ahead Energy Market as described in Section III.1.10.1A of this Market Rule 1.

In addition to the requirements of (a) through (h) above, a Market Participant with a DARD Pump may submit Maximum Daily Consumption Limits, Maximum Number of Daily Starts, Minimum Down Time, and a Minimum Run Time that meet the following criteria:

* Maximum Daily Consumption Limits and Maximum Number of Daily Starts are only for use in the Day-Ahead Energy Market and may be redeclared in the Re-Offer Period;
* Minimum Run Time and Minimum Down Time may not exceed one hour each and may be changed through redeclaration requests.

**III.1.10.7 External Transactions**.

The provisions of this Section III.1.10.7 do not apply to Coordinated External Transactions.

(a) Market Participants that submit an External Transaction in the Day-Ahead Energy Market must also submit a corresponding External Transaction in the Real-Time Energy Market in order to be eligible for scheduling in the Real-Time Energy Market. Priced External Transactions for the Real-Time Energy Market must be submitted by the offer submission deadline for the Day-Ahead Energy Market.

(b) Priced External Transactions submitted in both the Day-Ahead Energy Market and the Real-Time Energy Market will be treated as Self-Scheduled External Transactions in the Real-Time Energy Market for the associated megawatt amounts that cleared the Day-Ahead Energy Market, unless the Market Participant modifies the price component of its Real-Time offer during the Re-Offer Period.

(c) Any External Transaction, or portion thereof, submitted to the Real-Time Energy Market that did not clear in the Day-Ahead Energy Market will not be scheduled in Real-Time if the ISO anticipates that the External Transaction would create or worsen an Emergency. External Transactions cleared in the Day-Ahead Energy Market and associated with a Real-Time Energy Market submission will continue to be scheduled in Real-Time prior to and during an Emergency, until the applicable procedures governing the Emergency, as set forth in ISO New England Manual 11, require a change in schedule.

(d) A Market Participant submitting a priced External Transaction supporting Capacity Supply Obligation to the Real-Time Energy Market on an external interface where advance transmission reservations are required must comply with the requirements in Section III.13.6.1.2.1 with respect to linking the transaction to the associated transmission reservation and NERC E-Tag. All other External Transactions submitted to the Real-Time Energy Market must contain the associated NERC E-Tag and transmission reservation, if required, at the time the transaction is submitted to the Real-Time Energy Market.

(e) [Reserved.]

(f) External Transaction sales meeting all of the criteria for any of the transaction types described in (i) through (iv) below receive priority in the scheduling and curtailment of transactions as set forth in Section II.44 of the OATT. External Transaction sales meeting all of the criteria for any of the transaction types described in (i) through (iv) below are referred to herein and in the OATT as being supported in Real-Time.

(i) Capacity Export Through Import Constrained Zone Transactions:

(1) The External Transaction is exporting across an external interface located in an import-constrained Capacity Zone that cleared in the Forward Capacity Auction with price separation, as determined in accordance with Section III.12.4 and Section III.13.2.3.4 of Market Rule 1;

(2) The External Transaction is directly associated with an Export Bid or Administrative Export De-List Bid that cleared in the Forward Capacity Auction, and the megawatt amount of the External Transaction is less than or equal to the megawatt amount of the cleared Export Bid;

(3) The External Node associated with the cleared Export Bid or Administrative Export De-List Bid is connected to the import-constrained Capacity Zone, and is not connected to a Capacity Zone that is not import-constrained;

(4) The Resource, or portion thereof, that is associated with the cleared Export Bid or Administrative Export De-List Bid is not located in the import-constrained Capacity Zone;

(5) The External Transaction has been submitted and cleared in the Day-Ahead Energy Market;

(6) A matching External Transaction has also been submitted into the Real-Time Energy Market by the end of the Re-Offer Period for Self-Scheduled External Transactions, and, in accordance with Section III.1.10.7(a), by the offer submission deadline for the Day-Ahead Energy Market for priced External Transactions.

(ii) FCA Cleared Export Transactions:

(1) The External Transaction sale is exporting to an External Node that is connected only to an import-constrained Reserve Zone;

(2) The External Transaction sale is directly associated with an Export Bid or an Administrative Export De-List Bid that cleared in the Forward Capacity Auction, and the megawatt amount of the External Transaction is less than or equal to the megawatt amount of the cleared Export Bid;

(3) The Resource, or portion thereof, without a Capacity Supply Obligation associated with the Export Bid or Administrative Export De-List Bid is located outside the import-constrained Reserve Zone;

(4) The External Transaction sale is submitted and cleared in the Day-Ahead Energy Market;

(5) A matching External Transaction has also been submitted into the Real-Time Energy Market by the end of the Re-Offer Period for Self-Scheduled External Transactions, and, in accordance with Section III.1.10.7(a), by the offer submission deadline for the Day-Ahead Energy Market for priced External Transactions.

(iii) Same Reserve Zone Export Transactions:

(1) A Resource, or portion thereof, without a Capacity Supply Obligation is associated with the External Transaction sale, and the megawatt amount of the External Transaction is less than or equal to the portion of the Resource without a Capacity Supply Obligation;

(2) The External Node of the External Transaction sale is connected only to the same Reserve Zone in which the associated Resource, or portion thereof, without a Capacity Supply Obligation is located;

(3) The Resource, or portion thereof, without a Capacity Supply Obligation is Self-Scheduled in the Real-Time Energy Market and online at a megawatt level greater than or equal to the External Transaction sale’s megawatt amount;

(4) Neither the External Transaction sale nor the portion of the Resource without a Capacity Supply Obligation is required to offer into the Day-Ahead Energy Market.

(iv) Unconstrained Export Transactions:

(1) A Resource, or portion thereof, without a Capacity Supply Obligation is associated with the External Transaction sale, and the megawatt amount of the External Transaction is less than or equal to the portion of the Resource without a Capacity Supply Obligation;

(2) The External Node of the External Transaction sale is not connected only to an import-constrained Reserve Zone;

(3) The Resource, or portion thereof, without a Capacity Supply Obligation is not separated from the External Node by a transmission interface constraint as determined in Sections III.12.2.1(b) and III.12.2.2(b) of Market Rule 1 that was binding in the Forward Capacity Auction in the direction of the export;

(4) The Resource, or portion thereof, without a Capacity Supply Obligation is Self-Scheduled in the Real-Time Energy Market and online at a megawatt level greater than or equal to the External Transaction sale’s megawatt amount;

(5) Neither the External Transaction sale, nor the portion of the Resource without a Capacity Supply Obligation is required to offer into the Day-Ahead Energy Market.

(g) Treatment of External Transaction sales in ISO commitment for local second contingency protection.

(i) Capacity Export Through Import Constrained Zone Transactions and FCA Cleared Export Transactions: The transaction’s export demand that clears in the Day-Ahead Energy Market will be explicitly considered as load in the exporting Reserve Zone by the ISO when committing Resources to provide local second contingency protection for the associated Operating Day.

(ii) The export demand of External Transaction sales not meeting the criteria in (i) above is not considered by the ISO when planning and committing Resources to provide local second contingency protection, and is assumed to be zero.

(iii) Same Reserve Zone Export Transactions and Unconstrained Export Transactions: If a Resource, or portion thereof, without a Capacity Supply Obligation is committed to be online during the Operating Day either through clearing in the Day-Ahead Energy Market or through Self-Scheduling subsequent to the Day-Ahead Energy Market and a Same Reserve Zone Export Transaction or Unconstrained Export Transaction is submitted before the end of the Re-Offer Period designating that Resource as supporting the transaction, the ISO will not utilize the portion of the Resource without a Capacity Supply Obligation supporting the export transaction to meet local second contingency protection requirements. The eligibility of Resources not meeting the foregoing criteria to be used to meet local second contingency protection requirements shall be in accordance with the relevant provisions of the ISO New England System Rules.

(h) Allocation of costs to Capacity Export Through Import Constrained Zone Transactions and FCA Cleared Export Transactions: Market Participants with Capacity Export Through Import Constrained Zone Transactions and FCA Cleared Export Transactions shall incur a proportional share of the charges described below, which are allocated to Market Participants based on Day-Ahead Load Obligation or Real-Time Load Obligation. The share shall be determined by including the Day-Ahead Load Obligation or Real-Time Load Obligation associated with the External Transaction, as applicable, in the total Day-Ahead Load Obligation or Real-Time Load Obligation for the appropriate Reliability Region, Reserve Zone, or Load Zone used in each cost allocation calculation:

(i) NCPC for Local Second Contingency Protection Resources allocated within the exporting Reliability Region, pursuant to Section III.F.3.3.

(ii) Forward Reserve Market charges allocated within the exporting Load Zone, pursuant to Section III.9.9.

(iii) Real-Time Reserve Charges allocated within the exporting Load Zone, pursuant to Section III.10.3.

(i) When action is taken by the ISO to reduce External Transaction sales due to a system wide capacity deficient condition or the forecast of such a condition, and an External Transaction sale designates a Resource, or portion of a Resource, without a Capacity Supply Obligation, to support the transaction, the ISO will review the status of the designated Resource. If the designated Resource is Self-Scheduled and online at a megawatt level greater than or equal to the External Transaction sale, that External Transaction sale will not be reduced until such time as Regional Network Load within the New England Control Area is also being reduced. When reductions to such transactions are required, the affected transactions shall be reduced pro-rata.

(j) Market Participants shall submit External Transactions as megawatt blocks with intervals of one

hour at the relevant External Node. External Transactions will be scheduled in the Day-Ahead Energy Market as megawatt blocks for hourly durations. The ISO may dispatch External Transactions in the Real-Time Energy Market as megawatt blocks for periods of less than one hour, to the extent allowed pursuant to inter-Control Area operating protocols.

**III.1.10.7.A Coordinated External Transactions**.

The provisions of this Section III.1.10.7.A apply to Coordinated External Transactions, which are implemented at the New York Northern AC external Location.

(a) Market Participants that submit a Coordinated External Transaction in the Day-Ahead Energy Market must also submit a corresponding Coordinated External Transaction, in the form of an Interface Bid, in the Real-Time Energy Market in order to be eligible for scheduling in the Real-Time Energy Market.

(b) An Interface Bid submitted in the Real-Time Energy Market shall specify a duration consisting of one or more consecutive 15-minute increments. An Interface Bid shall include a bid price, a bid quantity, and a bid direction for each 15-minute increment. The bid price may be positive or negative. An Interface Bid may not be submitted or modified later than 75 minutes before the start of the clock hour for which it is offered.

(c) Interface Bids are cleared in economic merit order for each 15minute increment, based upon the forecasted real-time price difference across the external interface. The total quantity of Interface Bids cleared shall determine the external interface schedule between New England and the adjacent Control Area. The total quantity of Interface Bids cleared shall depend upon, among other factors, bid production costs of resources in both Control Areas, the Interface Bids of all Market Participants, transmission system conditions, and any real-time operating limits necessary to ensure reliable operation of the transmission system.

(d) All Coordinated External Transactions submitted either to the Day-Ahead Energy Market or the Real-Time Energy Market must contain the associated NERC E-Tag at the time the transaction is submitted.

(e) Any Coordinated External Transaction, or portion thereof, submitted to the Real-Time Energy Market will not be scheduled in Real-Time if the ISO anticipates that the External Transaction would create or worsen an Emergency, unless applicable procedures governing the Emergency permit the transaction to be scheduled.

**III.1.10.7.B Coordinated Transactions Scheduling Threshold Trigger to Tie Optimization**

(a) Background and Overview

This Section III.1.10.B describes the process for filing amendments to the Transmission, Markets and Services Tariff under Section 205 of the Federal Power Act in the event that the production cost savings of the ISO’s interchange on the New York – New England AC Interface, including the Northport/Norwalk Line, following the implementation of an inter-regional interchange scheduling process known as Coordinated Transaction Scheduling, are not satisfactory. The determination of whether savings are satisfactory will be based on actions, thresholds and triggers described in this Section III.1.10.7.B. If pursuant to the actions, thresholds and triggers described in this Section III.1.10.7.B, the production costs savings of Coordinated Transaction Scheduling are not satisfactory, and a superior alternative has not become known, the ISO will file tariff amendments with the Commission to implement the inter-regional interchange scheduling process described to the ISO stakeholders in 2011 as Tie Optimization.

If, pursuant to the timetables presented, the ISO determines the thresholds described herein have not triggered, the process for filing amendments to the ISO tariff as described herein ceases, the provisions of this Section III.1.10.7.B become null and void and the ISO will continue to implement Coordinated Transaction Scheduling unless and until future Section 205 filings are pursued to amend Coordinated Transaction Scheduling.

(b) The Two-Year Analysis

Within 120 days of the close of the first and second years following the date that Coordinated Transaction Scheduling as an interface scheduling tool is activated in the New England and New York wholesale electricity markets, the External Market Monitor will develop, for presentation to and comment by, New England stakeholders, an analysis, of:

 (i) the Tie Optimization interchange, which will be the actual bid production cost savings of incremental interchange that would have occurred had the ISO and New York Independent System Operator received an infinite number of zero bids in the Coordinated Transaction Scheduling process, which utilizes the supply curves and forecasted prices for each market; and

 (ii) an optimal interchange, which will be the actual bid production cost savings of incremental interchange that would have occurred had the two ISOs had an infinite number of zero bids in the Coordinated Transaction Scheduling process, but utilizing actual real-time prices from each market rather than the forecasted prices that were used in the Coordinated Transaction Scheduling process.

The bid production cost savings associated with the Tie Optimization interchange as developed in (i) above for the second year following the date that Coordinated Transaction Scheduling is activated in the New England and New York wholesale electricity markets will reveal the “foregone” production cost savings from implementing Coordinated Transaction Scheduling rather than Tie Optimization, represented in the Section III.1.10.7.B(b)(1) formula as the term “b.” The difference in bid production cost savings between (i) and (ii) above will reveal the “foregone” bid production cost savings of the Tie Optimization interchange as developed in (i) above rather than an optimal interchange as developed in (ii) above, represented in the Section III.1.10.7.B(b)(1) formula as the term “a.”

This analysis will be consistent with presentations made by the External Market Monitor to the New England stakeholders during 2011 on the issue of the benefits of Coordinated Transaction Scheduling.

(1) Using the above calculations, the External Market Monitor will compute the following ratio:

 b/a

If, the ratio b/a is greater than 60% and b is greater than $3 Million, the External Market Monitor will advise whether in its opinion the threshold has triggered.

(c) Improving Coordinated Transaction Scheduling

 (1) If the ratio, developed pursuant to Section III.1..10.7.B(b)(1), is greater than 60% and b is greater than $3 Million, the ISO will declare whether the threshold has triggered considering the input of the External Market Monitor and the New England stakeholders.

 (2) If the ISO declares the threshold has not triggered the process further described in this Section III.1.10.7.B becomes null and void.

 (3) If the ISO declares that the threshold has triggered, the External Market Monitor will provide recommendations of adjustments to the design or operation of Coordinated Transaction Scheduling to improve the production cost savings available from its implementation.

 (4) The ISO, considering the input of the New England stakeholders and the recommendation of the External Market Monitor, will develop and implement adjustments to Coordinated Transaction Scheduling. To the extent tariff revisions are necessary to implement the adjustments to Coordinated Transaction Scheduling, the ISO will file such revisions with the Commission as a compliance filing in the Coordinated Transaction Scheduling docket. If no adjustments to Coordinated Transaction Scheduling have been identified, the ISO will proceed to develop and file the revisions necessary to amend the Transmission, Markets and Services Tariff to implement the inter-regional interchange scheduling practice known as Tie Optimization as a compliance filing.

(d) The Second Analysis

 (1) Within 120 days of the close of the twelve months following the date that the adjustments to Coordinated Transaction Scheduling, developed under Section III.1.10.7.B(c), are activated in the New England and New York wholesale electricity markets, the External Market Monitor will present a second analysis to New England stakeholders. The analysis will be consistent with the analysis described in Section III.1.10.7.B(b) but will develop bid production cost savings for the twelve month period during which the adjustments developed in Section III.1.10.7.B(c) are in place.

 (2) The bid production cost savings associated with the Tie Optimization interchange as developed in Section III.1.10.7.B(d)(1) will reveal the “foregone” bid production cost savings from implementing Coordinated Transaction Scheduling rather than Tie Optimization, represented in the Section III.1.10.7.B(d)(3) formula as the term “b.” The different in bid production cost savings between the Tie Optimization interchange and the optimal interchange, as developed in Section III.1.10.7.B(d)(1), will reveal the “foregone” bid production cost savings of the Tie Optimization interchange rather than the optimal interchange, represented in the Section III.1.10.7.B(d)(3) formula as the term “a.”

 (3) Using the above calculations, the External Market Monitor will compute the following ratio:

 b/a

If the ratio b/a is greater than 60% and b is greater than $3 Million, the External Market Monitor will advise whether in its opinion the threshold has triggered.

(4) If the ratio b/a is greater than 60% and b is greater than $3 Million, the ISO will declare whether the threshold has triggered considering the input of the External Market Monitor and the New England stakeholders.

(5) If the ISO declares the threshold has not triggered the process further described in this Section III.1.10.7.B becomes null and void.

(6) If the ISO declares the threshold has triggered, considering the input of the stakeholders and the recommendation of the External Market Monitor, the ISO will determine whether a superior alternative has been proposed. If the ISO and the New York Independent System Operator both determine a superior alternative has been proposed, the ISO will prepare tariff amendments to be filed with the Commission to implement the superior alternative, and will present those amendments to the New England stakeholders in accordance with the provisions of the Participants Agreement applicable for NEPOOL review of tariff amendments and will not pursue the balance of the actions required by this Section III.1.10.7.B.

(7) If the ISO determines a superior alternative has not been proposed, the ISO will proceed to develop and file the revisions necessary to amend the Transmission, Markets and Services Tariff to implement the inter-regional interchange scheduling practice known as Tie Optimization as a compliance filing. Tie Optimization was described for stakeholders in the *Design Basis Document* for NE/NY Inter-Regional Interchange Scheduling presented at a NEPOOL Participants Committee meeting on June 10, 2011.

(e) The Compliance Filing

The ISO will develop tariff language to implement the inter-regional interchange scheduling practice known as Tie Optimization through a compliance filing with the Commission and will present those amendments to the New England stakeholders in accordance with the provisions of the Participants Agreement applicable for NEPOOL review of tariff amendments.

**III.1.10.8 ISO Responsibilities.**

(a) The ISO shall use its best efforts to determine (i) the least-cost means of satisfying hourly purchase requests for energy, the projected hourly requirements for Operating Reserve, Replacement Reserve and other ancillary services of the Market Participants, including the reliability requirements of the New England Control Area, of the Day-Ahead Energy Market, and (ii) the least-cost means of satisfying the Operating Reserve, Replacement Reserve and other ancillary service requirements for any portion of the load forecast of the ISO for the Operating Day in excess of that scheduled in the Day-Ahead Energy Market. In making these determinations, the ISO shall take into account: (i) the ISO’s forecasts of New England Markets and New England Control Area energy requirements, giving due consideration to the energy requirement forecasts and purchase requests submitted by Market Participants for the Day-Ahead Energy Market; (ii) the offers and bids submitted by Market Participants; (iii) the availability of Limited Energy Resources; (iv) the capacity, location, and other relevant characteristics of Self-Scheduled Resources; (v) the requirements of the New England Control Area for Operating Reserve and Replacement Reserve, as specified in the ISO New England Manuals and ISO New England Administrative Procedures; (vi) the requirements of the New England Control Area for Regulation and other ancillary services, as specified in the ISO New England Manuals and ISO New England Administrative Procedures; (vii) the benefits of avoiding or minimizing transmission constraint control operations, as specified in the ISO New England Manuals and ISO New England Administrative Procedures; and (viii) such other factors as the ISO reasonably concludes are relevant to the foregoing determination. The ISO shall develop a Day-Ahead Energy schedule based on the applicable portions of the foregoing determination, and shall determine the Day-Ahead Prices resulting from such schedule.

(b) Not later than 1:30 p.m. of the day before each Operating Day, or such earlier deadline as may be specified by the ISO in the ISO New England Manuals and ISO New England Administrative Procedures or such later deadline as necessary to account for software failures or other events, the ISO shall: (i) post the aggregate Day-Ahead Energy schedule; (ii) post the Day-Ahead Prices; and (iii) inform the Market Participants of their scheduled injections and withdrawals. In the event of an Emergency, the ISO will notify Market Participants as soon as practicable if the Day-Ahead Energy Market can not be operated.

(c) Following posting of the information specified in Section III.1.10.8(b), the ISO shall revise its schedule of Resources to reflect updated projections of load, conditions affecting electric system operations in the New England Control Area, the availability of and constraints on limited energy and other Resources, transmission constraints, and other relevant factors.

(d) Market Participants shall pay and be paid for the quantities of energy scheduled in the Day-Ahead Energy Market at the Day-Ahead Prices.

**III.1.10.9 Hourly Scheduling.**

(a) Following the initial posting by the ISO of the Locational Marginal Prices resulting from the Day-Ahead Energy Market, and subject to the right of the ISO to schedule and dispatch Resources and to direct that schedules be changed to address an actual or potential Emergency, a Resource Re-Offer Period shall exist from the time of the posting specified in Section III.1.10.8(b) until 2:00 p.m. on the day before each Operating Day or such other Re-Offer Period as necessary to account for software failures or other events. During the Re-Offer Period, Market Participants may submit revisions to generation Supply Offers, revisions to Demand Reduction Offers, and revisions to Demand Bids for any Dispatchable Asset Related Demand. Resources scheduled subsequent to the closing of the Re-Offer Period shall be settled at the applicable Real-Time Prices, and shall not affect the obligation to pay or receive payment for the quantities of energy scheduled in the Day-Ahead Energy Market at the applicable Day-Ahead Prices.

(b) During the Re-Offer Period, Market Participants may submit revisions to priced External Transactions. External Transactions scheduled subsequent to the closing of the Re-Offer Period shall be settled at the applicable Real-Time Prices, and shall not affect the obligation to pay or receive payment for the quantities of energy scheduled in the Day-Ahead Energy Market at the applicable Day-Ahead Prices. A submission during the Re-Offer Period for any portion of a transaction that was cleared in the Day-Ahead Energy Market is subject to the provisions in Section III.1.10.7. A Market Participant may at any time, consistent with the provisions in Manual 11, request to Self-Schedule an External Transaction and adjust the schedule on an hour-to-hour basis. The ISO must be notified of the request not later than 60 minutes prior to the hour in which the adjustment is to take effect. The External Transaction re-offer provisions of this Section III.1.10.9(c) shall not apply to Coordinated External Transactions, which are submitted pursuant to Section III.1.10.7.A.

(c) Following the completion of the initial Reserve Adequacy Analysis and throughout the Operating Day, a Market Participant may modify certain Supply Offer or Demand Bid parameters for a Generator Asset or a Dispatchable Asset Related Demand on an hour-to-hour basis, provided that the modification is made no later than 30 minutes prior to the beginning of the hour for which the modification is to take effect:

1. For a Generator Asset, the Start-Up Fee, the No-Load Fee, the fuel type (for dual fuel Resources), the quantity and price pairs of its Blocks, and the Supply Offer for Regulation may be modified.
2. For a Dispatchable Asset Related Demand, the quantity and price pairs of its Blocks may be modified.

(d) Following the completion of the initial Reserve Adequacy Analysis and throughout the Operating Day, a Market Participant may not modify any of the following Demand Reduction Offer parameters: price and demand reduction quantity pairs, Interruption Cost, Demand Response Resource Start-Up Time, Demand Response Resource Notification Time, Minimum Reduction Time, and Minimum Time Between Reductions.

(e) During the Operating Day, a Market Participant may request to Self-Schedule a Generator Asset or Dispatchable Asset Related Demand or may request to cancel a Self-Schedule for a Generator Asset or Dispatchable Asset Related Demand. The ISO will honor the request so long as it will not cause or worsen a reliability constraint. If the ISO is able to honor a Self-Schedule request, a Generator Asset will be permitted to come online at its Economic Minimum Limit and a Dispatchable Asset Related Demand will be dispatched to its Minimum Consumption Limit.A Market Participant may not request to Self-Schedule a Demand Response Resource.

(f) During the Operating Day, in the event that in a given hour a Market Participant seeks to modify a Supply Offer or Demand Bid after the deadline for modifications specified in Section III.1.10.9(c), then:

(i) the Market Participant may request that a Generator Asset be dispatched above its Economic Minimum Limit at a specified output. The ISO will honor the request so long as it will not cause or worsen a reliability constraint. If the ISO is able to honor the request, the Generator Asset will be dispatched as though it had offered the specified output for the hour in question at the Energy Offer Floor.

(ii) the Market Participant may request that a Dispatchable Asset Related Demand be dispatched above its Minimum Consumption Limit. The ISO will honor the request so long as it will not cause or worsen a reliability constraint. If the ISO is able to honor the request, the Dispatchable Asset Related Demand will be dispatched as though it had offered for the hour in question at a Self-Scheduled MW.

(g) For each hour in the Operating Day, as soon as practicable after the deadlines specified in the foregoing subsection of this Section III.1.10, the ISO shall provide Market Participants and parties to External Transactions with any revisions to their schedules for the hour.

(h) DARD Pumps will not be scheduled in Real-Time below their Minimum Consumption Limits.

**III.1.11 Dispatch.**

The following procedures and principles shall govern the dispatch of the Resources available to the ISO.

**III.1.11.1 Resource Output or Consumption and Demand Reduction.**

The ISO shall have the authority to direct any Market Participant to adjust the output, consumption or demand reduction of any Dispatchable Resource increment within the operating characteristics specified in the Market Participant’s Offer Data, Supply Offer, Demand Reduction Offer or Demand Bid. The ISO may cancel its selection of, or otherwise release, Pool-Scheduled Resources. The ISO shall adjust the output, consumption or demand reduction of Resource increments as necessary: (a) for both Dispatchable Resources and Non-Dispatchable Resources, to maintain reliability, and subject to that constraint, for Dispatchable Resources, (b) to minimize the cost of supplying the energy, reserves, and other services required by the Market Participants and the operation of the New England Control Area; (c) to balance load and generation, maintain scheduled tie flows, and provide frequency support within the New England Control Area; and (d) to minimize unscheduled interchange that is not frequency related between the New England Control Area and other Control Areas.

**III.1.11.2 Operating Basis**.

In carrying out the foregoing objectives, the ISO shall conduct the operation of the New England Control Area and shall, in accordance with the ISO New England Manuals and ISO New England Administrative Procedures, (i) utilize available Operating Reserve and replace such Operating Reserve when utilized; and (ii) monitor the availability of adequate Operating Reserve.

**III.1.11.3 Dispatchable Resources.**

With the exception of Settlement Only Resources, External Transactions, nuclear-powered Resources and photovoltaic Resources, all Resources must be Dispatchable Resources and meet the technical specifications in ISO New England Operating Procedure No. 14 and ISO New England Operating Procedure No. 18 for dispatchability.

A Market Participant that does not meet the requirement for a Dispatchable Resource to be dispatchable because the Resource is not connected to a remote terminal unit meeting the requirements of ISO New England Operating Procedure No. 18 shall take the following steps:

1. By January 15, 2017, the Market Participant shall submit to the ISO a circuit order form for the primary and secondary communication paths for the remote terminal unit.
2. The Market Participant shall work diligently with the ISO to ensure the Resource is able to receive and respond to electronic Dispatch Instructions within twelve months of the circuit order form submission.

A Market Participant that does not meet the requirement for a Dispatchable Resource to be dispatchable by the deadline set forth above shall provide the ISO with a written plan for remedying the deficiencies, and shall identify in the plan the specific actions to be taken and a reasonable timeline for rendering the Resource dispatchable. The Market Participant shall complete the remediation in accordance with and under the timeline set forth in the written plan. Until a Resource is dispatchable, it may only be Self-Scheduled in the Real-Time Energy Market and shall otherwise be treated as a Non-Dispatchable Resource.

Dispatchable Resources are subject to the following requirements:

(a) The ISO shall optimize the dispatch of energy from Limited Energy Resources by request to minimize the as-bid production cost for the New England Control Area. In implementing the use of Limited Energy Resources, the ISO shall use its best efforts to select the most economic hours of operation for Limited Energy Resources, in order to make optimal use of such Resources consistent with the dynamic load-following requirements of the New England Control Area and the availability of other Resources to the ISO.

(b) The ISO shall implement the dispatch of energy from Dispatchable Resource increments and the designation of Real-Time Operating Reserve to Dispatchable Resource increments, including the dispatchable increments from resources which are otherwise Self-Scheduled, by sending appropriate signals and instructions to the entity controlling such Resources. Each Market Participant shall ensure that the entity controlling a Dispatchable Resource offered or made available by that Market Participant complies with the energy dispatch signals and instructions transmitted by the ISO.

(c) The ISO shall have the authority to modify a Market Participant’s operational related Offer Data for a Dispatchable Resource if the ISO observes that the Market Participant’s Resource is not operating in accordance with such Offer Data. The ISO shall modify such operational related Offer Data based on observed performance and such modified Offer Data shall remain in effect until either (i) the affected Market Participant requests a test to be performed, and coordinates the testing pursuant to the procedures specified in the ISO New England Manuals, and the results of the test justify a change to the Market Participant’s Offer Data or (ii) the ISO observes, through actual performance, that modification to the Market Participant’s Offer Data is justified.

(d) Market Participants shall exert all reasonable efforts to operate, or ensure the operation of, their Dispatchable Resources in the New England Control Area as close to dispatched output, consumption or demand reduction levels as practical, consistent with Good Utility Practice.

(e) Intermittent Settlement Only Resources are not eligible to be DNE Dispatchable Generators.

Wind and hydro Intermittent Power Resources that are not Intermittent Settlement Only Resources are required to receive and respond to Do Not Exceed Dispatch Points, except as follows:

(i) A wind or hydro Intermittent Power Resource not capable of receiving and responding to electronic Dispatch Instructions will be manually dispatched.

(ii) A Market Participant may elect, but is not required, to have a wind or hydro Intermittent Power Resource that is less than 5 MW and is connected through transmission facilities rated at less than 115 kV be dispatched as a DNE Dispatchable Generator.

(iii) A Market Participant with a hydro Intermittent Power Resource that is able to operate within a dispatchable range and is capable of responding to Dispatch Instructions to increase or decrease output within its dispatchable range may elect to have that resource dispatched as a DDP Dispatchable Resource.

(f) The ISO may request that dual-fueled generating Resources that normally burn natural gas voluntarily take all necessary steps (within the limitations imposed by the operating limitations of their installed equipment and their environmental and operating permits) to prepare to switch to secondary fuel in anticipation of natural gas supply shortages. The ISO may request that Market Participants with dual-fueled units that normally burn natural gas voluntarily switch to a secondary fuel in anticipation of natural gas supply shortages. The ISO may communicate with Market Participants with dual-fueled units that normally burn natural gas to verify whether the Market Participants have switched or are planning to switch to an alternate fuel.

**III.1.11.4 Emergency Condition.**

If the ISO anticipates or declares an Emergency Condition, all External Transaction sales out of the New England Control Area that are not backed by a Resource may be interrupted, in accordance with the ISO New England Manuals, in order to serve load and Operating Reserve in the New England Control Area.

**III.1.11.5 Dispatchability Requirements for Intermittent Power Resources.**

1. Intermittent Power Resources that are Dispatchable Resources with Supply Offers that do not clear in the Day-Ahead Energy Market and are not committed by the ISO prior to or during the Operating Day must be Self-Scheduled in the Real-Time Energy Market at the Resource’s Economic Minimum Limit in order to operate in Real-Time.

(b) Intermittent Power Resources that are not Settlement Only Resources, are not Dispatchable Resources, and are not committed by the ISO prior to or during the Operating Day must be Self-Scheduled in the Real-Time Energy Market with the Resource’s Economic Maximum Limit and Economic Minimum Limit redeclared to the same value in order to operate in Real-Time. Redeclarations must be updated throughout the Operating Day to reflect actual operating capabilities.

**III.1.11.6 Non-Dispatchable Resources.**

Non-Dispatchable Resources are subject to the following requirements:

(a) The ISO shall have the authority to modify a Market Participant’s operational related Offer Data for a Non-Dispatchable Resource if the ISO observes that the Market Participant’s Resource is not operating in accordance with such Offer Data. The ISO shall modify such operational related Offer Data based on observed performance and such modified Offer Data shall remain in effect until either (i) the affected Market Participant requests a test to be performed and coordinates the testing pursuant to the procedures specified in the ISO New England Manuals, and the results of the test justify a change to the Market Participant’s Offer Data or (ii) the ISO observes, through actual performance, that modification to the Market Participant’s Offer Data is justified.

(b) Market Participants with Non-Dispatchable Resources shall exert all reasonable efforts to operate or ensure the operation of their Resources in the New England Control Area as close to dispatched levels as practical when dispatched by the ISO for reliability, consistent with Good Utility Practice.

**III.1.12 Dynamic Scheduling.**

Dynamic scheduling can be requested and may be implemented in accordance with the following procedures:

(a) An entity that owns or controls a generating Resource in the New England Control Area may electrically remove all or part of the generating Resource’s output from the New England Control Area through dynamic scheduling of the output to load outside the New England Control Area. Such output shall not be available for economic dispatch by the ISO.

(b) An entity that owns or controls a generating Resource outside of the New England Control Area may electrically include all or part of the generating Resource’s output into the New England Control Area through dynamic scheduling of the output to load inside the New England Control Area. Such output shall be available for economic dispatch by the ISO.

(c) An entity requesting dynamic scheduling shall be responsible for arranging for the provision of signal processing and communication from the generating unit and other participating Control Area and complying with any other procedures established by the ISO regarding dynamic scheduling as set forth in the ISO New England Manuals. Allocation of costs associated with dynamic scheduling shall be determined and filed with the Commission following the first request.

(d) An entity requesting dynamic scheduling shall be responsible for reserving amounts of appropriate transmission service necessary to deliver the range of the dynamic transfer and any ancillary services.

**III.2 LMPs and Real-Time Reserve Clearing Prices Calculation**

**III.2.1 Introduction.**

The ISO shall calculate the price of energy at Nodes, Load Zones, DRR Aggregation Zones and Hubs in the New England Control Area and at External Nodes on the basis of Locational Marginal Prices and shall calculate the price of Operating Reserve in Real-Time for each Reserve Zone on the basis of Real-Time Reserve Clearing Prices as determined in accordance with this Market Rule 1. Locational Marginal Prices for energy shall be calculated on a Day-Ahead basis for each hour of the Day-Ahead Energy Market, and every five minutes during the Operating Day for the Real-Time Energy Market. Real-Time Reserve Clearing Prices shall be calculated on a Real-Time basis every five minutes as part of the joint optimization of energy and Operating Reserve during the Operating Day.

**III.2.2 General.**

The ISO shall determine the least cost security-constrained unit commitment and dispatch, which is the least costly means of serving load at different Locations in the New England Control Area based on scheduled or actual conditions, as applicable, existing on the power grid and on the prices at which Market Participants have offered to supply and consume energy in the New England Markets. Day-Ahead Locational Marginal Prices for energy for the applicable Locations will be calculated based on the unit commitment and economic dispatch and the prices of energy offers and bids. Real-Time Locational Marginal Prices for energy and Real-Time Reserve Clearing Prices will be calculated based on a jointly optimized economic dispatch of energy and designation of Operating Reserve utilizing the prices of energy offers and bids, and Reserve Constraint Penalty Factors when applicable.

Except as further provided in Section III.2.6, the process for the determination of Locational Marginal Prices shall be as follows:

(a) To determine operating conditions, in the Day-Ahead Energy Market or Real-Time Energy Market, on the New England Transmission System, the ISO shall use a computer model of the interconnected grid that uses scheduled quantities or available metered inputs regarding generator output, loads, and power flows to model remaining flows and conditions, producing a consistent representation of power flows on the network. The computer model employed for this purpose in the Real-Time Energy Market, referred to as the State Estimator program, is a standard industry tool and is described in Section III.2.3. It will be used to obtain information regarding the output of generation supplying energy and Operating Reserve to the New England Control Area, loads at busses in the New England Control Area, transmission losses, penalty factors, and power flows on binding transmission and interface constraints for use in the calculation of Day-Ahead and Real-Time Locational Marginal Prices and Real-Time Reserve Clearing Prices. Additional information used in the calculation of Real-Time Locational Marginal Prices and Real-Time Reserve Clearing Prices, including Dispatch Rates, Real-Time Operating Reserve designations and Real-Time schedules for External Transactions, will be obtained from the ISO’s dispatch software and dispatchers.

(b) Using the prices at which Market Participants offer and bid energy to the New England Markets, the ISO shall determine the offers and bids of energy that will be considered in the calculation of Day-Ahead Prices, Real-Time Prices and Real-Time Reserve Clearing Prices. During the Operating Day, Real-Time nodal Locational Marginal Prices and Real-Time Reserve Clearing Prices shall be determined every five minutes and such determinations shall be the basis of the settlement of sales and purchases of energy in the Real-Time Energy Market, the settlement associated with the provision of Operating Reserve in Real-Time and the settlement of Congestion Costs and costs for losses under the Transmission, Markets and Services Tariff not covered by the Day-Ahead Energy Market. As described in Section III.2.6, every offer and bid by a Market Participant that is scheduled in the Day-Ahead Energy Market will be utilized in the calculation of Day-Ahead Locational Marginal Prices.

**III.2.3 Determination of System Conditions Using the State Estimator.**

Power system operations, including, but not limited to, the determination of the least costly means of serving load and system and locational Real-Time Operating Reserve requirements, depend upon the availability of a complete and consistent representation of generator outputs, loads, and power flows on the network. In calculating Day-Ahead Prices, the ISO shall base the system conditions on the expected transmission system configuration and the set of offers and bids submitted by Market Participants. In calculating Real-Time Locational Marginal Prices and Real-Time Reserve Clearing Prices, the ISO shall obtain a complete and consistent description of conditions on the electric network in the New England Control Area by using the power flow solution produced by the State Estimator for the pricing interval, which is also used by the ISO for other functions within power system operations. The State Estimator is a standard industry tool that produces a power flow model based on available Real-Time metering information, information regarding the current status of lines, generators, transformers, and other equipment, bus load distribution factors, and a representation of the electric network, to provide a complete description of system conditions, including conditions at Nodes and External Nodes for which Real-Time information is unavailable. In calculating Real-Time Locational Marginal Prices and Real-Time Reserve Clearing Prices, the ISO shall obtain a State Estimator solution every five minutes, which shall provide the megawatt output of generators and the loads at Locations in the New England Control Area, transmission line losses, penalty factors, and actual flows or loadings on constrained transmission facilities. External Transactions between the New England Control Area and other Control Areas shall be included in the Real-Time Locational Marginal Price calculation on the basis of the Real-Time transaction schedules implemented by the ISO’s dispatcher.

**III.2.4 Adjustment for Rapid Response Pricing Assets.**

For any Real-Time pricing interval during which a Rapid Response Pricing Asset is committed by the ISO and not Self-Scheduled, the energy offer of that Rapid Response Pricing Asset shall be adjusted as described in this Section III.2.4 for purposes of the price calculations described in Section III.2.5 and Section III.2.7A. For purposes of the adjustment described in this Section III.2.4, if no Start-Up Fee, No-Load Fee, or Interruption Cost is specified in the submitted Offer Data, a value of zero shall be used; if no Minimum Run Time, minimum consumption time, or Minimum Reduction Time is specified in the submitted Offer Data, or if the submitted Minimum Run Time, minimum consumption time, or Minimum Reduction Time is less than 15 minutes, a duration of 15 minutes shall be used; and the energy offer after adjustment shall not exceed the Energy Offer Cap.

(a)If the Rapid Response Pricing Asset is a Fast Start Generator or a Flexible DNE Dispatchable Generator, its Economic Minimum Limit shall be set to zero; if the Rapid Response Pricing Asset is a Dispatchable Asset Related Demand, its Minimum Consumption Limit shall be set to zero; if the Rapid Response Pricing Asset is a Fast Start Demand Response Resource, its Minimum Reduction shall be set to zero.

(b) If the Rapid Response Pricing Asset is a Fast Start Generator or a Flexible DNE Dispatchable Generator that has not satisfied its Minimum Run Time, its energy offer shall be increased by: (i) the Start-Up Fee divided by the product of the Economic Maximum Limit and the Minimum Run Time; and (ii) the No-Load Fee divided by the Economic Maximum Limit.

(c) If the Rapid Response Pricing Asset is a Fast Start Generator or a Flexible DNE Dispatchable Generator that has satisfied its Minimum Run Time, its energy offer shall be increased by the No-Load Fee divided by the Economic Maximum Limit.

(d) If the Rapid Response Pricing Asset is a Fast Start Demand Response Resource that has not satisfied its Minimum Reduction Time, its energy offer shall be increased by the Interruption Cost divided by the product of the Maximum Reduction and the Minimum Reduction Time.

(e) If the Rapid Response Pricing Asset is a Fast Start Demand Response Resource that has satisfied its Minimum Reduction Time, its energy offer shall not be increased.

(f) If the Rapid Response Pricing Asset is a Dispatchable Asset Related Demand that has not satisfied its minimum consumption time, its energy offer shall be decreased by: (i) the Start-Up Fee divided by the product of the Maximum Consumption Limit and the minimum consumption time; and (ii) the No-Load Fee divided by the Maximum Consumption Limit.

(g) If the Rapid Response Pricing Asset is a Dispatchable Asset Related Demand that has satisfied its minimum consumption time its energy offer shall be decreased by the No-Load Fee divided by the Maximum Consumption Limit.

**III.2.5 Calculation of Nodal Real-Time Prices.**

(a) The ISO shall determine the least costly means of obtaining energy to serve the next increment of load at each Node internal to the New England Control Area represented in the State Estimator and each External Node Location between the New England Control Area and an adjacent Control Area, based on the system conditions described by the power flow solution produced by the State Estimator for the pricing interval. This calculation shall be made by applying an optimization method to minimize energy cost, given actual system conditions, a set of energy offers and bids (adjusted as described in Section III.2.4), and any binding transmission and Operating Reserve constraints that may exist. In performing this calculation, the ISO shall calculate the cost of serving an increment of load at each Node and External Node from all available generating Resources, Demand Response Resources, External Transaction purchases submitted under Section III.1.10.7 and Dispatchable Asset Related Demand Resources with an eligible energy offer as the sum of: (1) the price at which the Market Participant has offered to supply or consume an additional increment of energy from the Resource; (2) the effect on Congestion Costs (whether positive or negative) associated with increasing the output of the Resource or reducing consumption of the Resource, based on the effect of increased generation from that Resource or reduced consumption from that Resource on transmission line loadings; and (3) the effect on Congestion Costs (whether positive or negative) associated with increasing the Operating Reserve requirement, based on the effect of Resource re-dispatch on transmission line loadings; (4) the effect on Congestion Costs (whether positive or negative) associated with a deficiency in Operating Reserve, based on the effect of the Reserve Constraint Penalty Factors described under Section III.2.7A(c); and (5) the effect on transmission losses caused by the increment of load, generation and demand reduction. The energy offer or offers and energy bid or bids that can jointly serve an increment of load and an increment of Operating Reserve requirement at a Location at the lowest cost, calculated in this manner, shall determine the Real-Time Price at that Node or External Node. For an external interface for which the enhanced scheduling procedures in Section III.1.10.7.A are implemented, the Real-Time Price at the External Node shall be further adjusted to include the effect on Congestion Costs (whether positive or negative) associated with a binding constraint limiting the external interface schedule, as determined when the interface is scheduled.

(b) During the Operating Day, the calculation set forth in this Section III.2.5 shall be performed for every five-minute interval, using the ISO’s Locational Marginal Price program, producing a set of nodal Real-Time Prices based on system conditions during the pricing interval. The prices produced at five-minute intervals during an hour will be integrated to determine the nodal Real-Time Prices for that hour.

(c) For any interval during any hour in the Operating Day that the ISO has declared a Minimum Generation Emergency, the affected nodal Real-Time Prices calculated under this Section III.2.5 shall be set equal to the Energy Offer Floor for all Nodes within the New England Control Area and all External Nodes.

**III.2.6 Calculation of Nodal Day-Ahead Prices.**

(a) For the Day-Ahead Energy Market, Day-Ahead Prices shall be determined on the basis of the least-cost, security-constrained unit commitment and dispatch, model flows and system conditions resulting from the load specifications submitted by Market Participants, Supply Offers, Demand Reduction Offers and Demand Bids for Resources, Increment Offers, Decrement Bids, and External Transactions submitted to the ISO and scheduled in the Day-Ahead Energy Market.

Such prices shall be determined in accordance with the provisions of this Section applicable to the Day-Ahead Energy Market and shall be the basis for the settlement of purchases and sales of energy, costs for losses and Congestion Costs resulting from the Day-Ahead Energy Market. This calculation shall be made for each hour in the Day-Ahead Energy Market by applying an optimization method to minimize energy cost, given scheduled system conditions, scheduled transmission outages, and any transmission limitations that may exist. In performing this calculation, the ISO shall calculate the cost of serving an increment of load at each Node and External Node from each Resource associated with an eligible energy offer or bid as the sum of: (1) the price at which the Market Participant has offered to supply an additional increment of energy from the Resource or reduce consumption from the Resource; (2) the effect on transmission Congestion Costs (whether positive or negative) associated with increasing the output of the Resource or reducing consumption of the Resource, based on the effect of increased generation from that Resource or reduced consumption from a Resource on transmission line loadings; and (3) the effect on transmission losses caused by the increment of load and generation. The energy offer or offers and energy bid or bids that can serve an increment of load at a Node or External Node at the lowest cost, calculated in this manner, shall determine the Day-Ahead Price at that Node.

 For External Nodes for which the enhanced scheduling procedures in Section III.1.10.7.A are implemented, the clearing process specified in the previous two paragraphs shall apply. For all other External Nodes, the following process shall apply: in addition to determining the quantity cleared via the application of transmission constraints (i.e., limits on the flow over a line or set of lines), the quantity cleared is limited via the application of a nodal constraint (i.e., a limit on the total net injections at a Node) that restricts the net amount of cleared transactions to the transfer capability of the external interface. Clearing prices at all Nodes will reflect the marginal cost of serving the next increment of load at that Node while reflecting transmission constraints. A binding nodal constraint will result in interface limits being followed, but will not directly affect the congestion component of an LMP at an External Node.

(b) Energy deficient conditions. If the sum of Day-Ahead fixed Demand Bids and fixed External Transaction sales cannot be satisfied with the sum of all scheduled External Transaction purchases, cleared Increment Offers, and available generation at its Economic Maximum Limit and demand reduction at the Demand Response Resource’s Maximum Reduction, the technical software issues an Emergency Condition warning message due to a shortage of economic supply in the Day-Ahead Energy Market. The following steps shall then be performed to achieve power balance:

(i) All fixed External Transaction sales are considered to be dispatchable at the Energy Offer Cap;

(ii) Reduce any remaining price-sensitive Demand Bids (including External Transaction sales) and Decrement Bids from lowest price to highest price to zero MW until power balance is achieved (there may be some price sensitive bids that are higher priced than the highest Supply Offer, Demand Reduction Offer, or Increment Offer price cleared). Set LMP values equal to the highest price-sensitive Demand Bid or Decrement Bid that was cut in this step. If no price-sensitive Demand Bid or Decrement Bid was reduced in this step, the LMP values are set equal to highest offer price of all on-line generation, dispatched Demand Response Resources, Increment Offers or External Transaction purchases; and

(iii) If power balance is not achieved after step (ii), reduce all remaining fixed Demand Bids proportionately (by ratio of load MW) until balance is achieved. Set LMP values equal to the highest offer price of all on-line generation, dispatched Demand Response Resources, Increment Offers or External Transaction purchases or the price from step (ii), whichever is higher.

(c) Excess energy conditions. If the sum of Day-Ahead cleared Demand Bids, Decrement Bids and External Transaction sales is less than the total system wide generation MW (including fixed External Transaction purchases) with all possible generation off and with all remaining generation at their Economic Minimum Limit, the technical software issues a Minimum Generation Emergency warning message due to an excess of economic generation in the Day-Ahead Energy Market. The following steps shall then be performed to achieve power balance:

(i) All fixed External Transaction purchases are considered to be dispatchable at the Energy Offer Floor and reduced pro-rata, as applicable, until power balance is reached;

(ii) If power balance is not reached in step (i), reduce all committed generation down proportionately by ratio of Economic Minimum Limits but not below Emergency Minimum Limits. If power balance is achieved prior to reaching Emergency Minimum Limits, set LMP values equal to the lowest offer price of all on-line generation; and

(iii) If power balance not achieved in step (ii), set LMP values to Energy Offer Floor and reduce all committed generation below Emergency Minimum Limits proportionately (by ratio of Emergency Minimum Limits) to achieve power balance.

**III.2.7 Reliability Regions, Load Zones, Reserve Zones, Zonal Prices and External Nodes.**

(a) The ISO shall calculate Zonal Prices for each Load Zone and DRR Aggregation Zone for both the Day-Ahead Energy Market and Real-Time Energy Markets using a load-weighted average of the Locational Marginal Prices for the Nodes within that Load Zone or DRR Aggregation Zone. The load weights used in calculating the Day-Ahead Zonal Prices for the Load Zone and DRR Aggregation Zone shall be determined in accordance with applicable Market Rule 1 provisions and shall be based on historical load usage patterns. The load weights do not reflect Demand Bids or Decrement Bids that settle at the Node level in the Day-Ahead Energy Market. The ISO shall determine, in accordance with applicable ISO New England Manuals, the load weights used in Real-Time based on the actual Real-Time load distribution as calculated by the State Estimator, and shall exclude any Asset Related Demand from the load weights used to calculate the applicable Real-Time Zonal Prices.

(b) Each Load Zone shall initially be approximately coterminous with a Reliability Region.

(c) Reserve Zones shall be established by the ISO which represent areas within the New England Transmission System that require local 30 minute contingency response as part of normal system operations in order to satisfy local 2nd contingency response reliability criteria.

(d) The remaining area within the New England Transmission System that is not included within the Reserve Zones established under Section III.2.7(c) is Rest of System.

(e) Each Reserve Zone shall be completely contained within a Load Zone or shall be defined as a subset of the Nodes contained within a Load Zone.

(f) The ISO shall calculate Forward Reserve Clearing Prices and Real-Time Reserve Clearing Prices for each Reserve Zone.

(g) After consulting with the Market Participants, the ISO may reconfigure Reliability Regions, Load Zones, Dispatch Zones, and Reserve Zones and add or subtract Reliability Regions, Load Zones, Dispatch Zones, and Reserve Zones as necessary over time to reflect changes to the grid, patterns of usage, changes in local TMOR contingency response requirements and intrazonal Congestion. The ISO shall file any such changes with the Commission.

(h) In the event the ISO makes changes to a Reliability Region or Load Zone or adds or subtracts Reliability Regions and Load Zones, for settlement purposes and to the extent practicable, Load Assets that are physically located in one Reliability Region and electrically located within another Reliability Region shall be located within the Reliability Region to which they are electrically located.

(i) External Nodes are the nodes at which External Transactions settle. As appropriate and after consulting with Market Participants, the ISO will establish and re-configure External Nodes taking into consideration appropriate factors, which may include: tie line operational matters, FTR modeling and auction assumptions, market power issues associated with external contractual arrangements, impacts on Locational Marginal Prices, and inter-regional trading impacts.

(j) On or about the 20th calendar day of each month, the ISO shall publish the Real-Time nodal load weights (expressed in MW) used to calculate the load-weighted Real-Time Zonal Prices for the preceding month. Nodal load weights will be published for all nodes used in the calculations except for those nodes identified by customers as nodes for which publication would provide individual customer usage data. Any individual customer whose usage data would be revealed by publication of load weight information associated with a specific Node must submit a written request to the ISO to omit the applicable Node from the publication requirement. The request must identify the affected Node and, to the best of the customer’s knowledge, the number of customers taking service at the affected Node and the estimated percentage of the total annual load (MWh) at the affected Node period that is attributable to the customer. The information contained in the request must be certified in writing by an officer of the customer’s company (if applicable), by an affidavit signed by a person having knowledge of the applicable facts, or by representation of counsel for the customer. The ISO will grant a customer request if it determines based on the information provided that no more than two customers are taking service at the affected Node or that the percentage of the customer’s annual load (MWh) at the affected Node. If a customer request is granted and that customer request is the only such customer request within a Load Zone, then the ISO shall randomly select one other Node and not disclose hourly load information for the randomly selected Node unless and until another customer request within the Load Zone is granted. A request to suspend publication for a month must be received by the ISO on or before the 10th calendar day of the following month in order to be effective for that month. Upon receipt of a request, the ISO will suspend publication of the load weight data for the specified Node. The ISO may, from time to time, require customer confirmation that continued omission from publication of load weight data for a particular Node is required in order to avoid disclosure of individual customer usage data. If customer confirmation is not received within a reasonable period not to exceed 30 days, the ISO may publish load weight data for the applicable Node.

**III.2.7A Calculation of Real-Time Reserve Clearing Prices.**

(a) The ISO shall determine the least costly means of obtaining Operating Reserve in Real-Time to serve the next increment of Operating Reserve requirement for each Reserve Zone on a jointly optimized basis with the calculation of nodal Real-Time Prices specified under Section III.2.5, based on the system conditions described by the power flow solution produced by the State Estimator program for the pricing interval. This calculation shall be made by applying an optimization method to minimize energy cost, given actual system conditions, a set of energy offers and bids, and any binding transmission constraints, including binding transmission interface constraints associated with meeting Operating Reserve requirements, and binding Operating Reserve constraints that may exist. In performing this calculation, the ISO shall calculate, on a jointly optimized basis with serving an increment of load at each Node and External Node, the cost of serving an increment of Operating Reserve requirement for the system and each Reserve Zone from all available generating Resources, Demand Response Resources and Dispatchable Asset Related Demand Resources with an eligible energy offer or bid. Real-Time Reserve Clearing Prices will be equal to zero unless system re-dispatch is required in order to create additional TMSR to meet the system TMSR requirement; or system re-dispatch is required in order to make additional TMOR available to meet a local TMOR requirement; or system re-dispatch is required to make additional TMNSR or TMOR available to meet system TMNSR or TMOR requirements; or there is a deficiency in available Operating Reserve, in which case, Real-Time Reserve Clearing Prices shall be set based upon the Reserve Constraint Penalty Factors specified in Section III.2.7A(c).

(b) If system re-dispatch is required to maintain sufficient levels of Operating Reserve or local TMOR, the applicable Real-Time Reserve Clearing Price is equal to the highest unit-specific Real-Time Reserve Opportunity Cost associated with all generating Resources, Demand Response Resources and Dispatchable Asset Related Demand Resources that were re-dispatched to meet the applicable Operating Reserve requirement. The Operating Reserve or local TMOR Real-Time Reserve Opportunity Cost of a Resource shall be determined for each Resource that the ISO re-dispatches in order to provide additional Operating Reserve or local TMOR and shall be equal to the difference between (i) the Real-Time Energy LMP at the Location for the generating Resource, Demand Response Resource or Dispatchable Asset Related Demand Resource and (ii) the offer price associated with the re-dispatch of the Resource necessary to create the additional Operating Reserve or local TMOR from the Resource’s expected output, consumption, or demand reduction level if it had been dispatched in economic merit order.

(c) If there is insufficient Operating Reserve available to meet the Operating Reserve requirements for the system and/or any Reserve Zone or sufficient Operating Reserve is not available at a redispatch cost equal to or less than that specified by the Reserve Constraint Penalty Factors, the applicable Real-Time Reserve Clearing Prices shall be set based upon Reserve Constraint Penalty Factors. The Reserve Constraint Penalty Factors are inputs into the linear programming algorithm that will be utilized by the linear programming algorithm when Operating Reserve constraints are violated, requiring that the constraints be relaxed to allow the linear programming algorithm to solve. The Real-Time Reserve Clearing Prices shall be set based upon the following Reserve Constraint Penalty Factor values:

|  |  |  |
| --- | --- | --- |
| Requirement | Requirement Sub-Category | RCPF |
| Local TMOR |  | $250/MWh |
| System TMOR | minimum TMOR | $1000/MWh |
|  | Replacement Reserve | $250/MWh |
| System TMNSR |  | $1500/MWh |
| System TMSR |  | $50/MWh |

The RCPFs shall be applied in a manner that is consistent with the price cascading described in Section III.2.7A(d).

(d) Real-Time Reserve designations and Real-Time Reserve Clearing Prices shall be calculated in such a manner to ensure that excess Real-Time Operating Reserve capability will cascade down for use in meeting any remaining Real-Time Operating Reserve Requirements from TMSR to TMNSR to TMOR and that the pricing of Real-Time Operating Reserve shall cascade up from TMOR to TMNSR to TMSR.

(e) During the Operating Day, the calculation set forth in this Section III.2.7A shall be performed for every five-minute interval, using the ISO’s Unit Dispatch System and Locational Marginal Price program, producing a set of nodal Real-Time Reserve Clearing Prices based on system conditions for the pricing interval. The prices produced at five-minute intervals during an hour will be integrated to determine the Real-Time Reserve Clearing Prices for the system and/or each Reserve Zone for that hour.

**III.2.8 Hubs and Hub Prices.**

(a) On behalf of the Market Participants, the ISO shall maintain and facilitate the use of a Hub or Hubs for the Day-Ahead Energy Market and Real-Time Energy Market, comprised of a set of Nodes within the New England Control Area, which Nodes shall be identified by the ISO on its internet website. The ISO has used the following criteria to establish an initial Hub and shall use the same criteria to establish any additional Hubs:

(i) Each Hub shall contain a sufficient number of Nodes to try to ensure that a Hub Price can be calculated for that Hub at all times;

(ii) Each Hub shall contain a sufficient number of Nodes to ensure that the unavailability of, or an adjacent line outage to, any one Node or set of Nodes would have only a minor impact on the Hub Price;

(iii) Each Hub shall consist of Nodes with a relatively high rate of service availability;

(iv) Each Hub shall consist of Nodes among which transmission service is relatively unconstrained; and

(v) No Hub shall consist of a set of Nodes for which directly connected load and/or generation at that set of Nodes is dominated by any one entity or its Affiliates.

(b) The ISO shall calculate and publish Hub Prices for both the Day-Ahead and Real-Time Energy Markets based upon the arithmetic average of the Locational Marginal Prices of the nodes that comprise the Hub.

**III.2.9A Final Real Time Prices, Real-Time Reserve Clearing and Regulation Clearing Prices.**

(a) The ISO normally will post provisional Real-Time Prices, Real-Time Reserve Clearing Prices and Regulation clearing prices in Real-Time or soon thereafter. The ISO shall post the final Real-Time Prices, final Real-Time Reserve Clearing Prices and final Regulation clearing prices as soon as practicable following the Operating Day, in accordance with the timeframes specified in the ISO New England Manuals, except that the posting of such final Real-Time Prices, final Real-Time Reserve Clearing Prices and final Regulation clearing prices by the ISO shall not exceed five business days from the applicable Operating Day. If the ISO is not able to calculate Real-Time Prices, Real-Time Reserve Clearing Prices or Regulation clearing prices normally due to human error, hardware, software, or telecommunication problems that cannot be remedied in a timely manner, the ISO will calculate Real-Time Prices, Real-Time Reserve Clearing Prices or Regulation clearing prices as soon as practicable using the best data available; provided, however, in the event that the ISO is unable to calculate and post final Real-Time Prices, Real-Time Reserve Clearing Prices or Regulation clearing prices due to exigent circumstances not contemplated in this market rule, the ISO shall make an emergency filing with the Commission within five business days from the applicable Operating Day detailing the exigent circumstance, which will not allow the final clearing prices to be calculated and posted, along with a proposed resolution including a timeline to post final clearing prices.

(b) The permissibility of correction of errors in Real-Time Prices, Real-Time Reserve Clearing Prices or Regulation clearing prices for an Operating Day due to database, software or similar errors of the ISO or its systems, and the timeframes and procedures for permitted corrections, are addressed solely in this Section III.2.9A and not in those sections of Market Rule 1 relating to settlement and billing processes.

**III.2.9B Final Day-Ahead Energy Market Results**

(a) Day-Ahead Energy Market results are final when published except as provided in this subsection. If the ISO determines based on reasonable belief that there may be one or more errors in the Day-Ahead Energy Market results for an Operating Day or if no Day-Ahead Energy Market results are available due to human error, database, software or similar errors of the ISO or its systems, the ISO shall post on the ISO website prior to 12:01 a.m. of the applicable Operating Day, a notice that the results are provisional and subject to correction or unavailable for initial publishing. Any Day-Ahead Energy Market results for which no notice is posted shall be final and not subject to correction or other adjustment, and shall be used for purposes of settlement. The ISO shall confirm within three business days of the close of the applicable Operating Day whether there was an error in any provisional Day-Ahead Energy Market results and shall post a notice stating its findings.

(b) The ISO will publish corrected Day-Ahead Energy Market results within three business days of the close of the applicable Operating Day or the results of the Day-Ahead Energy Market for the Operating Day will stand; provided, however, in the event that the ISO is unable to calculate and post final Day-Ahead Energy Market Results due to exigent circumstances not contemplated in this market rule, the ISO shall make an emergency filing with the Commission within five business days from the applicable Operating Day detailing the exigent circumstance, which will not allow the final prices to be calculated and posted, along with a proposed resolution including a timeline to post final prices. The ISO shall also publish a statement describing the nature of the error and the method used to correct the results.

(c) If the ISO determines in accordance with subsection (a) that there are one or more errors in the Day-Ahead Energy Market results for an Operating Day, the ISO shall calculate corrected Day-Ahead Energy Market results by determining and substituting for the initial results, final results that reasonably reflect how the results would have been calculated but for the errors. To the extent that it is necessary, reasonable and practicable to do so, the ISO may specify an allocation of any costs that are not otherwise allocable under applicable provisions of Market Rule 1. The ISO shall use the corrected results for purposes of settlement.

(d) For every change in the Day-Ahead Energy Market results made pursuant to Section III.2.9B, the ISO will prepare and submit, as soon as practicable, an informational report to the Commission describing the nature of any errors, the precise remedy administered, the method of determining corrected prices and allocating any costs, and any remedial actions that will be taken to avoid similar errors in the future.

(e) The permissibility of correction of errors in Day-Ahead Energy Market results, and the timeframes and procedures for permitted corrections, are addressed solely in this Section III.2.9B and not in those sections of Market Rule 1 relating to settlement and billing processes.

**III.3 Accounting And Billing**

**III.3.1 Introduction.**

This Section III.3 sets forth the accounting and billing principles and procedures for the purchase and sale of services in the New England Markets and for the operation of the New England Control Area.

If a dollar-per-MW-hour value is applied in a calculation where the interval of the value produced in that calculation is less than an hour, then for purposes of that calculation the dollar-per-MW-hour value is divided by the number of intervals in the hour.

**III.3.2 Market Participants.**

**III.3.2.1 ISO Energy Market.**

For purposes of establishing the following positions, unless otherwise expressly stated, the settlement interval for the Real-Time Energy Market is five minutes and the settlement interval for the Day-Ahead Energy Market is hourly. The Real-Time Energy Market settlement is determined using the Metered Quantity For Settlement calculated in accordance with Section III.3.2.1.1.

(a) **Day-Ahead Energy Market Obligations** – For each Market Participant for each settlement interval, the ISO will determine a Day-Ahead Energy Market position representing that Market Participant’s net purchases from or sales to the Day-Ahead Energy Market as follows:

(i) **Day-Ahead Load Obligation** – Each Market Participant shall have for each settlement interval a Day-Ahead Load Obligation for energy at each Location equal to the MWhs of its Demand Bids, Decrement Bids and External Transaction sales accepted by the ISO in the Day-Ahead Energy Market at that Location and such Day-Ahead Load Obligation shall have a negative value.

(ii) **Day-Ahead Generation Obligation** – Each Market Participant shall have for each settlement interval a Day-Ahead Generation Obligation for energy at each Location equal to the MWhs of its generation Supply Offers, Increment Offers and External Transaction purchases accepted by the ISO in the Day-Ahead Energy Market at that Location and such Day-Ahead Generation Obligation shall have a positive value.

(iii) **Day-Ahead Demand Reduction Obligation** – Each Market Participant shall have for

each settlement interval a Day-Ahead Demand Reduction Obligation at each Location equal to the MWhs of its Demand Reduction Offers accepted by the ISO in the Day-Ahead Energy Market at that Location, increased by average avoided peak distribution losses. Day-Ahead Demand Reduction Obligations shall have a positive value.

(iv) **Day-Ahead Adjusted Load Obligation** – Each Market Participant shall have for each settlement interval a Day-Ahead Adjusted Load Obligation at each Location equal to the Day-Ahead Load Obligation adjusted by any applicable Day-Ahead internal bilateral transactions at that Location.

(v) **Day-Ahead Locational Adjusted Net Interchange** – Each Market Participant shall have for each settlement interval a Day-Ahead Locational Adjusted Net Interchange at each Location equal to the Day-Ahead Adjusted Load Obligation plus the Day-Ahead Generation Obligation plus the Day-Ahead Demand Reduction Obligation at that Location.

 (b) **Real-Time Energy Market Obligations Excluding Demand Response Resource Contributions** – For each Market Participant for each settlement interval, the ISO will determine a Real-Time Energy Market position. For purposes of these calculations, if the settlement interval is less than one hour, any internal bilateral transaction shall be equally apportioned over the settlement intervals within the hour. To accomplish this, the ISO will perform calculations to determine the following:

(i) **Real-Time Load Obligation** – Each Market Participant shall have for each settlement interval a Real-Time Load Obligation for energy at each Location equal to the MWhs of load, where such MWhs of load shall include External Transaction sales and shall have a negative value, at that Location, adjusted for unmetered load and any applicable internal bilateral transactions which transfer Real-Time load obligations.

(ii) **Real-Time Generation Obligation** – Each Market Participant shall have for each settlement interval a Real-Time Generation Obligation for energy at each Location. The Real-Time Generation Obligation shall equal the MWhs of energy, where such MWhs of energy shall have positive value, provided by generating Resources, External Resources, and External Transaction purchases at that Location.

(iii) **Real-Time Adjusted Load Obligation** – Each Market Participant shall have for each settlement interval a Real-Time Adjusted Load Obligation at each Location equal to the Real-Time Load Obligation adjusted by any applicable energy related internal Real-Time bilateral transactions at that Location.

(iv) **Real-Time Locational Adjusted Net Interchange** – Each Market Participant shall have for each settlement interval a Real-Time Locational Adjusted Net Interchange at each Location equal to the Real-Time Adjusted Load Obligation plus the Real-Time Generation Obligation at that Location.

(v) **Marginal Loss Revenue Load Obligation** – Each Market Participant shall have for each settlement interval a Marginal Loss Revenue Load Obligation at each Location equal to the Real-Time Load Obligation adjusted by any energy related internal Real-Time bilateral transactions at that Location that the parties to those bilateral transactions have elected to include in their Marginal Loss Revenue Load Obligation for the purpose of allocating Day-Ahead Loss Revenue and Real-Time Loss Revenue. Contributions from Coordinated External Transactions shall be excluded from the Real-Time Load Obligation for purposes of determining Marginal Loss Revenue Load Obligation.

 (c) **Real-Time Energy Market Obligations For Demand Response Resources**

**Real-Time Demand Reduction Obligation** – Each Market Participant shall have for each settlement interval a Real-Time Demand Reduction Obligation at each Location equal to the MWhs of demand reduction provided by Demand Response Resources at that Location in response to non-zero Dispatch Instructions. The MWhs of demand reduction produced by a Demand Response Resource are equal to the sum of the demand reductions produced by its constituent Demand Response Assets calculated pursuant to Section III.8.4, where the demand reductions, other than MWhs associated with Net Supply, are increased by average avoided peak distribution losses.

(d) **Real-Time Energy Market Deviations Excluding Demand Response Resource Contributions** – For each Market Participant for each settlement interval, the ISO will determine the difference between the Real-Time Energy Market position (calculated in accordance with Section III.3.2.1(b)) and the Day-Ahead Energy Market position (calculated in accordance with Section III.3.2.1(a)) representing that Market Participant’s net purchases from or sales to the Real-Time Energy Market (excluding any such transactions involving Demand Response Resources). For purposes of this calculation, if the Real-Time settlement interval is less than one hour, the Day-Ahead position shall be equally apportioned over the settlement intervals within the hour. To accomplish this, the ISO will perform calculations to determine the following:

(i) **Real-Time Load Obligation Deviation** – Each Market Participant shall have for each settlement interval a Real-Time Load Obligation Deviation at each Location equal to the difference in MWhs between the Real-Time Load Obligation and the Day-Ahead Load Obligation.

(ii) **Real-Time Generation Obligation Deviation** – Each Market Participant shall have for each settlement interval a Real-Time Generation Obligation Deviation at each Location equal to the difference in MWhs between the Real-Time Generation Obligation and the Day-Ahead Generation Obligation.

(iii) **Real-Time Adjusted Load Obligation Deviation** – Each Market Participant shall have for each settlement interval a Real-Time Adjusted Load Obligation Deviation at each Location equal to the difference in MWhs between the Real-Time Adjusted Load Obligation and the Day-Ahead Adjusted Load Obligation.

(iv) **Real-Time Locational Adjusted Net Interchange Deviation** – Each Market Participant shall have for each settlement interval a Real-Time Locational Adjusted Net Interchange Deviation at each Location equal to the difference in MWhs between (1) the Real-Time Locational Adjusted Net Interchange and (2) the Day-Ahead Locational Adjusted Net Interchange minus the Day-Ahead Demand Reduction Obligation for that Location.

(e) **Real-Time Energy Market Deviations For Demand Response Resources**

**Real-Time Demand Reduction Obligation Deviation** – Each Market Participant shall have for each settlement interval a Real-Time Demand Reduction Obligation Deviation at each Location equal to the difference in MWhs between the Real-Time Demand Reduction Obligation (calculated in accordance with Section III.3.2.1(c)) and the Day-Ahead Demand Reduction Obligation (calculated in accordance with Section III.3.2.1(a)). For purposes of this calculation, if the Real-Time settlement interval is less than one hour, the Day-Ahead position shall be equally apportioned over the settlement intervals within the hour.

(f) **Day-Ahead Energy Market Charge/Credit** – For each Market Participant for each settlement interval, the ISO will determine Day-Ahead Energy Market monetary positions representing a charge or credit for its net purchases from or sales to the ISO Day-Ahead Energy Market. The Day-Ahead Energy Market Energy Charge/Credit shall be equal to the sum of its Location specific Day-Ahead Locational Adjusted Net Interchanges multiplied by the Energy Component of the associated Day-Ahead Locational Marginal Prices. The Day-Ahead Energy Market Congestion Charge/Credit shall be equal to the sum of its Location specific Day-Ahead Locational Adjusted Net Interchanges multiplied by the Congestion Component of the associated Day-Ahead Locational Marginal Prices. The Day-Ahead Energy Market Loss Charge/Credit shall be equal to the sum of its Location specific Day-Ahead Locational Adjusted Net Interchanges multiplied by the Loss Component of the associated Day-Ahead Locational Marginal Prices.

(g) **Real-Time Energy Market Charge/Credit Excluding Demand Response Resources –** For each Market Participant for each settlement interval, the ISO will determine Real-Time Energy Market monetary positions representing a charge or credit to the Market Participant for its net purchases from or sales to the Real-Time Energy Market (excluding any such transactions involving Demand Response Resources). The Real-Time Energy Market Deviation Energy Charge/Credit shall be equal to the sum of the Market Participant’s Location specific Real-Time Locational Adjusted Net Interchange Deviations for that settlement interval multiplied by the Energy Component of the Real-Time Locational Marginal Prices. The Real-Time Energy Market Deviation Congestion Charge/Credit shall be equal to the sum of the Market Participant’s Location specific Real-Time Locational Adjusted Net Interchange Deviations for that settlement interval multiplied by the Congestion Component of the associated Real-Time Locational Marginal Prices. The Real-Time Energy Market Deviation Loss Charge/Credit shall be equal to the sum of the Market Participant’s Location specific Real-Time Locational Adjusted Net Interchange Deviations for that settlement interval multiplied by the Loss Component of the associated Real-Time Locational Marginal Prices.

(h) **Real-Time Energy Market Charge/Credit For Demand Response Resources –** For each Market Participant for each settlement interval, the ISO shall calculate a charge or credit to the Market Participant for its net purchases from or sales to the Real-Time Energy Market associated with Demand Response Resources. The charge or credit shall be equal to the sum of the Market Participant’s Location-specific Real-Time Demand Reduction Obligation Deviations for that settlement interval multiplied by the Real-Time Locational Marginal Prices. Such charges and credits shall be allocated on an hourly basis to Market Participants based on their pro rata share of the sum of all Market Participants’ Real-Time Load Obligation, excluding the Real-Time Load Obligation incurred at all External Nodes, and excluding Real-Time Load Obligation incurred by DARD Pumps.

 (i) **Day-Ahead and Real-Time Congestion Revenue** – For each settlement interval, the ISO will determine the total revenues associated with transmission congestion on the New England Transmission System. To accomplish this, the ISO will perform calculations to determine the following. The Day-Ahead Congestion Revenue shall equal the sum of all Market Participants’ Day-Ahead Energy Market Congestion Charge/Credits. The Real-Time Congestion Revenue shall equal the sum of all Market Participants’ Real-Time Energy Market Deviation Congestion Charge/Credits.

(j) **Day-Ahead Loss Revenue** – For each settlement interval, the ISO will determine the excess or deficiency in loss revenue associated with the Day-Ahead Energy Market. The Day-Ahead Loss Revenue shall be equal to the sum of all Market Participants’ Day-Ahead Energy Market Energy Charge/Credits and Day-Ahead Energy Market Loss Charge/Credits.

(k) **Day-Ahead Loss Charges or Credits** – For each settlement interval for each Market Participant, the ISO shall calculate a Day-Ahead payment or charge associated with the excess or deficiency in loss revenue (Section III.3.2.1(j)). The Day-Ahead Loss Charges or Credits shall be equal to the Day-Ahead Loss Revenue multiplied by the Market Participant’s pro rata share of the sum of all Market Participants’ Marginal Loss Revenue Load Obligations.

(l) **Real-Time Loss Revenue** – For each settlement interval, the ISO will determine the excess or deficiency in loss revenue associated with the Real-Time Energy Market. The Real-Time Loss Revenue shall be equal to the sum of all Market Participants’ Real-Time Energy Market Deviation Energy Charge/Credit and Real-Time Energy Market Deviation Loss Charge/Credit plus Non-Market Participant Transmission Customer loss costs. The ISO will then adjust Real-Time Loss Revenue to account for Inadvertent Energy Revenue, as calculated under Section III.3.2.1(o) and Emergency transactions as described under Section III.4.3(a).

(m) **Real-Time Loss Revenue Charges or Credits** – For each hour for each Market Participant, the ISO shall calculate a Real-Time payment or charge associated with the excess or deficiency in Real-Time Loss Revenue (Section III.3.2.1(l)). The Real-Time Loss Revenue Charges or Credits shall be equal to the Real-Time Loss Revenue multiplied by the Market Participant’s pro rata share of the sum of all Market Participants’ Marginal Loss Revenue Load Obligations.

(n) **Non-Market Participant Loss** – Non-Market Participant Transmission Customer loss costs shall be assessed for transmission use scheduled in the Real-Time Energy Market, calculated as the amount to be delivered in each settlement interval multiplied by the difference between the Loss Component of the Real-Time Price at the delivery point or New England Control Area boundary delivery interface and the Loss Component of the Real-Time Price at the source point or New England Control Area boundary source interface.

(o) **Inadvertent Energy Revenue** – For each External Node, for each settlement interval the ISO will calculate an excess or deficiency in Inadvertent Energy Revenue by multiplying the Inadvertent Interchange at the External Node by the associated Real-Time Locational Marginal Price. For each settlement interval, the total Inadvertent Energy Revenue for a settlement interval shall equal the sum of the Inadvertent Energy Revenue values for each External Node for that interval.

(p) **Inadvertent Energy Revenue Charges or Credits** – For each hour for each Market Participant, the ISO shall calculate a Real-Time payment or charge associated with the excess or deficiency in Inadvertent Energy Revenue (Section III.3.2.1(o)). The Inadvertent Energy Revenue Charges or Credits shall be equal to the Inadvertent Energy Revenue multiplied by the Market Participant’s pro rata share of the sum of all Market Participants’ Real-Time Load Obligations, Real-Time Generation Obligations, and Real-Time Demand Reduction Obligations over all Locations, measured as absolute values, excluding contributions to Real-Time Load Obligations and Real-Time Generation Obligations from Coordinated External Transactions.

**III.3.2.1.1 Metered Quantity For Settlement.**

For purposes of determining the Metered Quantity For Settlement, the five-minute telemetry value for a five-minute interval is the integrated value of telemetered data sampled over the five-minute period. For settlement calculations that require hourly revenue quality meter value from Resources that submit five-minute revenue quality meter data, the hourly revenue quality meter value is the average of five-minute revenue quality meter values for the hour. The Metered Quantity For Settlement is calculated as follows:

(a) For external interfaces, the Metered Quantity For Settlement is the scheduled value adjusted for any curtailment, except that for Inadvertent Interchange, the Metered Quantity For Settlement is the difference between the actual and scheduled values, where the actual value is

(i) calculated as the five-minute telemetry value plus the difference between the hourly revenue quality meter value and the hourly average telemetry value, or

(ii) the five-minute revenue quality meter value, if five-minute revenue quality meter data are available.

(b) For Resources submitting five-minute revenue quality meter data (other than Demand Response Resources), the Metered Quantity For Settlement is the five-minute revenue quality meter value.

(c) For Resources with telemetry submitting hourly revenue quality meter data, the Metered Quantity For Settlement is calculated as follows:

(i) In the event that in an hour, the difference between the average of the five-minute telemetry values for the hour and the revenue quality meter value for the hour is greater than 20 percent of the hourly revenue quality meter value and greater than 10 MW then the Metered Quantity For Settlement is a flat profile of the revenue quality meter value equal to the hourly revenue quality meter value equally apportioned over the five-minute intervals in the hour.

(ii) Otherwise, the Metered Quantity For Settlement is the telemetry profile of the revenue quality meter value equal to the five-minute telemetry value multiplied by a scale factor, where the scale factor is the hourly revenue quality meter value divided by the hourly average telemetry value.

(d) For a Demand Response Resource, the Metered Quantity For Settlement equals the sum of the demand reductions of each of its constituent Demand Response Assets produced in response to a non-zero Dispatch Instruction, with the demand reduction for each such asset calculated pursuant to Section III.8.4. (e) For Resources without telemetry submitting hourly revenue quality meter data, the Metered Quantity For Settlement is the hourly revenue quality meter value equally apportioned over the five-minute intervals in the hour.

**III.3.2.2 Metering and Communication.**

**(a) Revenue Quality Metering and Telemetry for Assets other than Demand Response Assets**

The megawatt-hour data of each Generator Asset, Tie-Line Asset, and Load Asset must be metered and automatically recorded at no greater than an hourly interval using metering located at the asset’s point of interconnection, in accordance with the ISO operating procedures on metering and telemetering. This metered value is used for purposes of establishing the hourly revenue quality metering of the asset.

The instantaneous megawatt data of each Generator Asset (except Settlement Only Resources) and each Dispatchable Asset Related Demand must be automatically recorded and telemetered in accordance with the requirements in the ISO operating procedures on metering and telemetering.

**(b) Meter Maintenance and Testing for all Assets**

Each Market Participant must adequately maintain metering, recording and telemetering equipment and must periodically test all such equipment in accordance with the ISO operating procedures on metering and telemetering. Equipment failures must be addressed in a timely manner in accordance with the requirements in the ISO operating procedures on maintaining communications and metering equipment.

**(c) Additional Metering and Telemetry Requirements for Demand Response Assets**

(i)Market Participants must report to the ISO in real time a set of telemetry data for each Demand Response Asset associated with a Demand Response Resource. The telemetry values shall measure the real-time demand of Demand Response Assets as measured at their Retail Delivery Points, and shall be reported to the ISO every five minutes. For a Demand Response Resource to provide TMSR or TMNSR, Market Participants must in addition report telemetry values at least every one minute. Telemetry values reported by Market Participants to the ISO shall be in MW units and shall be an instantaneous power measurement or an average power value derived from an energy measurement for the time interval from which the energy measurement was taken.

(ii) If one or more generators whose output can be controlled is located behind the Retail Delivery Point of a Demand Response Asset, other than emergency generators that cannot operate electrically synchronized to the New England Transmission System, then the Market Participant must also report to the ISO, before the end of the Correction Limit for the Data Reconciliation Process, a single set of meter data, at an interval of five minutes, representing the combined output of all generators whose output can be controlled.

(iii) If the Market Participant or the ISO finds that the metering or telemetry devices do not meet the accuracy requirements specified in the ISO New England Manuals and Operating Procedures, the Market Participant shall promptly notify the ISO and indicate when it expects to resolve the accuracy problem(s), or shall request that the affected Demand Response Assets be retired. Once such an issue becomes known and until it is resolved, the demand reduction value and Operating Reserve capability of any affected Demand Response Asset shall be excluded from the Demand Response Resource with which it is associated.

(iv) The ISO may review and audit testing and calibration records, audit facility performance (including review of facility equipment), order and witness the testing of metering and telemetry measurement equipment, and witness the demand reduction activities of any facility or generator associated with a Demand Response Asset. Market Participants must make retail billing meter data and any interval meter data from the Host Participant for the facilities associated with a Demand Response Asset available to the ISO upon request.

**(d) Overuse of Flat Profiling**

In the event a Market Participant’s telemetry is replaced with an hourly flat profile pursuant to Section III.3.2.1.1(b) more than 20% of the online hours in a month and Market Participant’s Resource has been online for over 50 hours in the month, the ISO may consult with the Market Participant for an explanation of the regular use of flat profiling and may request that the Market Participant address any telemetry discrepancies so that flat profiling is not regularly triggered.

Within 10 business days of issuance of such a request, the Market Participant shall provide the ISO with a written plan for remedying the deficiencies, and shall identify in the plan the specific actions to be taken and a reasonable timeline for completing such remediation.  The Market Participant shall complete the remediation in accordance with and under the timeline set forth in the written plan.

**III.3.2.3 NCPC Credits and Charges.**

A Market Participant’s NCPC Credits and NCPC Charges are calculated pursuant to Appendix F to Market Rule 1.

**III.3.2.4 Transmission Congestion.**

Market Participants shall be charged or credited for Congestion Costs as specified in Section III.3.2.1(f) of this Market Rule 1.

**III.3.2.5 [Reserved.]**

**III.3.2.6 Emergency Energy.**

(a) For each settlement interval during an hour in which there are Emergency Energy purchases, the ISO calculates an Emergency Energy purchase charge or credit equal to the Emergency Energy purchase price minus the External Node Real-Time LMP for the interval, multiplied by the Emergency Energy quantity for the interval. The charge or credit for each interval in an hour is summed to an hourly value. The ISO allocates the hourly charges or credits to Market Participants based on the following hourly deviations where such deviations are negative: (i) Real-Time Adjusted Load Obligation Deviations during that Operating Day; (ii) generation deviations and demand reduction deviations for Pool-Scheduled Resources not following ISO dispatch instructions, Self-Scheduled Resources with dispatchable increments above their Self-Scheduled amounts not following ISO dispatch instructions and Self-Scheduled Resources not following their Day-Ahead Self-Scheduled amounts other than those Self-Scheduled Resources that are following ISO dispatch instructions, including External Resources, in MWhs during the Operating Day; and (iii) deviations from the Day-Ahead Energy Market for External Transaction purchases in MWhs during the Operating Day except that positive Real-Time Generation Obligation Deviation at External Nodes associated with Emergency Energy purchases are not included in this calculation. Generating Resources and Demand Response Resources shall have a 5% or 5 MWh threshold when determining such deviations. Notwithstanding the foregoing, the allocation of costs or credits attributable to the purchase of Emergency Energy from other Control Areas shall exclude contributions to deviations from Coordinated External Transactions.

(b) For each settlement interval during an hour in which there are Emergency Energy sales, the ISO calculates Emergency Energy sales revenue, exclusive of revenue from the Real-Time Energy Market, received from other Control Areas to provide the Emergency Energy sales. The revenues for each interval in an hour is summed to an hourly value. Hourly net revenues attributable to the sale of Emergency Energy to other Control Areas shall be credited to Market Participants based on the following deviations where such deviations are negative: (i) Real-Time Adjusted Load Obligation Deviations in MWhs during that Operating Day; (ii) generation deviations and demand reduction deviations for Pool-Scheduled Resources following ISO dispatch instructions and Self-Scheduled generating Resources with dispatchable increments above their Self-Scheduled amounts following ISO dispatch instructions, including External Resources, in MWhs during the Operating Day; and (iii) deviations from the Day-Ahead Energy Market for External Transaction purchases in MWhs during the Operating Day except that positive Real-Time Generation Obligation Deviation at External Nodes associated with Emergency Energy purchases are not included in this calculation. Generating Resources and Demand Response Resources shall have a 5% or 5 MWh threshold when determining such deviations. Notwithstanding the foregoing, the calculation of the credit for the sale of Emergency Energy to other Control Areas shall exclude contributions to deviations from Coordinated External Transactions.

**III.3.2.6A New Brunswick Security Energy.**

New Brunswick SecurityEnergy is energy that is purchased from the New Brunswick System Operator by New England to preserve minimum flows on the Orrington-Keswick (396/3001) tie line and Orrington-Lepreau (390/3016) tie line in accordance with the applicable ISO / New Brunswick System Operator transmission operating guide with respect to the determination of minimum transfer limits. New Brunswick Security Energy costs are hourly costs in excess of the LMP at the applicable External Node attributable to purchases of New Brunswick Security Energy by New England. New Brunswick Security Energy costs shall be allocated among Market Participants on the basis of their pro-rata shares of Regional Network Load or in such other manner as may be described in ISO New England Manual M-28 (Market Rule 1 Accounting). Where the LMP at the applicable External Node exceeds the New Brunswick Security Energy costs, such amounts shall be accounted for in accordance with Section III.3.2.1(m).

**III.3.2.7 Billing.**

The ISO shall prepare a billing statement each billing cycle, in accordance with the ISO New England Billing Policy, for each Market Participant in accordance with the charges and credits specified in Sections III.3.2.1 through III.3.2.6, and showing the net amount to be paid or received by the Market Participant. Billing statements shall provide sufficient detail, as specified in the ISO New England Manuals, ISO New England Administrative Procedures and the ISO New England Billing Policy, to allow verification of the billing amounts and completion of the Market Participant’s internal accounting. Billing disputes shall be settled in accordance with procedures specified in the ISO New England Billing Policy.

**III.3.3 [Reserved.]**

**III.3.4 Non-Market Participant Transmission Customers.**

**III.3.4.1 Transmission Congestion.**

Non-Market Participant Transmission Customers shall be charged or credited for Congestion Costs as specified in Section III.1 of this Market Rule 1.

**III.3.4.2 Transmission Losses.**

Non-Market Participant Transmission Customers shall be charged or credited for transmission losses in an amount equal to the product of (i) the Transmission Customer’s MWhs of deliveries in the Real-Time Energy Market, multiplied by (ii) the difference between the Loss Components of the Real-Time Locational Marginal Prices at the point-of-receipt and the point-of-delivery Locations.

**III.3.4.3 Billing.**

The ISO shall prepare a billing statement each billing cycle, in accordance with the ISO New England Billing Policy, for each Non-Market Participant Transmission Customer in accordance with the charges and credits specified in Sections III.3.4.1 through III.3.4.2 of this Market Rule 1, and showing the net amount to be paid or received by the Non-Market Participant Transmission Customer. Billing statements shall provide sufficient detail, as specified in the ISO New England Manuals, the ISO New England Administrative Procedures and the ISO New England Billing Policy, to allow verification of the billing amounts and completion of the Non-Market Participant Transmission Customer’s internal accounting. Billing disputes shall be settled in accordance with procedures specified in the ISO New England Billing Policy.

**III.3.5 [Reserved.]**

**III.3.6 Data Reconciliation.**

**III.3.6.1 Data Correction Billing.**

The ISO will reconcile Market Participant data errors and corrections after the Correction Limit for such data has passed. The Correction Limit for meter data and for ISO errors in the processing of meter and other Market Participant data is 101 days from the last Operating Day of the month to which the data applied. Notification of Meter Data Errors applicable to Assigned Meter Reader or Host Participant Assigned Meter Reader supplied meter data must be submitted to the ISO by the Meter Data Error RBA Submission Limit.

**III.3.6.2 Eligible Data.**

The ISO will accept revised hourly asset meter readings from Assigned Meter Readers and Host Participant Assigned Meter Readers, daily Coincident Peak Contribution values from Assigned Meter Readers, and new or revised internal bilateral transactions from Market Participants. No other revised data will be accepted for use in settlement recalculations. The ISO will correct data handling errors associated with other Market Participant supplied data to the extent that such data did not impact unit commitment or the Real-Time dispatch. Data handling errors that impacted unit commitment or the Real-Time dispatch will not be corrected.

**III.3.6.3 Data Revisions.**

The ISO will accept revisions to asset specific meter data, daily Coincident Peak Contribution values, and internal bilateral transactions prior to the Correction Limit. No revisions to other Market Participant data will be accepted after the deadlines specified in the ISO New England Manuals for submittal of that data have passed, except as provided in Section III.3.8 of Market Rule 1. If the ISO discovers a data error or if a Market Participant discovers and notifies the ISO of a data error prior to the Correction Limit, revised hourly data will be used to recalculate all markets and charges as appropriate, including but not limited to energy, NCPC, Regulation, Operating Reserves, Auction Revenue Rights allocations, Forward Capacity Market, cost-of-service agreements, and the ISO Tariff. No settlement recalculations or other adjustments may be made if the Correction Limit for the Operating Day to which the error applied has passed or if the correction does not qualify for treatment as a Meter Data Error correction pursuant to Section III.3.8 of Market Rule 1.

**III.3.6.4 Meter Corrections Between Control Areas.**

For revisions to meter data associated with assets that connect the New England Control Area to other Control Areas, the ISO will, in addition to performing settlement recalculations, adjust the actual interchange between the New England Control Area and the other Control Area to maintain an accurate record of inadvertent energy flow.

**III.3.6.5 Meter Correction Data.**

(a) Revised meter data and daily Coincident Peak Contribution values shall be submitted to the ISO as soon as it is available and not later than the Correction Limit, and must be submitted in accordance with the criteria specified in Section III.3.7 of Market Rule 1. Specific data submittal deadlines are detailed in the ISO New England Manuals.

(b) Errors on the part of the ISO in the administration of Market Participant supplied data shall be brought to the attention of the ISO as soon as possible and not later than the Correction Limit.

**III.3.7 Eligibility for Billing Adjustments**.

(a) Errors in Market Participant’s statements resulting from errors in settlement software, errors in data entry by ISO personnel, and settlement production problems, that do not affect the day-ahead schedule or real-time system dispatch, will be corrected as promptly as practicable. If errors are identified prior to the issuance of final statements, the market will be resettled based on the corrected information.

(b) Calculations made by scheduling or dispatch software, operational decisions involving ISO discretion which affect scheduling or real-time operation, and the ISO’s execution of mandatory dispatch directions, such as self-schedules or external contract conditions, are not subject to retroactive correction and resettlement. The ISO will settle and bill the Day-Ahead Energy Market as actually scheduled and the Real-Time Energy Market as actually dispatched. Any post-settlement issues raised concerning operating decisions related to these markets will be corrected through revision of operations procedures and guidelines on a prospective basis.

(c) While errors in reporting hourly metered data may be corrected (pursuant to Section III.3.8), Market Participants have the responsibility to ensure the correctness of all data they submit to the market settlement system.

(d) Disputes between Market Participants regarding settlement of internal bilateral transactions shall not be subject to adjustment by the ISO, but shall be resolved directly by the Market Participants unless they involve an error by the ISO that is subject to resolution under Section III.3.7(a).

(e) Billing disputes between Market Participants and the ISO or Non-Market Participants and the ISO shall be settled in accordance with procedures specified in the ISO New England Billing Policy.

(f) Criteria for Meter Data Errors to be eligible for a Requested Billing Adjustment. In order to be eligible to submit a Requested Billing Adjustment due to a Meter Data Error on an Invoice issued by the ISO after the completion of the Data Reconciliation Process, a Market Participant must satisfy one of the following two conditions: (1) the Meter Data Error at issue was identified by the asset owner, Assigned Meter Reader or the Host Participant Assigned Meter Reader and communicated to the Host Participant Assigned Meter Reader no later than thirty-six (36) days prior to the Correction Limit for Directly Metered Assets and no later than two (2) days prior to the Correction Limit for Profiled Load Assets and could not be resolved prior to those deadlines; or (2) the Meter Data Error at issue was identified by the asset owner, Assigned Meter Reader or Host Participant Assigned Meter Reader and reported to the ISO by the Meter Data Error RBA Submission Limit, and such Meter Data Error represents an error that is equal to or greater than the 1,000 MWh per Asset over a calendar month. If the Meter Data Error affects more than one metering domain, the ISO, and affected Host Participant Assigned Meter Readers and affected Assigned Meter Readers of affected metering domains, must be notified.

**III.3.8 Correction of Meter Data Errors**

(a) Any Market Participant, Assigned Meter Reader or Host Participant Assigned Meter Reader may submit notification of a Meter Data Error in accordance with the procedures provided in this Section III.3.8, provided that the notification is submitted no later than the Meter Data Error RBA Submission Limit and that the notice must be submitted using the RBA form for Meter Data Errors posted on the ISO’s website. Errors in telemetry values used in calculating Metered Quantity For Settlement are not eligible for correction under this Section III.3.8.

(b) Within three Business Days of the receipt by the ISO’s Chief Financial Officer of an RBA form for a Meter Data Error, the ISO shall prepare and submit to all Covered Entities and to the Chair of the NEPOOL Budget and Finance Subcommittee a notice of the Meter Data Error correction (“Notice of Meter Data Error Correction”), including, subject to the provisions of the ISO New England Information Policy, the specific details of the correction and the identity of the affected metering domains and the affected Host Participant Assigned Meter Readers. The “Notice of Meter Data Error Correction” shall identify a specific representative of the ISO to whom all communications regarding the matter are to be sent.

(c) In order for a Meter Data Error on an Invoice issued by the ISO after the completion of the Data Reconciliation Process to be eligible for correction, the Meter Data Error must satisfy one of the following conditions: (1) the Meter Data Error at issue was identified by the asset owner, Assigned Meter Reader or the Host Participant Assigned Meter Reader and communicated to the Host Participant Assigned Meter Reader no later than 36 days prior to the Correction Limit for Directly Metered Assets and no later than two days prior to the Correction Limit for Profiled Load Assets and could not be resolved prior to those deadlines; (2) the Meter Data Error at issue was identified by the asset owner, Assigned Meter Reader or Host Participant Assigned Meter Reader, and such Meter Data Error represents an error that is equal to or greater than the 1,000 MWh per asset over a calendar month; and (3) if the Meter Data Error involves only Coincident Peak Contribution values, the average of the daily Meter Data Errors involving Coincident Peak Contribution values for the affected calendar month must be greater than or equal to 5 MW for an affected asset. If the Meter Data Error affects more than one metering domain, the ISO, and affected Host Participant Assigned Meter Readers and affected Assigned Meter Readers of affected metering domains, must be notified.

(d) For a Meter Data Error, the Host Participant Assigned Meter Reader must submit to the ISO corrected meter data for Directly Metered Assets prior to the 46th calendar day after the Meter Data Error RBA Submission Limit. Corrected metered data for Profiled Load Assets and Coincident Peak Contribution values, must be submitted to the ISO by the Host Participant Assigned Meter Reader prior to the 87th calendar day after the Meter Data Error RBA Submission Limit. Corrected internal bilateral transactions data must be submitted to the ISO by a Market Participant prior to the 91st calendar day after the Meter Data Error RBA Submission Limit.

Any corrected data received after the specified deadlines is not eligible for use in the settlement process.

The Host Participant Assigned Meter Reader or Market Participant, as applicable, must confirm as part of its submission of corrected data that the eligibility criteria described in Section III.3.8(c) of Market Rule 1 have been satisfied.

To the extent that the correction of a Meter Data Error is for a Directly Metered Asset that affects multiple metering domains, all affected Host Participant Assigned Meter Readers or Assigned Meter Readers must notify the ISO prior to the 46th calendar day after the Meter Data Error RBA Submission Limit that the corrected Directly Metered Asset data is acceptable to them in order for the ISO to use the corrected data in the final settlement calculations. The Host Participant Assigned Meter Reader for the Directly Metered Asset is responsible for initiating an e-mail to every affected Host Participant Assigned Meter Reader or Assigned Meter Reader in order to obtain such acceptance and shall coordinate delivery of such acceptance to the ISO. The Host Participant Assigned Meter Reader for the Directly Metered Asset is also responsible for submitting all corrected and agreed upon Directly Metered Asset data to the ISO prior to the 46th calendar day after the Meter Data Error RBA Submission Limit.

(e) After the submission of corrected meter and internal bilateral transactions data, the ISO will have a minimum of 30 calendar days to administer the final settlement based on that data. Revised data will be used to recalculate all charges and credits, except that revised data will not be used to recalculate the PER adjustment, including the Hourly PER and Monthly PER values. Revised data will also not be used to recalculate Demand Resource Seasonal Peak Hours. The results of the final settlement will then be included in the next Invoice containing Non-Hourly Charges and the ISO will provide to the Chair of the NEPOOL Budget and Finance Subcommittee written notification that the final settlement has been administered.

**III.4 Rate Table**

**III.4.1 Offered Price Rates**.

Day-Ahead energy, Real-Time energy, Regulation, Real-Time Operating Reserve, Forward Reserve, NCPC, Congestion Cost and transmission loss costs are based on offers and bids submitted to the ISO as specified in this Market Rule 1.

**III.4.2 [Reserved.]**

**III.4.3 Emergency Energy Transaction.**

The pricing for Emergency Energy and New Brunswick Security Energy purchases and sales will be determined in accordance with:

(a) an applicable agreement with an adjacent Control Area for Emergency and/or New Brunswick Security Energy purchases and sales, or

(b) arrangements made by the ISO with Market Participants, in accordance with procedures defined in the ISO New England Manuals, to purchase Emergency Energy offered by such Market Participant from External Transactions that are not associated with Import Capacity Resources. The ISO shall select offers to sell Emergency Energy made by Market Participants to the ISO on a least cost basis and the selected Market Participants shall receive payment for energy delivered at the higher of their offer price or the Real-Time Price at the applicable External Node. Such Emergency Energy purchases from Market Participants shall not be eligible to set Real-Time Prices.

**III.5 Transmission Congestion Revenue & Credits Calculation**

**III.5.1 Non-Market Participant Transmission Congestion Cost Calculation.**

**III.5.1.1 Calculation by ISO.**

When the transmission system is operating under constrained conditions, the ISO shall calculate Congestion Costs.

**III.5.1.2 General.**

The basis for the Congestion Costs shall be the differences in the Congestion Component of the Locational Marginal Prices between points of delivery and points of receipt, as determined in accordance with Section III.2 of this Market Rule 1.

**III.5.1.3 [Reserved.]**

**III.5.1.4 Non-Market Participant Transmission Customer Calculation.**

Congestion Costs shall be assessed for transmission use scheduled in the Real-Time Energy Market, calculated as the amount to be delivered in each hour multiplied by the difference between the Congestion Component of the hourly Real-Time Price at the delivery point or New England Control Area boundary delivery interface and the Congestion Component of the hourly Real-Time Price at the source point or New England Control Area boundary source interface. Non-Market Participants using TOUT Service for deliveries through the New England Control Area shall be included in the determination of the Congestion Costs.

**III.5.2 Transmission Congestion Credit Calculation**.

**III.5.2.1 Eligibility.**

Except as provided in Section III.A.8.4 of Appendix A, each holder of a Financial Transmission Right shall receive as a Transmission Congestion Credit a proportional share of the total monthly Transmission Congestion Revenues collected.

**III.5.2.2 Financial Transmission Rights.**

(a) Transmission Congestion Credits will be calculated based upon the FTRs held at the time of the constrained hour.

(b) FTRs shall be awarded to winning bidders in the FTR Auctions pursuant to Section III.7.

(i) An entity that acquires an FTR through the FTR Auction shall automatically be recognized by the ISO as the registered FTR Holder of that FTR, subject to having already met the eligibility criteria for bidding in the FTR Auction. The registered FTR Holder shall be entitled to receive or be obligated to make FTR payments arising from such FTR in accordance with Section III.5.2.

(ii) An entity that acquires an FTR through the FTR Auction may elect to hold it, or sell it in the FTR Auction. The ISO shall settle FTRs only with the registered FTR Holders. At any given time, each FTR shall have only one registered FTR Holder.

**III.5.2.3 [Reserved.]**

**III.5.2.4 Target Allocation to FTR Holders.**

A target allocation of Transmission Congestion Credits for each FTR Holder shall be determined for all applicable FTRs. Each FTR shall be multiplied by the Day-Ahead Price Congestion Component differences for the associated receipt and delivery points. This calculation will result in a positive or negative FTR target allocation. All negative target allocations are obligations to pay. All positive target allocations will be summed for an FTR Holder for the month and compensated as Transmission Congestion Credits under Section III.5.2.5.

**III.5.2.5 Calculation of Transmission Congestion Credits.**

(a) The total Transmission Congestion Revenue available for the month shall be equal to the sum of: (i) the hourly Day-Ahead Congestion Revenue amounts for the month, (ii) the hourly Real-Time Congestion Revenue amounts for the month plus Congestion Costs collected under Section III.5.1.4, and (iii) the negative FTR target allocations calculated under Section III.5.2.4.

(b) The sum of all monthly positive target allocations, as determined in Section III.5.2.4, shall be compared to the Transmission Congestion Revenue for the current month. If the sum of all monthly positive target allocations is less than the Transmission Congestion Revenue for the current month, the Transmission Congestion Credit for each FTR Holder shall be equal to its total monthly positive target allocation. All remaining Transmission Congestion Revenues from the current month shall be carried over to the end of the calendar year.

(c) If the sum of all the monthly positive target allocations is greater than the Transmission Congestion Revenue for the current month, each FTR Holder shall be assigned a share of the total Transmission Congestion Revenue for the current month in proportion to its total monthly positive target allocations.

**III.5.2.6 Distribution of Excess Congestion Revenue.**

If there is any Transmission Congestion Revenue at the end of the calendar year, this amount shall be proportionally allocated to any remaining unpaid monthly positive target allocations plus interest on the unpaid monthly positive target allocations in the months of that year, but shall not exceed an amount equal to the unpaid monthly positive target allocation plus interest on the unpaid monthly positive target allocations in the months of the calendar year. Any remaining surplus Transmission Congestion Revenue shall be allocated to the entities who paid Congestion Costs in that calendar year in proportion to the amount of total Congestion Costs paid during the year.

**III.6 Local Second Contingency Protection Resources**

**III.6.1 [Reserved.]**

**III.6.2 Day-Ahead and Real-Time Energy Market.**

When establishing operating schedules, the ISO will select and identify Local Second Contingency Protection Resources on a not unduly discriminatory basis in accordance with the procedures defined in the ISO New England Manuals. Appendix A will determine which, if any, Supply Offers will be adjusted. The ISO will also record, in an auditable log, the reason the Resource was selected.

**III.6.2.1 Special Constraint Resources**.

When establishing operating schedules, at the request of a Transmission Owner or distribution company in order to maintain area reliability, the ISO will commit and dispatch generating Resources to provide relief for constraints not reflected in the ISO’s systems for operating the New England Transmission System or the ISO’s operating procedures in accordance with the procedures defined in the ISO New England Manuals. The ISO will also record, in an auditable log, the designation of such generating Resource as a Special Constraint Resource and the name of the requesting Transmission Owner or distribution company. Any NCPC Charge associated with the Real-Time operation of the Special Constraint Resource is charged in accordance with the provisions of Schedule 19 of Section II of the Transmission, Markets and Services Tariff.

**III.6.3 [Reserved.]**

**III.7 Financial Transmission Rights Auctions**

**III.7.1 Auctions of Financial Transmission Rights.**

Periodic auctions (“FTR Auctions”) to allow Eligible FTR Bidders to acquire or FTR Holders to sell FTRs shall be conducted by the ISO in accordance with the provisions of this Section. Non-Market Participants that want to participate in the FTR Auction and have satisfied the applicable financial assurance criteria will be charged a one time FTR Registration Fee of $5,000.

**III.7.1.1 Auction Period and Scope of Auctions.**

(a) FTR Auctions shall be held on an annual and monthly basis.

(b) The annual FTR Auction shall be conducted for FTRs effective for a single calendar year in two sequential rounds. Twenty-five percent of the available network capacity shall be available for the initial round of the annual FTR Auction. The FTRs that remain feasible with fifty percent of the network capacity available and after deducting the network capability associated with FTRs sold in the initial round shall be made available during the second round of the annual FTR Auction.

(c) The ISO shall conduct monthly FTR Auctions, after the completion of the annual FTR Auction, every month. FTRs shall be made available for monthly auctions as follows:

 (i) When FTRs for a month are auctioned, all FTRs that remain feasible will be made available, after accounting for all FTRs transacted in the annual FTR Auctions.

**III.7.1.2 FTR Auctions Assumptions**.

For annual FTR Auctions, the auction assumptions, including the modeling assumptions to be used for the FTR Auctions and dates and times for the opening and closing of bid submission windows will be announced by the ISO no later than 90 days prior to the first effective day of the FTRs to be auctioned. For monthly FTR Auctions, the auction assumptions, including the modeling assumptions to be used for the FTR Auctions and dates and times for the opening and closing of bid submission windows will be announced by the ISO no later than 40 days prior to the first effective day of the FTRs to be auctioned.

**III.7.2 Financial Transmission Rights Characteristics**.

**III.7.2.1 Reconfiguration of Financial Transmission Rights.**

Using an appropriate linear programming model, the ISO shall reconfigure the FTRs offered or otherwise available for sale in any auction to maximize the value to the bidders of the FTRs sold, provided that any FTRs acquired at auction shall be simultaneously feasible in combination with those FTRs outstanding at the time of the auction and not sold in the auction. The linear programming model shall, while respecting transmission constraints and the maximum megawatt quantities of the bids and offers, select the set of simultaneously feasible FTRs with the highest total auction value as determined by the bids of buyers and taking into account the reservation prices of the sellers.

**III.7.2.2 Specified Locations.**

Auction bids for FTRs may specify any combination of receipt and delivery locations represented in the State Estimator model for which the ISO calculates and posts Locational Marginal Prices. Auction bids may specify receipt and delivery points from locations outside of the New England Control Area to locations inside the New England Control Area, from locations within the New England Control Area to locations outside of the New England Control Area, or to and from locations within the New England Control Area. Congestion over interfaces associated with non-PTF external tie lines is not subject to LMP-based congestion management and, therefore, no FTRs across such interfaces will be included in the FTR Auctions.

**III.7.2.3 Transmission Congestion Revenues.**

FTRs shall entitle holders thereof to credits only for Transmission Congestion Revenue, and shall not confer a right to credits for payments arising from or relating to transmission congestion made to any entity other than the ISO.

**III.7.2.4 [Reserved.]**

**III.7.3 Auction Procedures.**

**III.7.3.1 Role of the ISO.**

FTRs auctions shall be conducted by the ISO in accordance with standards and procedures set forth in the ISO New England Manuals and ISO New England Administrative Procedures, such standards and procedures to be consistent with the requirements of this Market Rule.

**III.7.3.2 [Reserved.]**

**III.7.3.3 [Reserved.]**

**III.7.3.4 On-Peak and Off-Peak Periods.**

The ISO will conduct separate auctions simultaneously for on-peak and off-peak periods. On-peak FTRs shall cover the periods from 7:00 a.m. up to the hour ending at 11:00 p.m. on Mondays through Fridays, except holidays as defined in the ISO New England Manuals and ISO New England Administrative Procedures. Off-peak FTRs shall cover the periods from 11:00 p.m. up to the hour ending 7:00 a.m. on Mondays through Fridays and all hours on Saturdays, Sundays, and NERC holidays as defined in the ISO New England Manuals and ISO New England Administrative Procedures. Each bid shall specify whether it is for an on-peak or off-peak period.

**III.7.3.5 Offers and Bids.**

(a) Offers to sell and bids to purchase FTRs shall be submitted during the applicable period set forth in Section III.7.1.2, and shall be in the form specified by the ISO in accordance with the requirements set forth below.

(b) Offers to sell shall identify the specific FTRs, by megawatt quantity and receipt and delivery points, offered for sale. An offer to sell a specified megawatt quantity of FTRs shall constitute an offer to sell a quantity of FTRs equal to or less than the specified quantity. An offer to sell may not specify a minimum quantity being offered. Each offer may specify a reservation price, below which the offeror does not wish to sell the FTR. Offers shall be subject to such applicable standards for the financial assurance of the offeror or for the posting of security for performance as the ISO shall establish.

(c) Bids to purchase shall specify the megawatt quantity, price per megawatt, and receipt and delivery points of the FTR that the bidder wishes to purchase. A bid to purchase a specified megawatt quantity of FTRs shall constitute a bid to purchase a quantity of FTRs equal to or less than the specified quantity. A bid to purchase may not specify a minimum quantity that the bidder wishes to purchase. A bid may specify as receipt or delivery points any Location for which the ISO calculates and posts Locational Marginal Prices in accordance with Section III.2 of this Market Rule and may include FTRs for which the associated Transmission Congestion Credits may have negative values. Bids shall be subject to such applicable standards for the financial assurance of the bidder or for the posting of security for performance as the ISO shall establish.

(d) Bids and offers shall be specified to the nearest 0.1 megawatt and the quantity shall be greater than zero.

**III.7.3.6 Determination of Winning Bids and Clearing Price.**

(a) At the close of each bidding period, the ISO will create a base FTR power flow model that includes all outstanding FTRs that have previously been awarded for the period for which the auction was conducted and that were not offered for sale in the auction. The base FTR model for the annual FTR Auction will reflect the network topology and transmission operating limits in effect at the time the annual FTR Auction is conducted, adjusted for estimated scheduled transmission outages. Monthly FTR Auctions shall utilize the then current network topology and transmission operating limits, as adjusted for currently estimated scheduled transmission outages and outages of individual generating units to the extent that such outages impact voltage or stability limits. The base FTR models also will include estimated uncompensated parallel flows into each interface point of the New England Control Area.

(b) In accordance with the requirements of this Section and subject to all applicable transmission constraints and reliability requirements, the ISO shall determine the simultaneous feasibility of all outstanding FTRs not offered for sale in the auction and of all FTRs that could be awarded in the auction for which bids were submitted. The winning bids shall be determined from an appropriate linear programming model that, while respecting transmission constraints and the maximum megawatt quantities of the bids and offers, selects the set of simultaneously feasible FTRs with the highest net total auction value as determined by the bids of buyers and taking into account the reservation prices of the sellers. In the event that there are two or more identical bids for the selected FTRs and there are insufficient FTRs to accommodate all of the identical bids, then each such bidder will receive a pro rata share of the FTRs that can be awarded.

(c) FTRs shall be sold at the market-clearing price for FTRs between specified pairs of receipt and delivery points, as determined by the bid value of the marginal FTR that could not be awarded because it would not be simultaneously feasible. The linear programming model shall determine the clearing prices of all FTR paths based on the bid value of the marginal FTRs, which are those FTRs with the highest bid values that could not be awarded fully because they were not simultaneously feasible, and based on the flow sensitivities of each FTR’s path relative to the marginal FTRs’ paths flow sensitivities on the binding transmission constraints.

**III.7.3.7 Announcement of Winners and Prices.**

(a) After the close of the first round of the annual FTR Auction, in accordance with the schedule published in the auction assumptions and prior to the open of the bidding window for the final-round annual auctions, the ISO shall post the auction prices and FTRs cleared between eligible bidding locations, as specified in Section III.7.2.2, excluding the identity of the winning bidder. The identities of winning bidders and the quantities of FTRs cleared by individual bidders in the first round of the annual auction will not be published until the close of the final round of the annual FTR Auction.

After the close of the final round of the annual FTR Auction, the ISO shall post, in accordance with the schedule set forth in the auction assumptions and prior to the open of the bidding window for monthly auctions, the winning bidders, the megawatt quantity, and the receipt and delivery points for each FTR awarded in the annual auction and the price at which each FTR was awarded.

(b) After the close of the monthly FTR Auction process, in accordance with the schedule set forth in the auction assumptions and prior to the effective date of the auctioned FTRs, the ISO shall post the winning bidders, the megawatt quantity, and the receipt and delivery points for each FTR awarded in the auction and the price at which each FTR was awarded. The FTR awards and prices shall be final as posted and not subject to correction or other adjustment, and shall be used for purposes of settlement, except as provided in subsections (d) and (e).

(c) Before posting the final FTR awards and prices, the ISO shall make a good faith effort when clearing the FTR Auction to discover and correct any errors that may occur due to database, software or similar errors of the ISO or its systems.

(d) If the ISO determines based on a reasonable belief that there may be one or more errors in the final FTR awards and prices or if no FTR awards or prices are available due to human error, database, software or similar errors of the ISO or its systems, the ISO shall post on the ISO website prior to 11:59 p.m. of the third business day following the applicable posting deadlines specified in subsections (a) or (b), as appropriate, a notice that the FTR awards and prices are provisional and subject to correction or unavailable for initial publishing. The ISO shall confirm within three business days of posting a notice pursuant to this subsection whether there was an error in the FTR awards and prices and shall post a notice stating its findings.

(e) Within three business days after posting an initial notice pursuant to subsection (d); the ISO shall either: (1) publish final or corrected FTR awards and prices, or (2) in the event that the ISO is unable to calculate and post final or corrected FTR awards and prices due to exigent circumstances not contemplated in this market rule, make an emergency filing with the Commission detailing the exigent circumstance, which will not allow final FTR awards and prices to be calculated and posted, along with a proposed resolution including a timeline to post final prices.

(f) Results of the on-peak auction and off-peak auction will be posted separately. The ISO shall not disclose the price specified in any bid to purchase or the reservation price specified in any offer to sell.

**III.7.3.8 Auction Settlements.**

All buyers and sellers of FTRs between the same points of receipt and delivery shall pay or be paid the market-clearing price, as determined in the auction, for such FTRs.

**III.7.3.9 Allocation of Auction Revenues.**

All auction revenues, net of payments to entities selling FTRs into the auction, shall be allocated as specified under Appendix C of this Market Rule.

**III.7.3.10 Simultaneous Feasibility.**

The ISO shall make the simultaneous feasibility determinations specified herein using appropriate power flow models of contingency-constrained dispatch. Such determinations shall take into account outages, network model-related changes, and expected configuration of transmission facilities in accordance with Section III.7.3.6(a). The goal of the simultaneous feasibility determination shall be to ensure that there are sufficient Transmission Congestion Revenues to satisfy all FTR obligations for the auction period under expected conditions.

**III.7.3.11 [Reserved.]**

**III.7.3.12 Financial Transmission Rights in the Form of Options.**

When the ISO has the necessary software and hardware, the FTR Auctions shall allow for the acquisition of FTRs that do not create potential obligations to pay.

**III.8 Additional Requirements for Demand Response Assets and Demand Response Resources**

**III.8.1 Registration and Aggregation**

**III.8.1.1** **Demand Response Asset Registration and Aggregation**

1. A Demand Response Asset must have a Maximum Interruptible Capacity of at least 10 kW.
2. A Demand Response Asset must have a single Retail Delivery Point and be registered at a single Node, unless it meets the conditions for aggregation in Section III.8.1(e).
3. No more than one Demand Response Asset may be registered at a Retail Delivery Point.
4. A Demand Response Asset and a Generator Asset may not be registered at the same end-use customer facility unless the Generator Asset is separately metered and reported and its output does not reduce the load reported at the Retail Delivery Point of the Demand Response Asset.
5. A Demand Response Asset may be the aggregate demand reduction capability of multiple end-use customers with multiple Retail Delivery Points within a single DRR Aggregation Zone if (i) the demand reduction from each Retail Delivery Point is less than 10 kW and (ii) the demand at all Retail Delivery Points represents a homogeneous population as determined by the ISO. A Demand Response Asset that meets these conditions for aggregation must be registered at a DRR Aggregation Zone.
6. A Demand Response Asset with a Maximum Interruptible Capacity equal to or greater than 5 MW at a single Retail Delivery Point must be registered as a single Demand Response Resource at a single Node.
7. The metering and communication equipment associated with each Demand Response Asset must meet the requirements in Section III.3.2.2 and ISO New England Operating Procedure No. 18, Metering and Telemetering Criteria.

(h) Upon request, the ISO will inform a load serving entity if (i) any of its end-use customers’ facilities are registered as Demand Response Assets and (ii) the load reduction capability of any such Demand Response Assets.

**III.8.1.2 Demand Response Resource Registration and Aggregation**

1. A Demand Response Resource must be comprised of one or more Demand Response Assets within the same DRR Aggregation Zone.
2. A Demand Response Resource must be capable of at least 0.1 MW of demand reduction.
3. A Demand Response Resource cannot be comprised of: (i) the customers of Host Utilities that distributed more than 4 million MWh in the previous fiscal year, if the relevant electric retail regulatory authority prohibits such customers’ demand reduction capability to be bid into the ISO-administered markets or programs or (ii) the customers of Host Utilities that distributed 4 million MWh or less in the previous fiscal year, unless the relevant electric retail regulatory authority permits such customers’ demand reduction capability to be bid into the ISO-administered markets or programs.

(d) Each Demand Response Resource registered by a Market Participant within a single DRR Aggregation Zone must have a demand reduction capability of at least 1 MW before the Market Participant registers a new Demand Response Resource within the same DRR Aggregation Zone,

unless either:

* 1. all the Demand Response Resources registered by the Market Participant in the DRR Aggregation Zone are associated with an Active Demand Capacity Resource and the Market Participant wishes to register a Demand Response Resource that is not; or
	2. none of the Demand Response Resources registered by the Market Participant in the DRR Aggregation Zone are associated with an Active Demand Capacity Resource and the Market Participant wishes to register a Demand Response Resource that is.
1. If the Seasonal DR Audit value of a Demand Response Resource falls below 1 MW causing a Market Participant to have more than one Demand Response Resource in a single DRR Aggregation Zone with a Seasonal DR Audit value less than 1 MW, then that Market Participant must reassign its Demand Response Assets if doing so decreases the number of that Market Participant’s Demand Response Resources within that DRR Aggregation Zone, unless either:
2. the Demand Response Resource with a Seasonal DR Audit value less than 1 MW is associated with an Active Demand Capacity Resource and the other of the Market Participant’s Demand Response Resources are not; or

(ii) the Demand Response Resource with a Seasonal DR Audit value less than 1 MW is not associated with an Active Demand Capacity Resource and the other of the Market Participant’s Demand Response Resources are.

**III.8.2 Demand Response Baselines**

1. A Demand Response Baseline is calculated for each Demand Response Asset for the following three day types:

(i) weekdays (excluding Demand Response Holidays);

(ii) Saturdays; and

(iii) Sundays and Demand Response Holidays.

1. A Market Participant shall not take any action to create or maintain a Demand Response Baseline that exceeds the typical electricity consumption levels of its end-use metered customers expected in the normal course of business.
2. A Market Participant may not submit Demand Reduction Offers for a Demand Response Resource for a given Operating Day unless a baseline for that day type for at least one Demand Response Asset assigned to the Demand Response Resource was established at least two calendar days prior to that Operating Day.
3. If a Demand Response Asset produces Net Supply in an interval, that Net Supply will be used in the Demand Response Baseline calculations for that interval.

**III.8.2.1 Determining the Weekday Non-Holiday Demand Response Baseline**

A Demand Response Asset’s weekday (non-Demand Response Holiday) Demand Response Baseline in each five-minute interval is equal to the average of the asset’s meter data for the same five-minute interval from 10 prior non-Demand Response Holiday weekdays, as follows:

1. For a Demand Response Asset without a weekday Demand Response Baseline, the initial weekday Demand Response Baseline will be created using meter data from the first 10 consecutive non-Demand Response Holiday weekdays with a complete set of five-minute interval meter data.
2. For a Demand Response Asset that has established a weekday Demand Response Baseline, the baseline will be updated using meter data from:
3. the 10 most recent of the previous 30 non-Demand Response Holiday weekdays, excluding days during which: (1) the resource associated with the asset received a Dispatch Instruction for an amount greater than 0 MW or (2) the asset was on a forced or scheduled curtailment as described in Section III.8.3;
4. if there are fewer than 10 such days, then meter data from additional days will be used (until a total of 10 days have been identified) including, first, the most recent days during which the resource associated with the asset received a Dispatch Instruction for an amount greater than 0 MW and, second, the most recent days during which the asset was on a forced or scheduled curtailment as described in Section III.8.3.

**III.8.2.2 Determining the Saturday Demand Response Baseline**

A Demand Response Asset’s Saturday Demand Response Baseline in each five-minute interval is equal to the average of the asset’s meter data for the same five-minute interval from five prior Saturdays as follows:

1. For a Demand Response Asset without a Saturday Demand Response Baseline, the Saturday Demand Response Baseline will be created using meter data from the first five consecutive Saturdays with a complete set of five-minute interval meter data.
2. For a Demand Response Asset that has established a Saturday Demand Response Baseline, the baseline will be updated using meter data from:
3. the five most recent Saturdays of the previous 42 calendar days, excluding Saturdays during which: (1) the resource associated with the asset received a Dispatch Instruction for an amount greater than 0 MW or (2) the asset was on a forced or scheduled curtailment as described in Section III.8.3.
4. if there are fewer than five such Saturdays, then, in addition to those days, meter data from the most recent Saturdays will be used, until five days are identified.

**III.8.2.3 Determining the Sunday and Demand Response Holiday Demand Response Baseline**

A Demand Response Asset’s Sunday and Demand Response Holiday Demand Response Baseline in each five-minute interval is equal to the average of the asset’s meter data for the same five-minute interval from five prior Sundays or Demand Response Holidays as follows:

1. For a Demand Response Asset without a Sunday and Demand Response Holiday Demand Response Baseline, the Sunday and Demand Response Holiday Demand Response Baseline will be created using meter data from the first five consecutive Sundays and Demand Response Holidays with a complete set of five-minute interval meter data.
2. For a Demand Response Asset that has established a Sunday and Demand Response Holiday Demand Response Baseline, the baseline will be updated using meter data from:
3. the five most recent Sundays or Demand Response Holidays of the previous 42 calendar days, excluding Sundays or Demand Response Holidays during which: (1) the resource associated with the asset received a Dispatch Instruction for an amount greater than 0 MW or (2) the asset was on a forced or scheduled curtailment as described in Section III.8.3;
4. if there are fewer than five such Sundays or Demand Response Holidays, then, in addition to those days, meter data from the most recent Sunday or Demand Response Holiday will be used, until five days are identified.

**III.8.2.4 Demand Response Baseline Adjustment**

1. The ISO will calculate an adjustment to the Demand Response Baseline of a Demand Response Asset in each interval in which its associated Demand Response Resource receives a non-zero Dispatch Instruction. The adjustment can result in a higher or lower Demand Response Baseline during the dispatch.
2. The adjustment is equal to the average megawatt difference between the Demand Response Asset’s metered demand (which may reflect Net Supply) and its Demand Response Baseline during the three most recently completed five-minute intervals prior to the issuance of the start-up instruction; provided that, if there was a non-zero Dispatch Instruction during any of those three five-minute intervals, the adjustment during the current dispatch will equal the adjustment during the prior dispatch.
3. For Demand Response Assets that cannot produce Net Supply, the adjusted Demand Response Baseline in any interval shall not be less than zero and shall not exceed the asset’s Maximum Load.
4. For Demand Response Assets that can produce Net Supply, the adjusted Demand Response Baseline shall not be less than (that is, shall not result in output at the Retail Delivery Point that exceeds) the maximum megawatt amount approved in the applicable Interconnection Agreement and shall not exceed the asset’s Maximum Facility Load.

**III.8.3 Demand Response Asset Forced and Scheduled Curtailments**

In addition to complying with the outage requirements described in ISO New England Operating Procedure No. 5, a Market Participant with a Demand Response Asset must abide by the following curtailment procedures.

(a) Forced Curtailment – A Market Participant with a Demand Response Asset may notify the ISO of a forced curtailment, that is, a reduction in demand resulting from actions outside the control of the Demand Response Asset or the Market Participant subject to the forced curtailment.

(b) Scheduled Curtailment – At least seven calendar days prior to the start of the curtailment, a Market Participant with a Demand Response Asset may notify the ISO of a scheduled curtailment, that is, a reduction in demand resulting from a scheduled plant shutdown or scheduled maintenance of energy consuming equipment. A scheduled curtailment may be no shorter than a single calendar day and the total duration of scheduled curtailments per Capacity Commitment Period may not exceed 14 calendar days.

(c) Offers and Settlement – Except for the first day of a forced curtailment, (i) Demand Reduction Offer parameters may not include any contributions from a Demand Response Asset on a forced or scheduled curtailment and (ii) a Demand Response Asset on a forced or scheduled curtailment shall not be eligible for payment in the Real-Time Energy Market.

**III.8.4** **Demand Response Asset Energy Market Performance Calculations**

1. The ISO will calculate the demand reduction contribution of a Demand Response Asset in each interval in which its associated Demand Response Resource has received a non-zero Dispatch Instruction following the conclusion of the Demand Response Resource Notification Time. The demand reduction contribution by a Demand Response Asset to its Demand Response Resource shall equal the difference between the adjusted Demand Response Baseline of the Demand Response Asset and the metered demand of the Demand Response Asset, except as follows:
2. On the first day of a forced curtailment, a Demand Response Asset’s demand reduction shall equal the difference between the unadjusted Demand Response Baseline of the Demand Response Asset and the metered demand of the Demand Response Asset; and
3. A Demand Response Asset shall be assessed a zero demand reduction on any day of a forced curtailment other than the first day; on any day of a scheduled curtailment; in any interval in which there is insufficient data to calculate the Demand Response Baseline; and in any interval in which the Market Participant fails to comply with the Demand Response Asset metering and communication requirements in Section III.3.2.2 or ISO New England Operating Procedure No. 18, Metering and Telemetering Criteria.

(b) Notwithstanding the foregoing, an Active Demand Capacity Resource’s Actual Capacity Provided during a Capacity Scarcity Condition shall be calculated pursuant to Section III.13.7.2.2.

**III.9 Forward Reserve Market**

The Forward Reserve Market is a market to procure TMNSR and TMOR on a forward basis to satisfy forward TMNSR and TMOR requirements.

**III.9.1 Forward Reserve Market Timing.**

A Forward Reserve Auction will be held approximately two months in advance of each Forward Reserve Procurement Period. The Forward Reserve Auction input parameters and assumptions will be evaluated, published and reviewed with Market Participants prior to the Forward Reserve Auction.

The Forward Reserve Procurement Periods shall be the Winter Capability Period (October 1 through May 31) or the Summer Capability Period (June 1 through September 30), as applicable.

The Forward Reserve Delivery Period shall be hour ending 0800 through hour ending 2300 for each weekday of the Forward Reserve Procurement Period excluding those weekdays that are defined as NERC holidays.

**III.9.2 Forward Reserve Market Reserve Requirements**.

The ISO shall conduct an advance purchase of capability to satisfy the expected Forward Reserve requirements for the system and each Reserve Zone as calculated by the ISO in accordance with the following procedures and as specified more fully in the ISO New England Manuals. The Forward Reserve Market reserve requirements will be specified as part of the Forward Reserve Auction parameters and will be published and reviewed with Market Participants prior to each Forward Reserve Auction.

**III.9.2.1 Forward Reserve Market Reserve Requirements.**

The Forward Reserve Market requirements for the New England Control Area will be based on the forecast of the first and second contingency supply losses for the next Forward Reserve Procurement Period and will consist of the following:

1. One half of the forecasted first contingency supply loss will be specified as the minimum TMNSR to be purchased,
2. An additional amount of TMNSR will be added to the minimum TMNSR if system conditions forecasted for the Forward Reserve Procurement Period indicate that the TMNSR available during the period would otherwise be insufficient to meet Real-Time Operating Reserve requirements. The additional amount of TMNSR shall be calculated to account for: (a) any historical under-performance of Resources dispatched in response to a System contingency and (b) the likelihood that more than one half of the forecasted first contingency supply loss will be satisfied using TMNSR.

(iii) One half of the second contingency supply loss will be specified as the minimum TMOR to be purchased,

(iv) An amount of Replacement Reserve in the form of incremental TMOR will be specified in accordance with the Real-Time Replacement Reserve requirement as described in ISO New England Operating Procedure No. 8, Operating Reserve and Regulation and will be added to the minimum TMOR to be purchased.

The requirements specified above, further adjusted to respect the additional provisions described in Section III.9.2.2, represent the set of requirements that will be input into the Forward Reserve Auction.

**III.9.2.2 Locational Reserve Requirements for Reserve Zones**

Locational reserve requirements will be established for each Reserve Zone. The locational reserve requirements will reflect the need for 30-minute contingency response to provide 2nd contingency protection for each import constrained Reserve Zone. The locational reserve requirements can be satisfied only by Resources that are located within a Reserve Zone and that are capable of providing 30-minute or higher quality reserve products.

The ISO shall establish the locational reserve requirements based on a rolling, two-year historical analysis of the daily peak hour operational requirements for each Reserve Zone for like Forward Reserve Procurement Periods. The ISO will commence the analysis on February 1 or the first business day thereafter for the subsequent summer Forward Reserve Procurement Period and on June 1 or the first business day thereafter for the subsequent winter Forward Reserve Procurement Period.

These daily peak hour requirements will be aggregated into daily peak hour frequency distribution curves and the MW value at the 95th percentile of the frequency distribution curve for each Reserve Zone will establish the locational requirement.

In the event of a change in the configuration of the transmission system or the addition, deactivation or retirement of a major generating Resource, Dispatchable Asset Related Demand or Demand Response Resource the rolling two-year historical analysis will be calculated in a manner that reflects the change in configuration of the transmission system or the addition, deactivation or retirement of a major generating Resource, Dispatchable Asset Related Demand or Demand Response Resource as of the commencement date of the analysis provided that the following conditions are met:

(a) Change in Configuration of the Transmission System

Any change in the configuration of the transmission system must have been placed in service and released for dispatch on or before December 31 for inclusion in the analysis for setting the locational reserve requirements for the subsequent summer Forward Reserve Procurement Period or on or before April 30 for inclusion in the analysis for setting the locational reserve requirements for the subsequent winter Forward Reserve Procurement Period.

If the change in the configuration of the transmission system consists of a new facility or upgrade of an existing facility, the facility must have operated at an availability level of at least 95% for the period beginning with its in service date and ending on January 31 prior to the summer Forward Reserve Procurement Period or ending on May 31 prior to the winter Forward Reserve Procurement Period.

(b) Addition, Deactivation or Retirement of a Major Generating Resource, Dispatchable Asset Related Demand or Demand Response Resource.

For the addition of a new generating Resource, Dispatchable Asset Related Demand, or Demand Response Resource, the Resource must be placed in service and released for dispatch on or before December 31 for inclusion in the analysis for setting the locational reserve requirements for the subsequent summer Forward Reserve Procurement Period or on or before April 30 for inclusion in the analysis for setting the locational reserve requirements for the subsequent winter Forward Reserve Procurement Period. For the deactivation or retirement of a generating Resource, Dispatchable Asset Related Demand or Demand Response Resource, the Resource must have been removed from service on or before January 31 for inclusion in the analysis for setting the locational reserve requirements for the subsequent summer Forward Reserve Procurement Period or on or before May 31 for inclusion in the analysis for setting the locational reserve requirements for the subsequent winter Forward Reserve Procurement Period.

The modified historical data set will be composed of actual data used in the operation of the reconfigured system and historical (pre-reconfiguration) data adjusted for the impact of the system reconfiguration. Pre-reconfiguration data will be revised by substituting values from the historical data set that are no longer valid with corresponding values used in the operation of the reconfigured system.

The locational reserve requirements will be recalculated using the modified historical data set until the rolling two-year historical data set reflects a common system configuration.

**III.9.3 Forward Reserve Auction Offers.**

Forward Reserve Auction Offers for TMNSR and TMOR shall be (a) made on a $/MW-month basis, (b) made on a Reserve Zone specific basis, (c) made on a non-Resource specific basis and (d) shall be less than or equal to the Forward Reserve Offer Cap. Forward Reserve Auction Offers shall be submitted to the ISO by Market Participants. The Market Participants are responsible for complying with the requirements of this Section III.9 if the Forward Reserve Auction Offer is accepted.

**III.9.4 Forward Reserve Auction Clearing and Forward Reserve Clearing Prices.**

The Forward Reserve Auction shall simultaneously clear Forward Reserve Auction Offers to meet the Forward Reserve requirements for the system and each Reserve Zone using a mathematical programming algorithm. The objective of the mathematical programming based Forward Reserve Auction clearing is to minimize the total cost of Forward Reserve procured to meet the Forward Reserve requirements. The Forward Reserve Clearing Price for each Reserve Zone will reflect the cost to serve the next increment of reserve in that Reserve Zone based on the submitted offers. The Forward Reserve Auction algorithm substitutes higher quality TMNSR for lower quality TMOR to meet system or Reserve Zone TMOR requirements when it is economical to do so provided that no constraints are violated.

The Forward Reserve Auction algorithm shall also utilize excess Forward Reserve in one Reserve Zone to meet the Forward Reserve requirements of another Reserve Zone or the system provided that the Forward Reserve can be delivered such that no constraints are violated. In addition, the Forward Reserve Auction shall apply price cascading such that the Forward Reserve Clearing Price for TMOR in a Reserve Zone is always less than or equal to the Forward Reserve Clearing Price for TMNSR in that Reserve Zone. If there is insufficient supply to meet the Forward Reserve requirements for a Reserve Zone, the Forward Reserve Clearing Price for that Reserve Zone will be set to the Forward Reserve Offer Cap.

**III.9.4.1 Forward Reserve Clearing Price and Forward Reserve Obligation Publication and Correction.**

Market Participants with cleared Forward Reserve Auction Offers will receive a Forward Reserve Obligation for each Reserve Zone, as applicable, that is equal to the amount of Forward Reserve megawatts cleared for that Market Participant adjusted for internal bilateral transactions that transfer Forward Reserve Obligations.

(a) Within five business days after the close of the Forward Reserve Auctions, the ISO shall post Forward Reserve Clearing Prices and Forward Reserve Obligations, which shall be final as posted, not subject to correction or other adjustment, and used for the purposes of settlement, except as provided in subsections (c) and (d). The permissibility of correction of errors in sections of Market Rule 1 relating to settlement and billing processes shall not apply to Forward Reserve Clearing Prices and Forward Reserve Obligations deemed final pursuant to this Section III.9.4.1.

(b) Before posting the final Forward Reserve Clearing Prices and Forward Reserve Obligations, the ISO shall make a good faith effort when clearing those markets to discover and correct any errors that may occur due to database, software or similar errors of the ISO or its systems before publishing the final prices awarded.

(c) If the ISO determines based on reasonable belief that there may be one or more errors in the final Forward Reserve Clearing Prices and Forward Reserve Obligations or if no Forward Reserve Clearing Prices and Forward Reserve Obligations are available due to human error, database, software or similar errors of the ISO or its systems, the ISO shall post on the ISO website prior to 11:59 p.m. of the third business day following the posting deadline specified in subsection (a), a notice that the Forward Reserve Clearing Prices and Forward Reserve Obligations are provisional and subject to correction or unavailable for initial publishing. The ISO shall confirm within three business days of posting a notice pursuant to this subsection whether there was an error in the Forward Reserve Clearing Prices and Forward Reserve Obligations and shall post a notice stating its findings.

(d) Within three business days after posting an initial notice pursuant to subsection (c); the ISO shall either: (1) publish final or corrected Forward Reserve Clearing Prices and Forward Reserve Obligations, or: (2) in the event that the ISO is unable to calculate and post final or corrected Forward Reserve Clearing Prices and Forward Reserve Obligations due to exigent circumstances not contemplated in this market rule, make an emergency filing with the Commission detailing the exigent circumstance which will not allow final Forward Reserve Clearing Prices and Forward Reserve Obligations to be calculated and posted, along with a proposed resolution including a timeline to post final prices.

**III.9.5 Forward Reserve Resources**

**III.9.5.1 Assignment of Forward Reserve MWs to Forward Reserve Resources**.

(a) Prior to the close of the Re-Offer Period for each Operating Day of the Forward Reserve Procurement Period, Market Participants must convert their Forward Reserve Obligations into Resource-specific obligations by assigning Forward Reserve MWs to specific eligible Forward Reserve Resources, in accordance with procedures set forth in the ISO New England Manuals. The assignment of Forward Reserve MWs to a Forward Reserve Resource must be performed by the Lead Market Participant for the Resource.

(b) A Market Participant with a Forward Reserve Obligation must have an Ownership Share in a Forward Reserve Resource that is a generating Resource in order to assign Forward Reserve MWs to that Forward Reserve Resource to fulfill that Market Participant’s Forward Reserve Obligation. If more than one Market Participant has an Ownership Share in a Forward Reserve Resource, the Forward Reserve MWs assigned to that Resource will be allocated pro-rata to Market Participants by Ownership Share.

**III.9.5.2 Forward Reserve Resource Eligibility Requirements**.

(a) Forward Reserve Resources are Resources that have been assigned by Market Participants to meet their Forward Reserve Obligations. To be eligible as a Forward Reserve Resource, a Resource must satisfy the following criteria:

1. If the generating Resource is off-line, it must be a Fast Start Generator and have an audited CLAIM10 or CLAIM30 value established pursuant to Section III.9.5.3;
2. If the Resource is a Demand Response Resource which has not been dispatched, it must be a Fast Start Demand Response Resource and have an audited CLAIM10 or CLAIM30 value established pursuant to Section III.9.5.3;

(iii) If the generating Resource is expected to be on-line, or, for a Demand Response Resource, has been dispatched, during a Forward Reserve Delivery Period, it must be able to produce the energy or demand reduction equivalent to its assigned Forward Reserve Obligation within the timeframe of the assigned Forward Reserve Obligation when operating within its dispatch range;

(iv) If the Resource is an Asset Related Demand, it must have a CLAIM10 or CLAIM30 value established pursuant to Section III.9.5.3;

(v) Any portion of the Resource to which a Forward Reserve Obligation has been assigned that is without a Capacity Supply Obligation must not have been offered to support an External Transaction sale during the Operating Day for which it has been assigned;

(vi) The Resource must have Electronic Dispatch Capability;

(vii) The Resource must follow Dispatch Instructions during the Operating Day. The Resource must meet the technical requirements associated with the provision of Operating Reserve as specified in ISO New England Operating Procedure No. 14, (Technical Requirements for Generators, Demand Resources and Asset Related Demands);

(viii) The portion of the Resource that is assigned a Forward Reserve Obligation for any portion of an Operating Day must be eligible to provide Operating Reserve in accordance with the provisions of Section III.10.1.1;

(ix) The portion of the Resource to which a Forward Reserve Obligation has been assigned must be offered into the Real-Time Energy Market in accordance with the provisions of either Section III.13.6.1.1.2 or Section III.13.6.1.5.2.

(b) External Resources will be permitted to participate in the Forward Reserve Market when the respective Control Areas implement the technology and processes necessary to support recognition of Operating Reserves from external Resources.

**III.9.5.3 Resource CLAIM10 and CLAIM30 Values**.

**III.9.5.3.1 Calculating Resource CLAIM10 and CLAIM30 Values.**

1. The CLAIM10 or CLAIM30 value of a Resource shall equal:
2. the maximum output or demand-reduction level reached, including the level reached during a CLAIM10 or CLAIM30 audit, measured at the 10 minute or 30 minute point from the Resource’s receipt of an initial electronic startup Dispatch Instruction during the current Forward Reserve Procurement Period or the preceding like-season Forward Reserve Procurement Period, subject to the conditions in Section III.9.5.3.1.2 below;
3. multiplied by the Resource’s then effective CLAIM10 or CLAIM30 performance factor established pursuant to Section III.9.5.3.3.
4. The value in Section III.9.5.3.1.1(a) is subject to the following additional conditions:
5. The value shall not include any dispatch in which the Resource becomes unavailable within 60 minutes following the receipt of the initial Dispatch Instruction;
6. If the maximum output or demand-reduction level reached, as measured at the 10 minute or 30 minute point from the initial Dispatch Instruction, is greater than the highest Desired Dispatch Point issued for the Resource for that 10 minute or 30 minute period, the value shall be capped at the highest Desired Dispatch Point.
7. A Resource’s CLAIM10 value shall be no greater than the Resource’s CLAIM30 value.
8. The CLAIM10 or CLAIM30 value of a Resource shall be calculated and distributed to the Market Participant weekly and shall become effective at 0001 of the Monday following the distribution.

5. The values described in Sections III.9.5.3.1(1)(a) and (b) shall not include any dispatch where:

1. The Resource is dispatched at the request of the Market Participant or Designated Entity and the dispatch was not related to an Establish Claimed Capability Audit request made pursuant to Section III.1.5.1.2, a Seasonal DR Audit request made pursuant to Section III.1.5.1.3.1, or a CLAIM10 or CLAIM30 audit request made pursuant to Section III.9.5.3.2;
2. The prices associated with the Blocks to Economic Min for the Real-Time dispatch of the Resource are less than or equal to zero;

c) For generating Resources, the ratio of (i) the sum of the applicable Start-Up Fee, No-Load Fee for one hour, and energy cost to Economic Min used in the Real-Time dispatch of the Resource in the Operating Day to (ii) the maximum total hourly Start-Up Fee, No-Load Fee for one hour, and energy cost to Economic Min submitted for the Resource for use in the Day-Ahead Energy Market for the same Operating Day, is below a threshold value determined by the ISO. If the Market Participant believes that the ratio is below the ISO-determined threshold value due to (i) differences in cost between Gas Days, or (ii) a reduction in the cost of gas within the Operating Day reflected in the offers submitted for the Resource during the remainder of the Operating Day, then the Market Participant may request that the ISO evaluate whether the dispatch may be included; or

d) For Demand Response Resources, the ratio of (i) the sum of the applicable Interruption Cost and the demand reduction cost to Minimum Reduction used in the Real-Time dispatch of the Demand Response Resource in the Operating Day to (ii) the maximum total hourly Interruption Cost and demand reduction cost to Minimum Reduction submitted for the Demand Response Resource for use in the Day-Ahead Energy Market for the same Operating Day, is below a threshold determined by the ISO. If the Market Participant believes that the ratio is below the ISO-determined threshold value due to differences in cost between Gas Days, then the Market Participant may request that the ISO evaluate whether the dispatch may be included.

1. A Demand Response Resource’s CLAIM10 and CLAIM30 values on June 1, 2018 and October 1, 2018 shall be as follows:
2. On June 1, 2018 and October 1, 2018, the CLAIM10 value of a Demand Response Resource shall equal zero.
3. On June 1, 2018, the CLAIM30 value of a Demand Response Resource with one or more Demand Response Assets that were associated with a “Real-Time Demand Response Resource” or a “Real-Time Emergency Generation Resource” (as those terms were defined prior to June 1, 2018) shall equal the sum of the 30 minute capabilities demonstrated by each such Demand Response Asset in a valid audit conducted during the Summer Capability Period beginning June 1, 2017. Such a CLAIM30 value shall remain valid until the earlier of: (i) July 2, 2018, or (ii) receipt by the Demand Response Resource of an electronic startup Dispatch Instruction that permits the calculation of a CLAIM30 value pursuant to Section III.9.5.3.1(1). If the Demand Response Resource does not receive such an electronic startup Dispatch Instruction on or before June 27, 2018, its CLAIM30 value shall be set to zero on July 2, 2018.
4. On October 1, 2018, the CLAIM30 value of a Demand Response Resource with one or more Demand Response Assets that were associated with a “Real-Time Demand Response Resource” or a “Real-Time Emergency Generation Resource” (as those terms were defined prior to June 1, 2018) shall equal the sum of the 30 minute capabilities demonstrated by each such Demand Response Asset in a valid audit conducted during the Winter Capability Period beginning October 1, 2017. Such a CLAIM30 value shall remain valid until the earlier of: (i) October 29, 2018, or (ii) receipt by the Demand Response Resource of an electronic startup Dispatch Instruction that permits the calculation of a CLAIM30 value pursuant to Section III.9.5.3.1(1). If the Demand Response Resource does not receive such an electronic startup Dispatch Instruction on or before October 24, 2018, its CLAIM30 value shall be set to zero on October 29, 2018.

**III.9.5.3.2 CLAIM10 and CLAIM30 Audits.**

1. **General.** A Market Participant may request a CLAIM10 or CLAIM30 audit specifying the requested output or demand-reduction level that the Resource will attempt to reach in 10 or 30 minutes. A Market Participant may not request more than one audit per week for the same Resource, provided that, if the Resource fails to start, trips offline, or becomes unavailable to provide a demand reduction during the audit, then the Market Participant may request another audit in the same week. The ISO, at its sole discretion, may allow a Market Participant to request more than one audit per week for the same Resource if the Resource historically has multiple startup dispatches included in its CLAIM10 or CLAIM30 calculations per week. A Market Participant may cancel an audit request prior to issuance of the audit Dispatch Instruction.

(b) **CLAIM10 and CLAIM30 Audit Procedures.** The ISO will initiate a CLAIM10 or CLAIM30 audit by issuing an electronic Dispatch Instruction without providing prior notice to the Market Participant. The ISO will normally perform the audit, at any time during the Forward Reserve Delivery Period, within five Business Days of receipt of the audit request or will advise the Market Participant if it will be unable to initiate the audit during the five Business Day period. The Resource’s CLAIM10 or CLAIM30 audit value shall be the Resource’s output or demand-reduction level reached at the 10 minute or 30 minute point after the receipt of the initial startup Dispatch Instruction.

**III.9.5.3.3 CLAIM10 and CLAIM30 Performance Factors.**

A Resource’s CLAIM10 or CLAIM30 performance factor shall be established based upon the 10 most recent ISO-issued initial electronic startup Dispatch Instructions as described below. Dispatches greater than three years old shall not be used for the performance factor calculation. Resource performance factors will be calculated on a weekly basis.

1. A Resource’s performance factor is calculated as:



Where:

n is a value between 1 and 10, 1 representing the least recent dispatch signal, 10 representing the most recent dispatch signal;

the Resource output or demand reduction is measured at the 10 minute or 30 minute point from receipt of the initial startup Dispatch Instruction;

the Resource target value is the lesser of: (i) the minimum electronic Desired Dispatch Point sent to the Resource during the 10 minute or 30 minute period or the Resource’s Economic Minimum Limit or Minimum Reduction, whichever is greater or (ii) the Resource’s CLAIM10 or CLAIM30 value or (iii) the Resource’s Offered CLAIM10 or Offered CLAIM30.

1. For purposes of the performance factor calculation, the following conditions apply:
2. For each CLAIM10 or CLAIM30 audit, the Resource’s target value shall be set to the Resource’s output or demand reduction at 10 or 30 minutes.
3. In the event the Resource has not had 10 electronic startup dispatches within the last three years, the “n” term in the performance factor calculation will be based on the number of startup dispatches that took place in the last three years, with the most recent dispatch having a weight of 10 and with the weighting decreasing by 1 for each previous startup dispatch.
4. If a Resource’s output or demand reduction at 10 or 30 minutes is greater than the Resource’s target value, then the Resource target value shall be set to the Resource output at 10 or 30 minutes.
5. A dispatch shall not be utilized in the performance factor calculation if a Resource starts and subsequently performs a normal shut down or ceases its demand reduction, in response to a Dispatch Instruction to shut down or, for a Demand Response Resource, in response to a Dispatch Instruction to cease its demand reduction, within the 10 or 30 minute period following the initial electronic startup Dispatch Instruction.
6. Resource output or demand reduction at 10 or 30 minutes shall equal zero if the Resource becomes unavailable for dispatch within the 60 minute period following the initial electronic startup Dispatch Instruction.

**III.9.5.3.4 Performance Factor Cure.**

In the event a Resource either (a) is unable to reach at least 60% of the Resource target level, as reflected in the Dispatch Instruction issued for the Resource, either five times in a row or seven out of 10 times, as a result of a chronic operational problem with the Resource or (b) undergoes a major overhaul scheduled and performed during a planned outage that was approved in the ISO’s annual maintenance scheduling process or during a scheduled curtailment pursuant to Section III.8.3, a Market Participant may submit a restoration plan to the ISO to restore the Resource’s CLAIM10 or CLAIM30 operational capability. Restoration plans submitted because of a Resource’s inability to reach its target output or demand reduction shall indicate the specific nature of the problem, the steps to be taken to remedy the problem, and the timeline for completing the restoration. Restoration plans submitted for a major overhaul shall explain the actions taken during the planned outage or scheduled curtailment that would result in the increase of the Resource’s CLAIM10 or CLAIM30. The ISO shall accept restoration plans that, upon review, indicate a reasonable likelihood of success in remedying the identified problem or, for a major overhaul, increasing the Resource’s CLAIM10 or CLAIM30. Upon completion of the restoration, the Market Participant shall request a CLAIM10 or CLAIM30 audit of the Resource, using the procedures in Section III.9.5.3.2. Following the audit, the Resource’s Performance Factor shall be set to 1.0, with all dispatches prior to the audit removed from the performance factor calculation.

**III.9.6 Delivery of Reserve.**

**III.9.6.1 Dispatch and Energy Bidding of Reserve.**

Forward Reserve shall be delivered by Forward Reserve Resources that are Generator Assets or Dispatchable Asset Related Demand for an hour by offering the capability into the Real-Time Energy Market by submitting Supply Offers and Demand Bids no later than 30 minutes prior to the start of the operating hour at or above the Forward Reserve Threshold Price for the Operating Day. Day-Ahead Energy Market Supply Offers and Demand Bids for Resources to which Forward Reserve Obligations have been assigned will be used in the Real-Time Energy Market for the associated Operating Day, even if the Supply Offers do not clear the Day-Ahead Energy Market, unless superseded by a more recent Supply Offer or Demand Bid submitted no later than 30 minutes prior to the start of the operating hour. A Market Participant is not required to submit a Supply Offer or Demand Bid into the Day-Ahead Energy Market for a Resource without a Capacity Supply Obligation in order for the Resource to be eligible to be a Forward Reserve Resource. The Forward Reserve Threshold Prices shall be set in accordance with the ISO New England Manuals so that Forward Reserve Resource capability has (a) a low probability of being dispatched for energy and (b) a high probability of being held for reserve purposes.

Forward Reserve shall be delivered by Forward Reserve Resources that are Demand Response Resources for an hour by offering the capability into the Real-Time Energy Market by submitting Demand Reduction Offers no later than the close of the Re-Offer Period at or above the Forward Reserve Threshold Price for the Operating Day.

Forward Reserve Resources are scheduled and operated in accordance with Section III.1 of Market Rule 1; no distinction is made due to their status as Forward Reserve Resources. Forward Reserve Resources are eligible to set the Locational Marginal Price in accordance with Section III.2 of Market Rule 1.

**III.9.6.2 Forward Reserve Threshold Prices.**

The formula for determining the Forward Reserve Threshold Prices shall be fixed for the duration of the Forward Reserve Procurement Period. The ISO will reevaluate the Forward Reserve Threshold Price level for successive Forward Reserve Auctions on the basis of experience, expected operating conditions and other relevant information.

**Forward Reserve Threshold Price**: is calculated as the Forward Reserve Heat Rate multiplied by the daily Forward Reserve Fuel Index.

**Forward Reserve Heat Rate**: shall be fixed for the duration of the Forward Reserve Procurement Period and announced in the announcement for the Forward Reserve Auction. New Forward Reserve Heat Rates shall be specified for successive auctions, and shall be calculated as follows:

(a) For each of the five most recently completed Summer Capability Periods or Winter Capability Periods (as applicable to the Forward Reserve Procurement Period), for each on-peak hour, the ISO shall calculate an implied heat rate, expressed in Btu/kWh, by dividing the hour’s Hub Price by the lower of the applicable natural gas or heating oil price index.

(b) All resulting hourly implied heat rates above 45,000 Btu/kWh shall be excluded, and the remaining values shall be listed in order from high to low.

(c) The Forward Reserve Heat Rate for the Forward Reserve Procurement Period shall be the lesser of: (i) the heat rate that occurs at the 97.5th percentile of the list described in subsection (b) above; or (ii) 21,999 Btu/kWh.

**Forward Reserve Fuel Index:** is a daily fuel index, or combination of daily indices, applicable to the New England Control Area and specified in the announcement of the Forward Reserve Auction.

**III.9.6.3 Monitoring of Forward Reserve Resources**.

In accordance with Section III.A.13.4, 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 Participant in accordance with Section III.A.3. 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.

**III.9.6.4 Forward Reserve Qualifying Megawatts**.

**(a) Generating Resources and Dispatchable Asset Related Demand** –Qualifying megawatts for generating Resources and Dispatchable Asset Related Demand are calculated separately on an hourly basis for Forward Reserve Resources supplying Forward Reserve from an off-line state and Forward Reserve Resources supplying Forward Reserve from an on-line state as follows:

**Off-line qualifying megawatts**. Off-line qualifying megawatts are the amount of a generating Resource’s capability equal to or below the Economic Maximum Limit for an off-line Forward Reserve Resource offered at or above the Forward Reserve Threshold Price. The generating Resource must satisfy this requirement in the Real-Time Energy Market. In the case of off-line Forward Reserve Resources, the calculation for Forward Reserve Qualifying Megawatts shall include both the energy Supply Offer and a pro-rated amount of Start-Up Fees and No-Load Fees as defined below.

An off-line Forward Reserve Resource must offer its capability so that the following holds:

*StartUp*  + *NoLoad + Energy Offer i ≥ ForwardReserveThresholdPrice*

*EcoMax × 1 hour EcoMax*

where:

*StartUp*  = the generating Resource’s cold Start-Up Fee.

 *NoLoad* = the generating Resource’s No-Load Fee.

*EnergyOfferi*  = the generating Resource’s Energy Offer for

Energy Offer block i.

*EcoMax* = the Economic Maximum Limit.

**On-line qualifying megawatts**: is the capability that is less than or equal to the Economic Maximum Limit and above the Economic Minimum Limit that is offered at or above the applicable Forward Reserve Threshold Price by an on-line generating Resource or, is the capability that is less than or equal to the Maximum Consumption Limit and greater than the Minimum Consumption Limit offered at or above the applicable Forward Reserve Threshold Price for a Dispatchable Asset Related Demand. The Forward Reserve Resource must satisfy this requirement in the Real-Time Energy Market. For an on-line generating Resource that has been assigned to meet a Forward Reserve Obligation and has not cleared in the Day-Ahead Energy Market and is operating in a delivery hour as the result of an ISO commitment for VAR or local second contingency protection, the on-line qualifying megawatts shall be zero.

**(b) Demand Response Resources** – Qualifying megawatts for Demand Response Resources supplying Forward Reserve are calculated separately on an hourly basis for Demand Response Resources that have not been dispatched and Demand Response Resources that have been dispatched as follows:

**Qualifying megawatts for a Demand Response Resource that has not been dispatched**: is the amount of capability equal to or below the Maximum Reduction for the Demand Response Resource offered at or above the Forward Reserve Threshold Price. The Demand Response Resource must satisfy this requirement in the Real-Time Energy Market. In the case of Demand Response Resources that have not been dispatched, the calculation for Forward Reserve Qualifying Megawatts shall include both the Demand Reduction Offer price and a pro-rated amount of the Interruption Cost as defined below.

A Demand Response Resource that has not been dispatched must offer its capability so that the following holds:

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where:

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

*EnergyOfferi*  = the Resource’s Demand Reduction Offer price for

Energy Offer block i.

*Max Red* = the Resource’s Maximum Reduction x 1 hour.

**Qualifying megawatts for a Demand Response Resource which has been dispatched**: is the capability that is less than or equal to the Maximum Reduction and greater than the Minimum Reduction that is offered at or above the applicable Forward Reserve Threshold Price for the Demand Response Resource. The Demand Response Resource must satisfy this requirement in the Real-Time Energy Market. For a Demand Response Resource which has been dispatched, has been assigned to meet a Forward Reserve Obligation, has not cleared in the Day-Ahead Energy Market, and is operating in a delivery hour as the result of an ISO commitment for local second contingency protection, the qualifying megawatts shall be zero.

**III.9.6.5 Delivery Accounting**.

Forward Reserve Delivered Megawatts are the quantity of Forward Reserve delivered in each hour of the Real-Time Energy Market to each Reserve Zone and is calculated as follows.

(a) Forward Reserve Delivered Megawatts for an off-line generating Forward Reserve Resource are calculated in megawatts for each hour of the Real-Time Energy Market for each Reserve Zone as the minimum of:

(i) the amount, in MW, of Forward Reserve that the off-line generating Resource can provide, based upon CLAIM10 and CLAIM30 values provided in the generating Resource’s Real-Time Supply Offer,

(ii) Forward Reserve Assigned Megawatts, or

(iii) Forward Reserve Qualifying Megawatts for that Resource (energy at or above the applicable Forward Reserve Threshold Price per Section III.9.6.2), less any previously accounted for Forward Reserve Delivered Megawatts for that Resource.

(b) Forward Reserve Delivered Megawatts for an on-line generating Resource are calculated in megawatts for each hour for each Reserve Zone as the minimum of:

(i) 10 or 30 times the MW/minute ramping rate of the on-line generating Resource, as applicable,

(ii) Forward Reserve Assigned Megawatts, or

(iii) Forward Reserve Qualifying Megawatts for that Resource (MW offered at or above the applicable Forward Reserve Threshold Price per Section III.9.6.2)

less any previously accounted for Forward Reserve Delivered Megawatts for that Resource.

(c) Forward Reserve Delivered Megawatts for a Dispatchable Asset Related Demand are calculated for each hour of the Real-Time Energy Market for each Reserve Zone as the minimum of:

(i) 10 or 30 times the MW/minute ramp rate of the Resource, as applicable,

(ii) the amount of Forward Reserve capability specified in the Resource’s CLAIM10 and CLAIM30 values,

(iii) Forward Reserve Assigned Megawatts, or

(iv) Forward Reserve Qualifying Megawatts for that Resource (MW offered at or above the applicable Forward Reserve Threshold Price per Section III.9.6.2),

less any previously accounted for Forward Reserve Delivered Megawatts for that Resource.

(d) A Forward Reserve Resource’s hourly Forward Reserve Delivered Megawatts for each Reserve Zone is calculated as the sum of the Market Participant’s Resource specific hourly Forward Reserve Delivered Megawatts for each Reserve Zone.

(e) Resource specific Forward Reserve Delivered Megawatts for TMNSR within a Reserve Zone will be applied first to a Market Participant’s higher value Forward Reserve Obligation for TMNSR in that Reserve Zone. Any surplus Forward Reserve Delivered Megawatts for TMNSR in that Reserve Zone will be applied to meet the Market Participant’s Forward Reserve Obligation for TMOR in that Reserve Zone. Forward Reserve Delivered Megawatts remaining within that Reserve Zone after the Market Participant’s Forward Reserve Obligation for that Reserve Zone have been met is available to be applied to the Market Participant’s Forward Reserve Obligations in other Reserve Zones provided that the Forward Reserve Delivered Megawatts can be delivered to the other Reserve Zones.

(f) Forward Reserve Delivered Megawatts for a Demand Response Resource which has not been dispatched are calculated for each hour of the Real-Time Energy Market for each Reserve Zone as the minimum of:

(i) the amount of Forward Reserve that the Resource can provide, based upon CLAIM10 and CLAIM30 values provided in the Demand Response Resource’s Demand Reduction Offer,

(ii) Forward Reserve Assigned Megawatts, or

(iii) Forward Reserve Qualifying Megawatts for that Resource (energy at or above the applicable Forward Reserve Threshold Price per Section III.9.6.2), less any previously accounted for Forward Reserve Delivered Megawatts for that Resource.

(g) Forward Reserve Delivered Megawatts for a Demand Response Resource which has been dispatched are calculated for each hour for each Reserve Zone as the minimum of:

(i) 10 or 30 times the MW/minute Demand Response Resource Ramp Rate of that Resource, as applicable,

(ii) Forward Reserve Assigned Megawatts, or

(iii) Forward Reserve Qualifying Megawatts for that Resource (MW offered at or above the applicable Forward Reserve Threshold Price per Section III.9.6.2)

less any previously accounted for Forward Reserve Delivered Megawatts for that Resource.

 (h) In determining Forward Reserve Delivered Megawatts for Demand Response Resources the portion of the Forward Reserve Delivered Megawatts not associated with Net Supply shall be increased by average avoided peak distribution losses, limited as described below.

(i) The ISO will assume that Demand Response Resources first reduce their net load from the electricity system before providing additional Net Supply.

(ii) The portion of the Forward Reserve Delivered Megawatts not associated with Net Supply shall be the lesser of: (1) Forward Reserve Delivered Megawatts and (2) the amount of load that the Demand Response Resource can reduce from the electric system based on the net load of its constituent Demand Response Assets.

(iii) Any remaining Forward Reserve Delivered Megawatts in excess of the portion not associated with Net Supply will be capped at the remaining Net Supply capability of the Demand Response Resource.

**III.9.7 Consequences of Delivery Failure.**

**III.9.7.1 Real-Time Failure-to-Reserve.**

A Real-Time Forward Reserve Failure-to-Reserve occurs when a Market Participant’s Forward Reserve Delivered Megawatts for a Reserve Zone in an hour is less than that Market Participant’s Forward Reserve Obligation for that Reserve Zone in that hour. Under these circumstances the Market Participant pays a penalty based upon the Forward Reserve Failure-to-Reserve Penalty Rate and that Market Participant’s Forward Reserve Failure-to-Reserve Megawatts.

(a) Forward Reserve Failure-to-Reserve Megawatts: A Market Participant’s Forward Reserve Failure-to-Reserve Megawatts for TMNSR for a Reserve Zone is defined as, for each hour, the amount that is the maximum of the following values:

(i) Market Participant Forward Reserve Obligation for TMNSR for that Reserve Zone minus the Market Participant’s Forward Reserve Delivered Megawatts for TMNSR for that Reserve Zone; and

(ii) Zero.

A Market Participant’s Forward Reserve Failure-to-Reserve Megawatts for TMOR for a Reserve Zone is defined as, for each hour, the amount that is the maximum of the following values:

(i) Market Participant Forward Reserve Obligation for TMOR for that Reserve Zone minus Market Participant’s Forward Reserve Delivered Megawatts for TMOR for that Reserve Zone; and

(ii) Zero.

(b) Forward Reserve Failure-to-Reserve Penalties: A Market Participant’s Forward Reserve Failure-to-Reserve Penalty for a Reserve Zone in an hour is defined as:

(i) Forward Reserve Failure-to-Reserve Penalty for TMNSR = Forward Reserve Failure-to-Reserve Penalty Rate multiplied by the Forward Reserve Failure-to-Reserve Megawatts for TMNSR; and

(ii) Forward Reserve Failure-to-Reserve Penalty for TMOR = Forward Reserve Failure-to-Reserve Penalty Rate multiplied by the Forward Reserve Failure-to-Reserve Megawatts for TMOR;

Where:

Forward Reserve Failure-to-Reserve Penalty Rate (calculated for each Forward Reserve product and for each Reserve Zone) = maximum of (1.5 multiplied by the Forward Reserve Payment Rate for the Forward Reserve product, the applicable Real-Time Reserve Clearing Price for the Forward Reserve product in the Reserve Zone minus the Forward Reserve Payment Rate for the Forward Reserve product)

**III.9.7.2 Failure-to-Activate Penalties**.

Market Participants are required to pay a Forward Reserve Failure-to-Activate Penalty for each Forward Reserve Resource that fails to activate its Forward Reserve capability. For Forward Reserve Resources:

* providing TMNSR, the Forward Reserve Failure-to-Activate Penalty is applied if a resource fails to activate in response to a Dispatch Instruction as part of the real-time contingency dispatch algorithm, or;
* providing TMOR, the Forward Reserve Failure-to-Activate Penalty is applied if a resource fails to activate in response to a Dispatch Instruction when the ten-minute reserve requirement is binding or violated in an approved UDS case.

If a Market Participant’s Forward Reserve Resource fails to activate Forward Reserve, which determination shall be made in accordance with subsection (a), that Market Participant shall be required to pay a Forward Reserve Failure-to-Activate Penalty associated with that Resource pursuant to subsection (b):

(a) **Forward Reserve Failure-to-Activate Megawatts**:

A Market Participant’s Forward Reserve Failure-to-Activate Megawatts for TMNSR for a Resource is defined as, for each hour, the amount that is the lesser of the following values:

(i) Maximum of Forward Reserve Delivered Megawatts for TMNSR minus actual amount of TMNSR energy delivered during activation, or zero;

(ii) Maximum of Target Activation Megawatts for TMNSR minus actual amount of TMNSR energy delivered during activation, or zero;

Where:

Target Activation Megawatts for TMNSR from off-line Forward Reserve Resources or Demand Response Resources that are not dispatched, which are subsequently dispatched as part of the real-time contingency dispatch algorithm is the lesser of: (i) the minimum electronic Desired Dispatch Point sent to the Resource during the 10 minute period or the Resource’s Economic Minimum Limit or Minimum Reduction, whichever is greater or (ii) the Resource’s CLAIM10 or; (iii) the Resource’s Offered CLAIM10.

Target Activation Megawatts for TMNSR from on-line Forward Reserve Resources dispatched, or Demand Response Resources that have been dispatched, as part of the real-time contingency dispatch algorithm is the lesser of: (i) the Resource’s Manual Response Rate or Demand Response Resource Ramp Rate times 10 minutes or (ii) the Resource’s Economic Maximum Limit or Maximum Reduction minus the Resource’s initial output or demand reduction at activation, or; (iii) the minimum electronic Desired Dispatch Point sent to the Resource during the 10 minute period minus the Resource’s initial output or demand reduction at activation.

The actual amount of TMNSR energy delivered during activation is measured at the 10 minute point following receipt of the initial Dispatch Instruction. The actual amount of TMNSR energy delivered during activation is set to zero if the Resource becomes unavailable for dispatch within the 60 minute period following the receipt of the initial Dispatch Instruction.

A Market Participant’s Forward Reserve Failure-to-Activate Megawatts for TMOR for a Resource is defined as, for each hour, the amount that is the lesser of the following values:

 (i) Maximum of Forward Reserve Delivered Megawatts for TMOR plus Forward Reserve Delivered Megawatts for TMNSR minus Forward Reserve Failure-to-Activate Megawatts for TMNSR minus actual amount of TMOR energy delivered during activation, or zero;

(ii) Maximum of Target Activation Megawatts for TMOR minus Forward Reserve Failure-to-Activate Megawatts for TMNSR minus actual amount of TMOR energy delivered during activation, or zero;

Where:

Target Activation Megawatts for TMOR from off-line Forward Reserve Resources or Demand Response Resources that are not dispatched is the lesser of: (i) the minimum electronic Desired Dispatch Point sent to the Resource during the 30 minute period or the Resource’s Economic Minimum Limit or Minimum Reduction, whichever is greater or (ii) the Resource’s CLAIM30, or; (iii) the Resource’s Offered CLAIM30.

Target Activation Megawatts for TMOR from on-line Forward Reserve Resources, or Demand Response Resources that have been dispatched, is the lesser of: (i) the Resource’s Manual Response Rate or Demand Response Resource Ramp Rate times 30 minutes or (ii) the Resource’s Economic Maximum Limit or Maximum Reduction minus the Resource’s initial output or demand reduction at activation, or; (iii) the minimum electronic Desired Dispatch Point sent to the Resource during the 30 minute period minus the Resource’s initial output or demand reduction at activation.

The actual amount of TMOR energy delivered during activation is measured at the 30 minute point following receipt of the initial Dispatch Instruction. The actual amount of TMOR energy delivered during activation is set to zero if the Resource becomes unavailable for dispatch within the 60 minute period following the receipt of the initial Dispatch Instruction.

In determining the Target Activation Megawatts for Demand Response Resources, the portion of the Target Activation Megawatts not associated with Net Supply shall be increased by average avoided peak distribution losses. The portion of the Target Activation Megawatts not associated with Net Supply shall be calculated as the greater of: (i) the Target Activation Megawatts minus the amount of Net Supply that the Demand Response Resource produced during activation or (ii) zero.

A Forward Reserve Resource that is a Fast Start Generator that fails to activate Forward Reserve through a failure to start , or a Forward Reserve Resource that is a Fast Start Demand Response Resource that fails to activate Forward Reserve through a failure to provide a demand reduction, shall have its Forward Reserve Delivered Megawatts set equal to zero in each subsequent hour in the applicable Forward Reserve Delivery Period until such time that the Market Participant notifies the ISO that the Forward Reserve Resource is capable of providing the Forward Reserve Delivered Megawatts.

(b) **Forward Reserve Failure-to-Activate Penalties:**

A Market Participant’s Forward Reserve Failure-to-Activate Penalty for a Resource in an hour is defined as:

(i) Forward Reserve Failure-to-Activate Penalty for TMNSR = The sum of the Forward Reserve Payment Rate for TMNSR and the Forward Reserve Failure-to-Activate Penalty Rate multiplied by the Forward Reserve Failure-to-Activate Megawatts for TMNSR; and

(ii) Forward Reserve Failure-to-Activate Penalty for TMOR = The sum of the Forward Reserve Payment Rate for TMOR and the Forward Reserve Failure-­to-Activate Penalty Rate multiplied by the Forward Reserve Failure-to-Activate Megawatts for TMOR;

Where:

Forward Reserve Failure-to-Activate Penalty Rate = Maximum of 2.25 multiplied by the Forward Reserve Payment Rate, or the applicable nodal LMP.

**III.9.7.3 Known Performance Limitations.**

The ISO may have reason to believe that a particular Forward Reserve Resource is frequently receiving, or may frequently receive, Forward Reserve payments for a portion or all of its capability that is not capable of activating the Forward Reserve Assigned Megawatts for TMNSR or the Forward Reserve Assigned Megawatts for TMOR. When the ISO believes there is such a limited Forward Reserve Resource, the ISO shall contact and confer with the affected Market Participant before taking any action.

(a) The ISO will, whenever practicable, contact the affected Market Participant of the Forward Reserve Resource to request an explanation of the relevant resource Offer Data;

(b) If the explanation, if available, considered together with other information available to the ISO, indicates to the satisfaction of the ISO that the questioned Forward Reserve payments are consistent with Forward Reserve Resource capabilities, no further action will be taken; and

(c) If no agreement is reached, or an acceptable explanation is not provided, the Market Participant may request a Resource performance audit. If the Forward Reserve Resource fails the performance audit or the Market Participant refuses to request a Resource performance audit, the ISO may take remedial action. Remedial actions may include, but are not limited to: (i) redeclaration, by the ISO, of any relevant operational Offer Data parameter, or (ii) removing the Resource or the relevant portion of the Resource’s capability to provide Forward Reserve on a going-forward basis.

**III.9.8 Forward Reserve Credits.**

Payment for Forward Reserve is based upon a Market Participant’s Final Forward Reserve Obligation and the applicable Forward Reserve Clearing Prices. The ISO shall calculate these credits on an hourly basis for each Reserve Zone as follows:

(a) Final Forward Reserve Obligations for TMNSR and TMOR for each Market Participant are calculated for each Reserve Zone for each hour as follows:

(i) Final Forward Reserve Obligation = minimum [Forward Reserve Obligation, Forward Reserve Delivered Megawatts]

(b)

FRACPZone is defined as the Forward Reserve Clearing Price for the relevant Reserve Zone, for TMNSR or TMOR, respectively;

(c) Market Participant Forward Reserve Credit for TMNSR=Final Forward Reserve Obligation for TMNSR multiplied by the applicable hourly Forward Reserve Payment Rate for TMNSR;

where,

the hourly Forward Reserve Payment Rate for TMNSR is equal to:

applicable monthly FRACPZone for TMNSR divided by the number of hours in the month associated with the Forward Reserve Delivery Period.

(d) Market Participant Forward Reserve Credit for TMOR = Final Forward Reserve Obligation for TMOR multiplied by the applicable hourly Forward Reserve Payment Rate for TMOR;

where,

the hourly Forward Reserve Payment Rate for TMOR is equal to:

applicable monthly FRACP Zone for TMOR divided by the number of hours in the month associated with the Forward Reserve Delivery Period.

**III.9.9 Forward Reserve Charges.**

Forward Reserve Charges are allocated to each Market Participant in two steps. The first step allocates the Forward Reserve Credits associated with the procurement of reserves to meet the Forward Reserve requirement for the system. The second step, if necessary, allocates any remaining Forward Reserve Credits.

**III.9.9.1 Forward Reserve Credits Associated with System Reserve Requirement.**

The portion of Forward Reserve Credits associated with the procurement of the Forward Reserve requirement for the system is determined by simulating a Forward Reserve Auction using all submitted Forward Reserve Auction Offers to meet only the Forward Reserve Market minimum requirements for the New England Control Area pursuant to Section III.9.2.1. The simulated Forward Reserve Auction will clear offers pursuant to the methodology set forth in Section III.9.4 to calculate TMNSR and TMOR proxy system clearing prices. The TMNSR and TMOR proxy system clearing prices will reflect the cost to serve the next increment of reserve above the Forward Reserve Market minimum requirement for the New England Control Area.

For each hour, the total amount of Forward Reserve Credits associated with the procurement of the Forward Reserve requirement for the system is calculated as the lesser of:

(i) The TMNSR Forward Reserve Market minimum requirement for the New England Control Area pursuant to Section III.9.2.1 multiplied by the TMNSR proxy system clearing price, plus the TMOR Forward Reserve Market minimum requirement for the New England Control Area pursuant to Section III.9.2.1 multiplied by the TMOR proxy system clearing price and divided by the number of hours in the month associated with the Forward Reserve Delivery Period, or

(ii) Total Forward Reserve Credits for the New England Control Area as calculated pursuant to Section III.9.8.

**III.9.9.2 Adjusting Forward Reserve Credits for System Requirement.**

For each hour, the Forward Reserve Credits associated with the procurement of the Forward Reserve requirement for the system is reduced by:

(i) Any Forward Reserve Failure-to-Reserve Penalty or Forward Reserve Failure-to-Activate Penalty that occurs in the Rest of System or in a Load Zone that is ineligible to receive an allocation of Forward Reserve Credits pursuant to Section III.9.9.4.1, and

(ii) A prorated amount of any Forward Reserve Failure-to-Reserve Penalty or Forward Reserve Failure-to-Activate Penalty that occurs in a Load Zone that is eligible to receive an allocation of Forward Reserve Credits pursuant to Section III.9.9.4.1, where the prorated amount is calculated based on the ratio of Forward Reserve Credits calculated in Section III.9.9.1 to the total Forward Reserve Credits.

**III.9.9.3 Allocating Forward Reserve Credits for System Requirements.**

For each hour, the Forward Reserve Credits associated with the procurement of the Forward Reserve requirements for the system as calculated pursuant to Section III.9.9.1, is reduced by any penalties calculated pursuant to Section III.9.9.2, and allocated on a pro rata basis using each Market Participant’s share of Real-Time Load Obligation in each Load Zone (which includes the Market Participant’s Real-Time Load Obligation associated with any Capacity Export Through Import Constrained Zone Transaction pursuant to Section III.1.10.7(f)(i) or with any FCA Cleared Export Transaction pursuant to Section III.1.10.7(f)(ii), reduced by that Market Participant’s Real-Time Reserve Designations associated with Dispatchable Asset Related Demands within that Load Zone.

**III.9.9.4 Allocating Remaining Forward Reserve Credits.**

For each hour, any Forward Reserve Credits not allocated pursuant to Section III.9.9.3 are allocated on a pro rata basis to each Market Participant’s share of Real-Time Load Obligation in a Load Zone (which includes the Market Participant’s Real-Time Load Obligation associated with any Capacity Export Through Import Constrained Zone Transaction pursuant to Section III.1.10.7(f)(i) or with any FCA Cleared Export Transaction pursuant to Section III.1.10.7(f)(ii), reduced by that Market Participant’s Real-Time Reserve Designations associated with Dispatchable Asset Related Demands within that Load Zone) that meets the criteria in Section III.9.9.4.1. The allocation for each Load Zone is based on the ratio of the Forward Reserve Credits cleared in the Respective Reserve Zone for the Forward Reserve Credits cleared in all Reserve Zones that meet the criteria in Section III.9.9.4.1, and is reduced by:

(i) A prorated amount of any Forward Reserve Failure-to-Reserve Penalties or Forward Reserve Failure-to-Activate Penalties that occur in a Load Zone eligible to receive an allocation of Forward Reserve Credits pursuant to Section III.9.9.4.1, where the prorated amount is calculated based on the ratio of the total Forward Reserve Credits less any Forward Reserve Credits calculated in Section III.9.9.1 to the total Forward Reserve Credits.

**III.9.9.4.1 Allocation Criteria for Remaining Forward Reserve Credits.**

If the following criteria are met, then a Market Participant with Real-Time Load Obligation in a Load Zone is eligible to receive any remaining Forward Reserve Credits not allocated pursuant to Section III.9.9.3.

(i) The Load Zone is encompassed in whole or in part in a Reserve Zone with a locational reserve requirement greater than zero, and

(ii) The Forward Reserve Clearing Price of a Reserve Zone is higher than the Forward Reserve Clearing Price of the Rest of System.

**III.10 Real-Time Reserve**

The ISO shall use a joint optimization dispatch algorithm to serve Real-Time Energy Market requirements and meet Real-Time Operating Reserve requirements based on a least-cost security constrained economic dispatch. The Real-Time dispatch algorithm will designate Resources to meet the Energy requirements and will designate Resources to meet the Operating Reserve requirements of the New England Control Area.

For purposes of this Section III.10, unless otherwise expressly stated, the settlement interval is five minutes. If a dollar-per-MW-hour value is applied in a calculation where the interval of the value produced in that calculation is less than an hour, then for purposes of that calculation the dollar-per-MW-hour value is divided by the number of intervals in the hour.

**III.10.1 Provision of Operating Reserve in Real-Time**

For each Market Participant for each settlement interval, the ISO will determine each Market Participant’s provision of Operating Reserve in Real-Time. To accomplish this, the ISO will perform calculations to determine the following.

**III.10.1.1 Real-Time Reserve Designation**

1. Each Market Participant shall have for each settlement interval and for each eligible generatingResource capable of providing Operating Reserve a Real-Time Reserve Designation, in megawatts, equal to the amounts of Operating Reserve designated by the ISO to that Resource in Real-Time adjusted downward after-the-fact, if necessary, to account for differences in actual Resource output based upon Metered Quantity For Settlement and the estimated Resource output utilized to determine the amount of Real-Time Reserve Designation.
2. Each Market Participant shall have for each settlement interval and for each eligible Asset Related Demand Resource or Demand Response Resource capable of providing Operating Reserve a Real-Time Reserve Designation, in megawatts, equal to the amounts of Operating Reserve designated by the ISO to that Resource in Real-Time adjusted downward after-the-fact, if necessary, to account for differences in actual Operating Reserve capability based upon Metered Quantity For Settlement and the estimated Operating Reserve capability utilized to determine the amount of Real-Time Reserve Designation. Resource eligibility to provide Operating Reserve shall be specified in the ISO New England Manuals.

**III.10.2 Real-Time Reserve Credits**

For each Market Participant for each hour, the ISO will determine a credit for provision of Operating Reserve in Real-Time. Demand Response Resource credits will be limited as described in Section III.9.6.5(h).

(a) A Market Participant’s Resource specific hourly Real-Time Reserve Credit for TMSR for an hour shall be equal to the sum of the Real-Time Reserve Credit for TMSR for the settlement intervals in that hour. The Real-Time Reserve Credit for TMSR for an interval is calculated by multiplying the Market Participant’s Resource specific Real-Time Reserve Designation for TMSR (where any portion of Real-Time Reserve Designation MW provided by a Demand Response Resource, other than MWs associated with Net Supply, is increased by average avoided peak distribution losses) for the interval by the Real-Time Reserve Clearing Price for TMSR for the interval. The Real-Time Reserve Credit for TMSR associated with a Load Zone shall be equal to the sum of all Market Participants’ Resource specific hourly Real-Time Reserve Credits for TMSR in that Load Zone.

(b) A Market Participant’s Resource specific hourly Real-Time Reserve Credit for TMNSR shall be equal to the sum of the Real-Time Reserve Credit for TMNSR for the settlement intervals in that hour. The Real-Time Reserve Credit for TMNSR for an interval is calculated by multiplying the Market Participant’s Resource specific Real-Time Reserve Designation for TMNSR (where any portion of Real-Time Reserve Designation MW provided by a Demand Response Resource, other than MWs associated with Net Supply, is increased by average avoided peak distribution losses) for the interval by the Real-Time Reserve Clearing Price for TMNSR for the interval. The Real-Time Reserve Credit for TMNSR associated with a Load Zone shall be equal to the sum of all Market Participants’ Resource specific hourly Real-Time Reserve Credits for TMNSR in that Load Zone.

(c) A Market Participant’s Resource specific hourly Real-Time Reserve Credit for TMOR shall be equal to the sum of the Real-Time Reserve Credit for TMOR (where any portion of Real-Time Reserve Designation MW provided by a Demand Response Resource, other than MWs associated with Net Supply, is increased by average avoided peak distribution losses) for the settlement intervals in that hour. The Real-Time Reserve Credit for TMOR for an interval is calculated by multiplying the Market Participant’s Resource specific Real-Time Reserve Designation for TMOR for the interval by the Real-Time Reserve Clearing Price for TMOR for the interval. The Real-Time Reserve Credit for TMOR associated with a Load Zone shall be equal to the sum of all Market Participants’ Resource specific Real-Time Reserve Credits for TMOR in that Load Zone.

**III.10.3 Real-Time Reserve Charges.**

(a) For each hour, the ISO will allocate the sum of the Real-Time Reserve Credits and Forward Reserve Obligation Charges for each Load Zone, calculated separately for TMSR, TMNSR and TMOR, to each Market Participant as follows:

Real-Time Reserve Chargek,i = [Reserve Charge Allocation MWk,I] x [RT\_CHRG\_RTi]

Where:

Real-Time Reserve Chargek,i, is Market Participant *k’s* Real-Time Reserve Charge for Load Zone *i* for all Real-Time reserve services and Forward Reserve Obligation Charges;

Reserve Charge Allocation MW = Market Participant *k’s* Real Time Load Obligation in Load Zone *i* adjusted for Market Participant *k’s* Dispatchable Asset Related Demand MWs in Load Zone *i* that are designated for Real-Time reserves.

RT\_CHRG\_RTi = [IRT\_SUP\_PMNT]/RT\_P\_WTD\_LD\_OB] x

[RT\_P\_RATIO] for TMSR, TMNSR, or TMOR, as applicable.

RT\_P\_WTD\_LD\_OB = ∑[Reserve Charge Allocation MWsi] x

[P\_RATIOi] for TMSR, TMNSR or TMOR, as applicable;

[RT\_SUP\_PMNT] = The total over all Load Zones of Real-Time Reserve Credits for TMSR, TMNSR or TMOR, plus the total over all Load Zones of the Forward Reserve Obligation Charges for TMNSR or TMOR, as applicable;

RT\_P\_RATIOi is the ratio of the Real Time Reserve Clearing Price in Load Zone i for TMSR, TMNSR or TMOR, as applicable, to the Real -Time Reserve Clearing Price in the Reference Zone for TMSR, TMNSR or TMOR, as applicable. To the extent that a Load Zone contains more than one Reserve Zone, that Load Zone’s Real-Time Reserve Clearing Price for TMSR, TMNSR or TMOR shall be the Real-Time Reserve Designation weighted average of the Reserve Zone Real-Time Reserve Clearing Prices in that Load Zone for TMSR, TMNSR or TMOR, as applicable;

The Reference Load Zone is the Load Zone with the minimum, non-zero Real-Time Reserve Clearing Price for TMSR, TMNSR or TMOR, as applicable.

The External Node associated with an External Transaction sale that is, in accordance with Market Rule 1 Section III.1.10.7(h), a Capacity Export Through Import Constrained Zone Transaction or an FCA Cleared Export Transaction shall be considered to be within the Load Zone from which the External Transaction is exporting for the purpose of calculating Real-Time Reserve Charges. The External Node of a Capacity Export Through Import Constrained Zone Transaction or an FCA Cleared Export Transaction is the External Node defined by the Forward Capacity Auction cleared Export Bid or Administrative Export De-List Bid associated with the External Transaction sale.

**III.10.4 Forward Reserve Obligation Charges**.

For each Market Participant with a Forward Reserve Obligation, the ISO will determine a Forward Reserve Obligation Charge for each settlement interval such that a Market Participant will not receive compensation for Real-Time Operating Reserve MWs provided to satisfy a Forward Reserve Obligation.

For purposes of the calculations in this Section III.10.4: (1) when a Market Participant assigns a Forward Reserve Resource in one Reserve Zone to meet a Forward Reserve Obligation in another Reserve Zone, any Forward Reserve Obligation Charge megawatts associated with that Resource are allocated to the Reserve Zone in which the Market Participant holds the Forward Reserve Obligation; and (2) if a Market Participant satisfies a Forward Reserve Obligation for TMOR with Forward Reserve Delivered MW of TMNSR, the Forward Reserve Obligation Charge megawatts are allocated to the Market Participant’s Forward Reserve Obligation for TMOR.

**III.10.4.1 Forward Reserve Obligation Charge Megawatts for Forward Reserve Resources.**

The Forward Reserve Obligation Charge megawatts for TMNSR and TMOR in each applicable Reserve Zone attributed to a Forward Reserve Resource are equal to the lesser of the Forward Reserve Delivered MW or Real-Time Reserve Designation MW (where any portion of Real-Time Reserve Designation MW provided by a Demand Response Resource, other than MWs associated with Net Supply, is increased by average avoided peak distribution losses).

**III.10.4.2 Forward Reserve Obligation Charge Megawatts**.

The Forward Reserve Obligation Charge megawatts for TMNSR and TMOR in each applicable Reserve Zone attributed to a Market Participant is equal to the lesser of the sum of Forward Reserve Obligation Charge megawatts for all the Reserve Resources assigned by the Market Participant, or the Final Forward Reserve Obligation

**III.10.4.3 Forward Reserve Obligation Charge.**

The Forward Reserve Obligation Charge will be calculated as follows:

(a) A Market Participant’s Forward Reserve Obligation Charge for TMNSR in each Reserve Zone shall be equal to the Market Participant’s Forward Reserve Obligation Charge megawatts for TMNSR in that Reserve Zone multiplied by the Real-Time Reserve Clearing Price for TMNSR in that Reserve Zone.

(b) A Market Participant’s Forward Reserve Obligation Charge for TMOR in each Reserve Zone shall be equal to the Market Participant’s Forward Reserve Obligation Charge megawatts for TMOR in that Reserve Zone multiplied by the Real-Time Reserve Clearing Price for TMOR in that Reserve Zone.

**III.11 Gap RFPs For Reliability Purposes**

**III.11.1 Request For Proposals for Load Response and Supplemental Generation Resources for Reliability Purposes.**

(a) Should the ISO determine that a region may have potential critical near-term power supply reliability problems for which no Market Participant has proposed or committed to implement a viable solution (from a timeliness or financial standpoint), the ISO may, after consultation with the Reliability Committee, issue a request for proposals (Gap RFP). The Gap RFP will solicit load response and supplemental generating Resources to maintain near-term reliability in the identified region. For any Gap RFP issued after December 31, 2003, the ISO shall file such Gap RFP with the Commission for approval at least 60 days prior to its issuance. The filing shall include proposed Gap RFP terms and conditions and shall explain why market incentives were unable to solicit a market response in the absence of the Gap RFP.

(b) The ISO may enter into contracts awarded pursuant to a competitive Gap RFP process. Bidders that are awarded contracts through the Gap RFP process shall file those contracts with the Commission for approval of the rates to be charged thereunder to the extent that such contracts are for services that are jurisdictional to the Commission. All other contracts entered into pursuant to a Gap RFP shall be filed with the Commission for informational purposes.

(c) The costs for load response and other generation Resources selected through any Gap RFP issued by the ISO pursuant to this Section III.11.1 shall be allocated and charged pro rata to Market Participants and Non-Market Participants with Regional Network Load in proportion to the sum of their Regional Network Load during that month within the affected Reliability Region.

**III.12. Calculation of Capacity Requirements.**

**III.12.1. Installed Capacity Requirement.**

Prior to each Forward Capacity Auction, the ISO shall calculate the Installed Capacity Requirement for the New England Control Area for each upcoming Capacity Commitment Period through the Capacity Commitment Period associated with that Forward Capacity Auction in accordance with this Section III.12.1.

The ISO shall determine the Installed Capacity Requirement such that the probability of disconnecting non-interruptible customers due to resource deficiency, on average, will be no more than once in ten years. Compliance with this resource adequacy planning criterion shall be evaluated probabilistically, such that the Loss of Load Expectation (“LOLE”) of disconnecting non-interruptible customers due to resource deficiencies shall be no more than 0.1 day each year. The forecast Installed Capacity Requirement shall meet this resource adequacy planning criterion for each Capacity Commitment Period. The Installed Capacity Requirement shall be determined assuming all resources pursuant to Sections III.12.7 and III.12.9 will be deliverable to meet the forecasted demand determined pursuant to Section III.12.8.

If the Installed Capacity Requirement shows a consistent bias over time, either high or low, the ISO shall make adjustments to the modeling assumptions and/or methodology through the stakeholder process to eliminate the bias in the Installed Capacity Requirement. The modeling assumptions used in determining the Installed Capacity Requirement are specified in Sections III.12.7, III.12.8 and III.12.9. For the purpose of this Section III.12, a “resource” shall include generating resources, demand resources, and import capacity resources eligible to receive capacity payments in the Forward Capacity Market.

**III.12.1.1. System-Wide Marginal Reliability Impact Values.**

Prior to each Forward Capacity Auction, the ISO shall determine the system-wide Marginal Reliability Impact of incremental capacity at various capacity levels for the New England Control Area. For purposes of calculating these Marginal Reliability Impact values, the ISO shall apply the same modeling assumptions and methodology used in determining the Installed Capacity Requirement.

**III.12.2. Local Sourcing Requirements and Maximum Capacity Limits.**

Prior to each Forward Capacity Auction, the ISO shall calculate the capacity requirements and limitations, accounting for relevant transmission interface limits which shall be determined pursuant to Section III.12.5, for each modeled Capacity Zone (as described in Section III.12.4) for each upcoming Capacity Commitment Period through the Capacity Commitment Period associated with that Forward Capacity Auction. The Local Sourcing Requirement shall represent the minimum amount of capacity that must be procured within an import-constrained Capacity Zone. The Maximum Capacity Limit shall represent the maximum amount of capacity that can be procured in an export-constrained Capacity Zone to meet the Installed Capacity Requirement.

The ISO shall use consistent assumptions and standards to establish a resource’s electrical location for purposes of qualifying a resource for the Forward Capacity Market and for purposes of calculating Local Sourcing Requirements and Maximum Capacity Limits. The methodology used in determining the Local Sourcing Requirements and the Maximum Capacity Limits are specified in Sections III.12.2.1 and III.12.2.2, respectively. The modeling assumptions used in determining the Local Sourcing Requirements and the Maximum Capacity Limits are specified in Sections III.12.5, III.12.6, III.12.7, III.12.8 and III.12.9.

**III.12.2.1. Calculation of Local Sourcing Requirements for Import-Constrained Capacity Zones.**

For each import-constrained Capacity Zone, the Local Sourcing Requirement shall be the amount needed to satisfy the higher of: (i) the Local Resource Adequacy Requirement as determined pursuant to Section III.12.2.1.1; or (ii) the Transmission Security Analysis Requirement as determined pursuant to Section III.12.2.1.2.

**III.12.2.1.1. Local Resource Adequacy Requirement**.

The Local Resource Adequacy Requirement shall be calculated as follows:

(a) Two areas shall be modeled: (i) the Capacity Zone under study which includes all load and all resources electrically located within the Capacity Zone, including external Control Area support from tie benefits on the import-constrained side of the interface, if any; and (ii) the rest of the New England Control Area which includes all load and all resources electrically located within the rest of the New England Control Area, including external Control Area support from tie benefits on the unconstrained side of the interface, if any.

(b) The only transmission constraint to be modeled shall be the transmission interface limit between the Capacity Zone under study and the rest of the New England Control Area as identified pursuant to Section III.12.5.

(c) Any proxy units that are required in the New England Control Area pursuant to Section III.12.7.1 shall be modeled as specified in Section III.12.7.1, in order to ensure that the New England Control Area meets the resource adequacy planning criterion specified in Section III.12.1. If the system LOLE is less than 0.1 days/year, firm load is added (or unforced capacity is subtracted) so that the system LOLE equals 0.1 days/year.

(d) The Local Resource Adequacy Requirement for the import-constrained Capacity Zone Z shall be determined in accordance with the following formula:

 LRAZ = Resourcesz +Proxy Unitsz – (Proxy Units

 Adjustmentz(1-FORz))-(Firm Load

 Adjustmentz(1-FORz))

In which:

LRAZ  = MW of Local Resource Adequacy

 Requirement for Capacity Zone Z;

Resourcesz = MW of resources electrically located

 within Capacity Zone Z, including import

 Capacity Resources on the import-

constrained side of the interface, if any;

Proxy Unitsz = MW of proxy unit additions in Load

 Zone Z;

Firm Load

Adjustmentz = MW of firm load added (or subtracted)

 within Capacity Zone Z to make the LOLE

 of the New England Control Area equal

 to 0.105 days per year; and

FORz = Capacity weighted average of the

 forced outage rate modeled for all

 resources within Capacity Zone Z,

 including and proxy unit additions to

 Capacity Zone Z.

Proxy Units

Adjustment = MW of firm load added to (or unforced

 capacity subtracted from) Capacity Zone Z

 until the system LOLE equals 0.1

 days/year.

To determine the Local Resource Adequacy Requirement, the firm load is adjusted within Capacity Zone Z until the LOLE of the New England Control Area reaches 0.105 days per year. The LOLE of 0.105 days per year includes an allowance for transmission related LOLE of 0.005 days per year associated with each interface. As firm load is added to (or subtracted from) Capacity Zone Z, an equal amount of firm load is removed from (or added to) the rest of New England Control Area.

**III.12.2.1.2. Transmission Security Analysis Requirement.**

A Transmission Security Analysis shall be used to determine the requirement of the zone being studied, and shall include the following features:

(a) The ISO shall perform a series of transmission load flow studies and/or a deterministic operable capacity analysis targeted at determining the performance of the system under stressed conditions, and at developing a resource requirement sufficient to allow the system to operate through those stressed conditions.

(b) The Transmission Security Analysis Requirement shall be set at a level sufficient to cover most reasonably anticipated events, but will not guarantee that every combination of obligated resources within the zone will meet system needs.

(c) In performing the Transmission Security Analysis, the ISO may establish static transmission interface transfer limits, as identified pursuant to Section III.12.5, as a reasonable representation of the transmission system’s capability to serve load with available existing resources.

(d) The Transmission Security Analysis may model the entire New England system and individual zones, for both the first contingency (N-1) and second contingency (N-1-1) conditions. First contingency conditions (N-1) shall include the loss of the most critical generator or most critical transmission element with respect to the zone. Second contingency conditions (N-1-1) shall include both: (i) the loss of the most critical generator with respect to the zone followed by the loss of the most critical transmission element (“Line-Gen”); and (ii) the loss of the most critical transmission element followed by the loss of the next most critical transmission element (“Line-Line”) with respect to the zone.

**III.12.2.1.3. Marginal Reliability Impact Values for Import-Constrained Capacity Zones.**

Prior to each Forward Capacity Auction, the ISO shall determine the Marginal Reliability Impact of incremental capacity, at various capacity levels, for each import-constrained Capacity Zone. For purposes of calculating these Marginal Reliability Impact values, the ISO shall apply the same modeling assumptions and methodology used to determine the Local Resource Adequacy Requirement pursuant to Section III.12.2.1.1, except that the capacity transfer capability between the Capacity Zone under study and the rest of the New England Control Area determined pursuant to Section III.12.2.1.1(b) shall be reduced by the greater of: (i) the Transmission Security Analysis Requirement minus the Local Resource Adequacy Requirement, and; (ii) zero.

**III.12.2.2. Calculation of Maximum Capacity Limit for Export-Constrained Capacity Zones.**

For each export-constrained Capacity Zone, the Maximum Capacity Limit shall be calculated using the following method:

(a) Two areas shall be modeled: (i) the Capacity Zone under study which includes all load and all resources electrically located within the Capacity Zone, including external Control Area support from tie benefits on the export-constrained side of the interface, if any; and (ii) the rest of the New England Control Area, which includes all load and all resources electrically located within the rest of the New England Control Area, including external Control Area support from tie benefits to the rest of the New England Control Area, if any.

(b) The only transmission constraint to be modeled shall be the transmission interface limit between the Capacity Zone under study and the rest of the New England Control Area as identified pursuant to Section III.12.5.

(c) Any proxy units that are required in the New England Control Area pursuant to Section III.12.7.1 shall be modeled as specified in Section III.12.7.1, in order to ensure that the New England Control Area meets the resource adequacy planning criterion specified in Section III.12.1. If the system LOLE is less than 0.1 days/year, firm load is added (or unforced capacity is subtracted) so that the system LOLE equals 0.1 days/year.

(d) The Maximum Capacity Limit for the export-constrained Capacity Zone Y shall be determined in accordance with the following formula:

Maximum Capacity LimitY = ICR – LRARestofNewEngland

In which:

Maximum Capacity LimitY = Maximum MW amount of resources , including Import Capacity Resources on the export-constrained side of the interface, if any, that can be procured in the export-constrained Capacity Zone Y to meet the Installed Capacity Requirement;

ICR = MW of Installed Capacity Requirement for the New England Control Area, determined in accordance with Section III.12.1; and

LRARestofNewEngland = MW of Local Sourcing Requirement for the rest of the New England Control Area, which for the purposes of this calculation is treated as an import-constrained region, determined in accordance with Section III.12.2.1.

**III.12.2.2.1. Marginal Reliability Impact Values for Export-Constrained Capacity Zones.**

Prior to each Forward Capacity Auction, the ISO shall determine the Marginal Reliability Impact of incremental capacity, at various capacity levels, for each export-constrained Capacity Zone. For purposes of calculating these Marginal Reliability Impact values, the ISO shall apply the same modeling assumptions and methodology used to determine the export-constrained Capacity Zone’s Maximum Capacity Limit.

**III.12.3 Consultation and Filing of Capacity Requirements.**

At least two months prior to filing the Installed Capacity Requirement, Local Sourcing Requirements, Maximum Capacity Limits, System-Wide Capacity Demand Curve and Capacity Zone Demand Curves for each upcoming Capacity Commitment Period through the relevant Capacity Commitment Period with the Commission, the ISO shall review the modeling assumptions and resulting Installed Capacity Requirement, Local Sourcing Requirements, Maximum Capacity Limits, System-Wide Capacity Demand Curve and Capacity Zone Demand Curves with the Governance Participants, the state utility regulatory agencies in New England and, as appropriate, other state agencies. Following consultation with Governance Participants, the state utility regulatory agencies in New England and, as appropriate, other state agencies, the ISO shall file the Installed Capacity Requirement, Local Sourcing Requirements, Maximum Capacity Limits, System-Wide Capacity Demand Curve and Capacity Zone Demand Curves for each upcoming Capacity Commitment Period through the relevant Capacity Commitment Period with the Commission pursuant to Section 205 of the Federal Power Act 90 days prior to the Forward Capacity Auction for the Capacity Commitment Period. The ISO shall file with the Commission pursuant to Section 205 of the Federal Power Act, the proposed identification of a potential new Capacity Zone when the boundary of the potential new Capacity Zone differs from the boundaries of existing Load Zones or Capacity Zones. In order to be used in a given FCA, any new Capacity Zone must have received approval from the Commission prior to the Existing Capacity Qualification Deadline of the applicable FCA.

**III.12.4. Capacity Zones.**

For each Forward Capacity Auction, the ISO shall, using the results of the most recent annual assessment of transmission transfer capability conducted pursuant to ISO Tariff Section II, Attachment K, determine the Capacity Zones to model as described below, and will include such designations in its filing with the Commission pursuant to Section III.13.8.1(c):

(a) The ISO shall model in the Forward Capacity Auction, as separate export-constrained Capacity Zones, those zones identified in the most recent annual assessment of transmission transfer capability pursuant to ISO Tariff Section II, Attachment K, for which the Maximum Capacity Limit is less than the sum of the existing qualified capacity and proposed new capacity that could qualify to be procured in the export constrained Capacity Zone, including existing and proposed new Import Capacity Resources on the export-constrained side of the interface.

(b) The ISO shall model in the Forward Capacity Auction, as separate import-constrained Capacity Zones, those zones identified in the most recent annual assessment of transmission transfer capability pursuant to ISO Tariff Section II, Attachment K, for which the second contingency transmission capability results in a line-line Transmission Security Analysis Requirement, calculated pursuant to Section III.12.2.1.2 and pursuant to ISO New England Planning Procedures, that is greater than the Existing Qualified Capacity in the zone, with the largest generating station in the zone modeled as out-of-service. Each assessment will model out-of-service all Retirement De-List Bids and Permanent De-List Bids (including any received for the current FCA at the time of this calculation) as well as rejected for reliability Static De-List Bids from the most recent previous Forward Capacity Auction and rejected for reliability Dynamic De-List Bids from the most recent previous Forward Capacity Auction.

(c) Adjacent Load Zones that are neither export-constrained nor import-constrained shall be modeled together as the Rest of Pool Capacity Zone in the Forward Capacity Auction.

**III.12.4A. Dispatch Zones.**

The ISO shall establish Dispatch Zones that reflect potential transmission constraints within a Load Zone that are expected to exist during each Capacity Commitment Period. Dispatch Zones shall be used to establish the geographic location of Active Demand Capacity Resources. Dispatch Zones shall not change during a Capacity Commitment Period. For each Capacity Commitment Period, the ISO shall establish and publish Dispatch Zones by the beginning of the New Capacity Show of Interest Submission Window of the applicable Forward Capacity Auction. The ISO will review proposed Dispatch Zones with Market Participants prior to establishing and publishing final Dispatch Zones.

**III.12.5. Transmission Interface Limits.**

Transmission interface limits, used in the determination of Local Sourcing Requirements, shall be determined pursuant to ISO Tariff Section II, Attachment K using network models that include all resources, existing transmission lines and proposed transmission lines that the ISO determines, in accordance with Section III.12.6, will be in service no later than the first day of the relevant Capacity Commitment Period. The transmission interface limits shall be established, using deterministic analyses, at levels that provide acceptable thermal, voltage and stability performance of the system both with all lines in service and after any criteria contingency occurs as specified in ISO New England Manuals and ISO New England Administrative Procedures.

**III.12.6. Modeling Assumptions for Determining the Network Model.**

The ISO shall determine, in accordance with this Section III.12.6, the generating units and transmission infrastructure to include in the network model that: (i) are expected to be in service no later than the first day of the relevant Capacity Commitment Period; and (ii) may have a material impact on the network model, a potential interface constraint, or on one or more Local Sourcing Requirements. The network model shall be used, among other purposes, (i) for the Forward Capacity Market qualification process and (ii) to calculate transmission interface limits in order to forecast the Local Sourcing Requirements. The network model shall include:

(a) For the relevant Capacity Commitment Period, the network model shall include:

(i) all existing resources, along with any associated interconnection facilities and/or Elective Transmission Upgrades that have not been approved to be retired for the relevant Capacity Commitment Period, as described in Section III.13.2.5.2.5.3;

(ii) all new resources with Qualified Capacity for the relevant Capacity Commitment Period, along with any associated interconnection facilities and/or Elective Transmission Upgrades; and

iii. in the case of an initial interconnection analysis that is conducted consistent with the Network Capability Interconnection Standard, any generating unit or External Elective Transmission Upgrade that has a valid Interconnection Request and is reasonably expected to declare commercial operation no later than the first day of the relevant Capacity Commitment Period.

(b) Prior to each Forward Capacity Auction and each annual reconfiguration auction, the ISO shall determine and publish a list of the transmission projects and elements of transmission projects that will be included in the network model. During the process of making the transmission infrastructure determinations, as described in Section III.12.6.1, the ISO shall consult with the Governance Participants, the Transmission Owners, any transmission project proponents, the state utility regulatory agencies in New England and, as appropriate, other state agencies.

**III.12.6.1. Process for Establishing the Network Model.**

(a) The ISO shall establish an initial network model prior to the Forward Capacity Auction that only includes transmission infrastructure, including Internal Elective Transmission Upgrades, that is already in service at the time that the initial network model is developed.

(b) After establishing the initial network model, the ISO shall compile a preliminary list of the transmission projects or elements of transmission projects in the RSP Project List, individually or in combination with each other, as appropriate, to identify transmission projects that may achieve an in-service date no later than the first day of the relevant Capacity Commitment Period and that will have a material impact on the network model, on a potential interface constraint or one or more Local Sourcing Requirements.

(c) For the transmission projects or elements of transmission projects in the RSP Project List that are included in the preliminary list developed pursuant to subsection (b), the ISO shall determine whether the transmission projects or elements of transmission projects meet all of the initial threshold milestones specified in Section III.12.6.2 and will be considered for further evaluation pursuant to subsection (d).

(d) For those transmission projects or elements of transmission projects that meet the initial threshold milestones in subsection (c), the ISO shall use the evaluation criteria specified in Section III.12.6.3, and any other relevant information, to determine whether to include a transmission project or element of a transmission project in the final network model.

(e) If after completing its evaluation pursuant to Sections III.12.6.1 through III.12.6.3 and conferring with the transmission project proponents, the Governance Participants, the state utility regulatory agencies in New England and, as appropriate, other state agencies, the ISO determines that the transmission project or a portion of the transmission project is reasonably expected to be in service no later than the first day for the relevant Capacity Commitment Period, then such transmission project or portion of transmission project shall be considered in service in the finalized network model to calculate the transmission interface limits pursuant to Section III.12.5.

**III.12.6.2. Initial Threshold to be Considered In-Service.**

The ISO shall determine whether transmission projects or elements of transmission projects meet all of the following initial threshold milestones:

(a) A critical path schedule for the transmission project has been furnished to ISO showing that the transmission project or the element of the transmission project will be in-service no later than the first day of the relevant Capacity Commitment Period. The critical path schedule must be sufficiently detailed to allow the ISO to evaluate the feasibility of the schedule.

(b) At the time of the milestone review, siting and permitting processes, if required, are on schedule as shown on the critical path schedule.

(c) At the time of the milestone review, engineering is on schedule as shown on the critical path schedule.

(d) At the time of the milestone review, land acquisition, if required, is on schedule as shown on the critical path schedule.

(e) Corporate intent to build the transmission project has been furnished to the ISO. An officer of the host Transmission Owner or Elective Transmission Upgrade Interconnection Customer has submitted to the ISO a statement verifying that the officer has reviewed the proposal and critical path schedule submitted to the ISO, and the Transmission Owner or Elective Transmission Upgrade Interconnection Customer concurs that the schedule is achievable, and it is the intent of the Transmission Owner or Elective Transmission Upgrade Interconnection Customer to build the proposed transmission project in accordance with that schedule. The Transmission Owner or Elective Transmission Upgrade Interconnection Customer may develop alternatives or modifications to the transmission project during the course of design of the transmission project that accomplish at least the same transfer capability. Such alternatives or modifications are acceptable, so long as the ISO determines that the alternative or modification is reasonably expected to achieve an in-service date no later than the first day of the relevant Capacity Commitment Period. The provision of an officer’s statement shall be with the understanding that the statement shall not create any liability on the officer and that any liability with respect to the Transmission Owner’s obligations shall be as set forth in the Transmission Operating Agreement and shall not be affected by such officer’s statement.

**III.12.6.3. Evaluation Criteria**.

For a transmission project or element of a transmission project that meets the initial threshold milestones specified in Section III.12.6.2, the ISO shall consider the following factors and any other relevant information to determine whether to include the transmission project or element of the transmission project in the network model for the relevant Capacity Commitment Period.

(a) Sufficient engineering to initiate construction is on schedule as shown on the critical path schedule.

(b) Approval under Section I.3.9 of the Transmission, Markets and Services Tariff, if required, has been obtained or is on schedule to be obtained as shown on the critical path schedule.

(c) Significant permits, including local permits, if required to initiate construction have been obtained or are on schedule consistent with the critical path schedule.

(d) Easements, if required, have been obtained or are on schedule consistent with the critical path schedule. Needed land purchases, if required, have been made or are on schedule consistent with the critical path schedule.

(e) Any contracts required to procure or construct a transmission project are in place consistent with the critical path schedule. The ISO’s analysis may also take into account whether such contracts contain incentive and/or penalty clauses to encourage third parties to advance the delivery of material services to conform with the critical path schedule.

(f) Physical site work is on schedule consistent with the critical path schedule.

(g) The transmission project is in a designated National Interest Electric Transmission Corridor in accordance with Section 216 of the Federal Power Act, 16 U.S.C. §§ 824p.

**III.12.7. Resource Modeling Assumptions.**

**III.12.7.1. Proxy Units.**

When the available resources are insufficient for the unconstrained New England Control Area to meet the resource adequacy planning criterion specified in Section III.12.1, proxy units shall be used as additional capacity to determine the Installed Capacity Requirement, Local Resource Adequacy Requirements, Maximum Capacity Limits and Marginal Reliability Impact values. The proxy units shall reflect resource capacity and outage characteristics such that when the proxy units are used in place of all other resources in the New England Control Area, the reliability, or LOLE, of the New England Control Area does not change. The outage characteristics are the summer capacity weighted average availability of the resources in the New England Control Area as determined in accordance with Section III.12.7.3. The capacity of the proxy unit is determined by adjusting the capacity of the proxy unit until the LOLE of the New England Control Area is equal to the LOLE calculated while using the capacity assumptions described in Section III.12.7.2.

When modeling transmission constraints for the determination of Local Resource Adequacy Requirements, the same proxy units may be added to the import-constrained zone or elsewhere in the rest of the New England Control Area depending on where system constraints exist.

**III.12.7.2. Capacity.**

The resources included in the calculation of the Installed Capacity Requirement, Local Sourcing Requirements, Maximum Capacity Limits and Marginal Reliability Impact values shall include:

(a) all Existing Generating Capacity Resources,

(b) resources cleared in previous Forward Capacity Auctions or obligated for the relevant Capacity Commitment Period,

(c) all Existing Import Capacity Resources backed by a multi­year contract to provide capacity in the New England Control Area, where that multiyear contract requires delivery of capacity for the Commitment Period for which the Installed Capacity Requirement is being calculated, and

(d) Existing Demand Capacity Resources that are qualified to participate in the Forward Capacity Market and New Demand Capacity Resources that have cleared in previous Forward Capacity Auctions and obligated for the relevant Capacity Commitment Period,

but shall exclude:

(e) capacity associated with Export Bids cleared in previous Forward Capacity Auctions and obligated for the relevant Capacity Commitment Period,

(f) capacity de-listed or retired as a result of Permanent De-List Bids or Retirement De-List Bids in previous Forward Capacity Auctions, and

(g) capacity retired pursuant to Section III.13.1.2.4.1(a), unless the Lead Market Participant has opted to have the resource reviewed for reliability pursuant to Section III.13.1.2.3.1.5.1.

The rating of Existing Generating Capacity Resources and Existing Import Capacity Resources used in the calculation of the Installed Capacity Requirement, Local Sourcing Requirements, Maximum Capacity Limits and Marginal Reliability Impact values shall be the summer Qualified Capacity value of such resources for the relevant zone. The rating of Demand Capacity Resources shall be the summer Qualified Capacity value reduced by any reserve margin adjustment factor that is otherwise included in the summer Qualified Capacity value. The rating of resources, except for Demand Capacity Resources, cleared in previous Forward Capacity Auctions and obligated for the relevant Capacity Commitment Period shall be based on the amount of Qualified Capacity that cleared in previous Forward Capacity Auctions or obligated for the relevant Capacity Commitment Period. Resources are located within the Capacity Zones in which they are electrically connected as determined during the qualification process.

**III.12.7.2.1. [Reserved.]**

**III.12.7.3. Resource Availability**.

The Installed Capacity Requirement, Local Sourcing Requirements, Maximum Capacity Limits and Marginal Reliability Impact values shall be calculated taking resource availability into account and shall be determined as follows:

For Existing Generating Capacity Resources:

(a) The most recent five-year moving average of EFORd shall be used as the measure of resource availability used in the calculation of the Installed Capacity Requirement, Local Resource Adequacy Requirements, Maximum Capacity Limits and Marginal Reliability Impact values. The most recent five-year moving average of EFORd shall be used as the measure of resource availability for non-peaking resources used in the calculation of Transmission Security Analysis Requirements. A deterministic adjustment factor, based on the operational experience of the ISO, shall be used as the measure of resource availability for peaking resources used in the calculation of Transmission Security Analysis Requirements, and will be reviewed periodically.

(b) [Reserved.]

(c) Once sufficient data are collected under the availability incentives in the Forward Capacity Market, a resource availability metric, which reflects resource availability in a manner that is consistent with the availability incentives in the Forward Capacity Market, shall be developed and reviewed with Governance Participants, the state utility regulatory agencies in New England and, as appropriate, other state agencies and used in the calculation of the Installed Capacity Requirement, Local Sourcing Requirements, Maximum Capacity Limits and Marginal Reliability Impact values.

For resources cleared in previous Forward Capacity Auctions or obligated for the relevant Capacity Commitment Period that do not have sufficient data to calculate an availability metric as defined in subsections (a) or (c) above, class average data for similar resource types shall be used. For Demand Capacity Resources, historical performance data for those resources will be used to develop an availability metric for use in the calculation of the Installed Capacity Requirement, Local Sourcing Requirements, Maximum Capacity Limits and Marginal Reliability Impact values.

**III.12.7.4. Load and Capacity Relief.**

Load and capacity relief expected from system-wide implementation of the following actions specified in ISO New England Operating Procedure No. 4. Action During a Capacity Deficiency, shall be included in the calculation of the Installed Capacity Requirement, Local Resource Adequacy Requirements, Maximum Capacity Limits and Marginal Reliability Impact values:

(a) **Implement voltage reduction**. The MW value of the load relief shall be equal to the percentage load reduction achieved in the most applicable voltage reduction tests multiplied by the forecasted seasonal peak loads.

(b) **Arrange for available Emergency energy from Market Participants or neighboring Control Areas.** These actions are included in the calculation through the use of tie benefits to meet system needs. The MW value of tie benefits is calculated in accordance with Section III.12.9.

(c) **Maintain an adequate amount of ten-minute synchronized reserves**. The amount of system reserves included in the determination of the Installed Capacity Requirement, Local Sourcing Requirements, Maximum Capacity Limits and Marginal Reliability Impact values shall be consistent with those needed for reliable system operations during Emergency Conditions. When modeling transmission constraints, the reserve requirement for a zone shall be the zone’s pro rata share of the forecasted system peak load multiplied by the system reserves needed for reliable system operations during Emergency Conditions.

**III.12.8. Load Modeling Assumptions**.

The ISO shall forecast load for the New England Control Area and for each Load Zone within the New England Control Area. The load forecasts shall be based on appropriate models and data inputs. Each year, the load forecasts and underlying methodologies, inputs and assumptions shall be reviewed with Governance Participants, the state utility regulatory agencies in New England and, as appropriate, other state agencies. If the load forecast shows a consistent bias over time, either high or low, the ISO shall propose adjustments to the load modeling methodology to the Governance Participants, the state utility regulatory agencies in New England and, as appropriate, other state agencies to eliminate the bias.

Demand Capacity Resources shall be reflected in the load forecast as specified below:

(a) Expected reductions from an installed or forecast Demand Capacity Resource not qualifying for or not participating in the Forward Capacity Auction shall be reflected as a reduction in the load forecast that will be used to determine the Installed Capacity Requirement, Local Sourcing Requirements, Maximum Capacity Limits and Marginal Reliability Impact values for the relevant Capacity Commitment Period. The expected reduction from these resources will be included in the load forecast to the extent that they meet the qualification process rules, including monitoring and verification plan and financial assurance requirements. If no qualification process rules are in place for the expected reductions from these resources, they shall not be included within the load forecast.

(b) Expected reductions from an installed or forecast Demand Capacity Resource that qualifies to participate in the Forward Capacity Market, participates but does not clear in the Forward Capacity Auction, or has cleared in a previous Forward Capacity Auction and is expected to continue in the Forward Capacity Market shall not be reflected as a reduction in the load forecast that will be used to determine the Installed Capacity Requirement, Local Sourcing Requirements, Maximum Capacity Limits and Marginal Reliability Impact values for the relevant Capacity Commitment Period.

(c) [Reserved.]

(d) Any realized Demand Capacity Resource reductions in the historical period that received Forward Capacity Market payments for these reductions, or Demand Capacity Resource reductions that are expected to receive Forward Capacity Market payments by participating in the upcoming Forward Capacity Auction or having cleared in a previous Forward Capacity Auction, shall be added back into the appropriate historical loads to ensure that such resources are not reflected as a reduction in the load forecast that will be used to determine the Installed Capacity Requirement, Local Sourcing Requirements, Maximum Capacity Limits and Marginal Reliability Impact values for the relevant Capacity Commitment Period.

**III.12.9. Tie Benefits.**

The Installed Capacity Requirement, Local Sourcing Requirements, Maximum Capacity Limits and Marginal Reliability Impact values shall be calculated assuming appropriate tie benefits, if any, available from interconnections with neighboring Control Areas. Tie benefits shall be calculated only for interconnections (1) without Capacity Network Import Interconnection Service or Network Import InterconnectionService or (2) that have not requested Capacity Network Import Interconnection Service or Network Import InterconnectionService with directly interconnected neighboring Control Areas with which the ISO has in effect agreements providing for emergency support to New England, including but not limited to inter-Control Area coordination agreements, emergency aid agreements and the NPCC Regional Reliability Plan.

Tie benefits shall be calculated using a probabilistic multi-area reliability model, by comparing the LOLE for the New England system before and after interconnecting the system to the neighboring Control Areas. To quantify tie benefits, firm capacity equivalents shall be added until the LOLE of the isolated New England Control Area is equal to the LOLE of the interconnected New England Control Area.

**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.**

For each Capacity Commitment Period, tie benefits shall be calculated for the Forward Capacity Auction and the third annual reconfiguration auction using the calculation methodology in this Section III.12.9. For the first and second annual reconfiguration auctions for a Capacity Commitment Period, the tie benefits calculated for the associated Forward Capacity Auction shall be utilized in determining the Installed Capacity Requirement, Local Sourcing Requirements, Maximum Capacity Limits and Marginal Reliability Impact values as adjusted to account for any changes in import capability of interconnections with neighboring Control Areas and changes in import capacity resources using the methodologies in Section III.12.9.6.

Tie benefits shall be calculated using the modeling assumptions developed in accordance with Section III.12.9.2 and using the General Electric Multi-area Reliability Simulation (MARS) program.

**III.12.9.1.2. Tie Benefits Calculation.**

The total tie benefits to New England from all directly interconnected neighboring Control Areas are calculated first using the methodology in Section III.12.9.3. Following the calculation of total tie benefits, individual tie benefits from each qualifying neighboring Control Area are calculated using the methodology in Section III.12.9.4.1. If the sum of the tie benefits from each Control Area does not equal the total tie benefits to New England, then each Control Area’s tie benefits are adjusted based on the ratio of the individual Control Area tie benefits to the sum of the tie benefits calculated for each Control Area using the methodology in Section III.12.9.4.2. Following this calculation, tie benefits are calculated for each qualifying individual interconnection or group of interconnections using the methodology in Section III.12.9.5.1. If the sum of the tie benefits from individual interconnections or groups of interconnections does not equal their associated Control Area’s tie benefits, then the tie benefits of each individual interconnection or group of interconnections is adjusted based on the ratio of the tie benefits of the individual interconnection or group of interconnections to the sum of the tie benefits within the Control Area using the methodology in Section III.12.9.5.2.

**III.12.9.1.3. Adjustments to Account for Transmission Import Capability and Capacity Imports.**

Once the initial calculation of tie benefits is performed, the tie benefits for each individual interconnection or group of interconnections is adjusted to account for capacity imports and any changes in the import capability of interconnections with neighboring Control Areas, using the methodologies in Section III.12.9.6. Once the import capability and capacity import adjustments are completed, the sum of the tie benefits of all individual interconnections and groups of interconnections for a Control Area, with the import capability and capacity import adjustments, represents the tie benefits associated with that Control Area, and the sum of the tie benefits from all Control Areas, with the import capability and capacity import adjustments, represents the total tie benefits available to New England.

**III.12.9.2. Modeling Assumptions and Procedures for the Tie Benefits Calculation.**

**III.12.9.2.1. Assumptions Regarding System Conditions.**

In calculating tie benefits, “at criterion” system conditions shall be used to model the New England Control Area and all interconnected Control Areas.

**III.12.9.2.2. Modeling Internal Transmission Constraints in New England.**

In calculating tie benefits, all New England internal transmission constraints that (i) are modeled in the most recent Regional System Plan resource adequacy studies and assessments and (ii) are not addressed by either a Local Sourcing Requirement or a Maximum Capacity Limit calculation shall be modeled, using the procedures in Section III.12.9.2.5.

**III.12.9.2.3. Modeling Transmission Constraints in Neighboring Control Areas.**

The ISO will review annually NPCC’s assumptions regarding transmission constraints in all directly interconnected neighboring Control Areas that are modeled for the tie benefits calculations. In the event that NPCC models a transmission constraint in one of the modeled neighboring Control Areas, the ISO will perform an evaluation to determine which interfaces are most critical to the ability of the neighboring Control Area to reliably provide tie benefits to New England from both operational and planning perspectives, and will model those transmission constraints in the tie benefits calculation, using the procedures in Section III.12.9.2.5.

**III.12.9.2.4. Other Modeling Assumptions.**

* + 1. External transfer capability determinations. The transfer capability of all external interconnections with New England will be determined using studies that take account of the load, resource and other electrical system conditions that are consistent with those expected during the Capacity Commitment Period for which the calculation is being performed. Transfer capability studies will be performed using simulations that consider the contingencies enumerated in sub-section (iii) below.

(i) The transmission system will be modeled using the following conditions:

 1. The forecast 90/10 peak load conditions for the Capacity Commitment Period;

 2. Qualified Existing Generating Capacity Resources reflecting their output at their

 Capacity Network Resource level;

 3. Qualified Existing Demand Capacity Resources reflecting their Capacity Supply

 Obligation received in the most recent Forward Capacity Auction;

 4. Transfers on the transmission system that impact the transfer capability of

 the interconnection under study.

(ii) The system will be modeled in a manner that reflects the design of the interconnection. If an interconnection and its supporting system upgrades were designed to provide incremental capacity into the New England Control Area, simulations will assume imports up to the level that the interconnection was designed to support. If the interconnection was not designed to be so comparably integrated, simulations will determine the amount of power that can be delivered into New England over the interconnection.

(iii) The simulations will take into account contingencies that address a fault on a generator or transmission facility, loss of an element without a fault, and circuit breaker failure following the loss of an element or an association with the operation of a special protection system.

* + 1. In calculating tie benefits, New England capacity exports are removed from the internal capacity resources and are modeled as a resource in the receiving Control Area.  The transfer capability of external interconnections is not adjusted to account for capacity exports.

**III.12.9.2.5. Procedures for Adding or Removing Capacity from Control Areas to Meet the 0.1 Days Per Year LOLE Standard.**

In calculating tie benefits, capacity shall be added or removed from the interconnected system of New England and its neighboring Control Areas, until the LOLE of New England and the LOLE of each Control Area of the interconnected system equals 0.1 days per year simultaneously. The following procedures shall be used to add or remove capacity within New England and the interconnected Control Areas to achieve that goal.

* + 1. **Adding Proxy Units within New England when the New England system is short of capacity**. In modeling New England as part of the interconnected system, if New England is short of capacity to meet the 0.1 days per year LOLE, proxy units (with the characteristics identified in Section III.12.7.1) will be added to the sub-areas that are created by any modeled internal transmission constraints within New England, beginning with the sub-area with the highest LOLE. If there are no modeled internal transmission constraints in the New England Control Area, then proxy units will be added to the entire Control Area. If, as a result of the addition of one or more proxy units, the system is surplus of capacity, then the methodology in Section III.12.9.2.5(b) will be used to remove the surplus capacity.
		2. **Removing capacity from New England when the New England system is surplus of capacity.** In modeling New England as part of the interconnected system, if New England is surplus of capacity to meet the 0.1 days per year LOLE, the surplus capacity will be removed from the sub-areas as follows. Resources will be removed from sub-areas with capacity surplus based on the ratio of capacity surplus in the sub-area to the total capacity surplus in these surplus sub-areas. The amount of capacity surplus for a sub-area is the amount of the Existing Qualified Capacity, and any amount of proxy units added in that sub-area that is above its 50-50 peak load forecast. Notwithstanding the foregoing, if removing resources will exacerbate a binding transmission constraint, then capacity will not be removed from that sub-area and will instead be removed from the remaining sub-areas using the same ratios described above for the removal of capacity surplus. If there are no modeled internal transmission constraints in the New England Control Area, then the surplus capacity shall be removed from the entire Control Area.
		3. **Adding capacity within neighboring Control Areas when the neighboring Control Area is short of capacity**. In modeling neighboring Control Areas as part of the interconnected system, if the neighboring Control Area is short of capacity to meet the 0.1 days per year LOLE, additional capacity will be added to the neighboring Control Area’s sub-areas that are created by any modeled internal transmissions constraints, beginning with the sub-area with the highest LOLE. If there are no modeled internal transmission constraints in the Control Area, then capacity will be added to the entire Control Area. The process that the neighboring Control Area utilizes in its resource adequacy study to meet its resource adequacy criterion will be utilized to add capacity to that Control Area. In filing the Installed Capacity Requirement values pursuant to Section III.12.3, the ISO will provide citations to any resource adequacy studies relied upon for these purposes. If, as a result of the capacity addition, the system is surplus of capacity, then the methodology in Section III.12.9.2.5(d) shall be used to remove the surplus capacity.
		4. **Removing capacity from neighboring Control Areas when the neighboring Control Area is surplus of capacity**. In modeling neighboring Control Areas as part of the interconnected system, if the neighboring Control Area is surplus of capacity to meet the 0.1 days per year LOLE, the surplus capacity will be removed from the neighboring Control Area’s sub-areas as follows. Resources will be removed from sub-areas with capacity surplus based on the ratio of capacity surplus in the sub-area to the total capacity surplus in the surplus sub-areas. The amount of capacity surplus for a sub-area is the amount of the installed capacity in the sub-area above its 50/50 peak load forecast. For a sub-area that has a minimum locational resource requirement above its 50/50 peak load forecast, the amount of capacity surplus is the amount of the installed capacity in the sub-area above its minimum locational resource requirement. Notwithstanding the foregoing, if removing resources from a sub-area will exacerbate a binding transmission constraint, then capacity will not be removed from that sub-area and will instead be removed from the remaining sub-areas using the same ratio of capacity surplus in the sub-area to the total capacity surplus in the those remaining surplus sub-areas. If there are no modeled internal transmission constraints in the neighboring Control Area, then the surplus capacity will be removed from the entire Control Area.
		5. **Maintaining the neighboring Control Area’s locational resource requirements**. In modeling a neighboring Control Area with internal transmission constraints, all minimum locational resource requirements in the Control Area’s sub-areas as established by the neighboring Control Area’s installed capacity requirement calculations shall be observed.

**III.12.9.3. Calculating Total Tie Benefits.**

The total tie benefits with all qualifying directly interconnected neighboring Control Areas shall be calculated by comparing the interconnection state of the New England system with all interconnections to neighboring Control Areas connected with the interconnection state of the New England system with all interconnections with neighboring Control Areas disconnected. To calculate total tie benefits:

* + 1. The New England system shall be interconnected with all directly interconnected neighboring Control Areas and the New England Control Area, and each neighboring Control Area shall be brought to 0.1 days per year LOLE simultaneously by adjusting the capacity of each Control Area, utilizing the methods for adding or removing capacity in Section III.12.9.2.5.
		2. Once the interconnected system is brought to 0.1 days per year LOLE, the LOLE of the New England Control Area shall be calculated a second time, with the New England system isolated from the rest of the interconnected system that was brought to 0.1 days per year LOLE.
		3. Total tie benefits shall be the sum of the amounts of firm capacity that needs to be added to the isolated New England Control Area at the point at which each interconnection with neighboring Control Areas interconnects in New England to bring the New England LOLE back to 0.1 days per year. This value is subject to adjustment in accordance with Section III.12.9.6.

**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.**

Tie benefits from each neighboring Control Area shall be determined by calculating the tie benefits for every possible interconnection state that has an impact on the tie benefit value between the New England system and the target neighboring Control Area. If two or more interconnections between New England and the target neighboring Control Area exist, then all interconnections grouped together will be used to represent the state of interconnection between New England and the target neighboring Control Area. The tie benefits from the target neighboring Control Area shall be equal to the simple average of the tie benefits calculated from all possible interconnection states, subject to adjustment in accordance with Section III.12.9.4.2.

**III.12.9.4.2. Pro Ration Based on Total Tie Benefits.**

If the sum of the individual Control Area tie benefits calculated in accordance with Section III.12.9.4.1 is different than the total tie benefits from all Control Areas calculated in accordance with Section III.12.9.3, then each Control Area’s tie benefits shall be increased or decreased based on the ratio of the individual Control Area tie benefits to the sum of the tie benefits for each individual Control Area, so that the sum of each Control Area’s tie benefits, after the pro-ration, is equal to the total tie benefits calculated in accordance with Section III.12.9.3. The pro-rated Control Area tie benefits are subject to further adjustment in accordance with Section III.12.9.6.

**III.12.9.5. Calculating Tie Benefits for Individual Ties.**

Tie benefits shall be calculated for an individual interconnection or group of interconnections to the extent that a discrete and material transfer capability can be identified for the interconnection or group of interconnections. All interconnections or groups of interconnections shall have equal rights in calculating individual tie benefits, with no grandfathering or incremental tie capability treatment.

For purposes of calculating tie benefits, a group of interconnections refers to two or more AC lines that operate in parallel to form a transmission interface in which there are significant overlapping contributions of each line toward establishing the transfer limit, such that the individual lines in a group of interconnections cannot be assigned individual contributions.

**III.12.9.5.1. Initial Calculation of Tie Benefits for an Individual Interconnection or Group of Interconnections.**

Tie benefits for an individual interconnection or group of interconnections shall be calculated by calculating tie benefits for each possible interconnection state between the New England system and the individual interconnection or group of interconnections. The tie benefits from that interconnection or group of interconnections shall be equal to the simple average of the tie benefits calculated from all possible interconnection states, subject to adjustment in accordance with Section III.12.9.5.2.

**III.12.9.5.2. Pro Ration Based on Total Tie Benefits.**

If the sum of the individual interconnection’s or group of interconnection’s tie benefits calculated in accordance with Section III.12.9.5.1 is different than the associated Control Area’s tie benefits calculated in accordance with Section III.12.9.4, then the tie benefits of the individual interconnection or group of interconnections shall be adjusted based on the ratio of the tie benefits of the individual interconnection or group of interconnections to the sum of the tie benefits for each interconnection or group of interconnections in that Control Area, so that the sum of the tie benefits for each interconnection or group of interconnections in the Control Area, after the pro-ration, is equal to the total tie benefits for the Control Area calculated in accordance with Section III.12.9.4. The pro-rated tie benefits for each interconnection or group of interconnections is subject to further adjustment in accordance with Section III.12.9.6.

**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.**

In the initial tie benefits calculations, capacity imports are modeled as internal resources in New England, and the import capability of the interconnections with neighboring Control Areas is not reduced to reflect the impact of capacity imports. After the initial tie benefits calculations, total tie benefits, tie benefits for each Control Area, and tie benefits from each individual interconnection or group of interconnections shall be adjusted to account for capacity imports using the methodology contained in this Section III.12.9.6.1. For the Forward Capacity Auction and third annual reconfiguration auction, this adjustment shall be applied to the tie benefit values calculated in accordance with Sections III.12.9.3, III.12.9.4 and III.12.9.5 respectively. For the first and second annual reconfiguration auctions, this adjustment shall be applied to the tie benefits values calculated for the Forward Capacity Auction.

* + 1. Capacity imports shall be deducted from the import capability of each individual interconnection or group of interconnections to determine the available import capability of the interconnection or group of interconnections prior to accounting for tie benefits from those interconnections. The transfer capability of an interconnection or group of interconnections shall be determined using the procedures in Section III.12.9.2.4.A.
		2. If the tie benefits value of an individual interconnection or group of interconnections, as determined in accordance with Section III.12.9.5, is greater than the remaining transmission import capability of the interconnection or group of interconnections after accounting for capacity imports, the tie benefit value of the individual interconnection or group of interconnections shall be equal to the remaining transmission import capability (taking into account any further adjustments to transmission import capability in accordance with Section III.12.9.6.2). If the tie benefits value of an individual interconnection or group of interconnections is not greater than the remaining transmission import capability after accounting for capacity imports, then the tie benefit value of the individual interconnection or group of interconnections shall be equal to the value determined in accordance with Section III.12.9.5 (taking into account any further adjustments to transmission import capability in accordance with Section III.12.9.6.2).
		3. The tie benefits for each Control Area shall be the sum of the tie benefits from the individual interconnections or groups of interconnections with that Control Area, after accounting for any adjustment for capacity imports and any further adjustments to transmission import capability in accordance with Section III.12.9.6.2.
		4. The total tie benefits from all qualifying neighboring Control Areas shall be the sum of the Control Area tie benefits, after accounting for any adjustment for capacity imports and any further adjustments to transmission import capability in accordance with Section III.12.9.6.2.
		5. For purposes of determining the adjustment to tie benefits to account for capacity imports under this Section III.12.9.6.1, the capacity imports applicable for determining tie benefits for the Forward Capacity Auction shall be the Qualified Existing Import Capacity Resources for the relevant Capacity Commitment Period, and the capacity imports applicable for determining tie benefits for the annual reconfiguration auctions are those Import Capacity Resources that hold Capacity Supply Obligations for the relevant Capacity Commitment Period as of the time the tie benefits calculation is being performed for the annual reconfiguration auction.

**III.12.9.6.2. Changes in the Import Capability of Interconnections with Neighboring Control Areas.**

For purposes of calculating tie benefits for the Forward Capacity Auction and third annual reconfiguration auction, the most recent import capability values for an interconnection or group of interconnections with a neighboring Control Area shall be reflected in the modeling of system conditions for the tie benefits calculation. In addition, for the first and second annual reconfiguration auctions, any changes to the import capability of an interconnection or group of interconnections with a neighboring Control Area shall be reflected in the adjustment to tie benefits to account for capacity imports under Section III.12.9.6.1.

**III.12.9.7. Tie Benefits Over the HQ Phase I/II HVDC-TF.**

The tie benefits from the Quebec Control Area over the HQ Phase I/II HVDC-TF calculated in accordance with Section III.12.9.1 shall be allocated to the Interconnection Rights Holders or their designees in proportion to their respective percentage shares of the HQ Phase I and the HQ Phase II facilities, in accordance with Section I of the Transmission, Markets and Services Tariff.

**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.**

For external interfaces, Import Capacity Resources shall be allowed in the Forward Capacity Auction and reconfiguration auctions up to the interface limit minus the tie benefits, calculated pursuant to Section III.12.9.1 or 12.9.2 over the applicable interface.

**III.13. Forward Capacity Market.**

The ISO shall administer a forward market for capacity (“Forward Capacity Market”) in accordance with the provisions of this Section III.13. For each one-year period from June 1 through May 31, starting with the period June 1, 2010 to May 31, 2011, for which Capacity Supply Obligations are assumed and payments are made in the Forward Capacity Market (“Capacity Commitment Period”), the ISO shall conduct a descending clock auction (“Forward Capacity Auction”) in accordance with the provisions of Section III.13.2 to procure the amount of capacity needed in the New England Control Area and in each modeled Capacity Zone during the Capacity Commitment Period, as determined in accordance with the provisions of Section III.12. To be eligible to assume a Capacity Supply Obligation for a Capacity Commitment Period through the Forward Capacity Auction, a resource must be accepted in the Forward Capacity Auction qualification process in accordance with the provisions of Section III.13.1. A Capacity Supply Obligation is an obligation to provide capacity from a resource, or a portion thereof, that is acquired through a Forward Capacity Auction in accordance with Section III.13.2, a reconfiguration auction in accordance with Section III.13.4, or a Capacity Supply Obligation Bilateral in accordance with Section III.13.5.

**III.13.1. Forward Capacity Auction Qualification**.

Each resource, or portion thereof, must qualify as a New Generating Capacity Resource (Section III.13.1.1), an Existing Generating Capacity Resource (Section III.13.1.2), a New Import Capacity Resource or Existing Import Capacity Resource (Section III.13.1.3), or a New Demand 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.

**III.13.1.1. New Generating Capacity Resources.**

To participate in a Forward Capacity Auction as a New Generating Capacity Resource, a resource or proposed resource must meet the requirements of this Section III.13.1.1.

**III.13.1.1.1. Definition of New Generating Capacity Resource.**

A resource or a portion of a resource that is not a New Import Capacity Resource or Existing Import Capacity Resource (as defined in Section III.13.1.3), or a New Demand Capacity Resource or Existing Demand Capacity Resource (as discussed in Section III.13.1.4) shall be considered a New Generating Capacity Resource for participation in a Forward Capacity Auction if either: (i) the resource has never previously been counted as a capacity resource as described in Section III.13.1.1.1.1; or (ii) the resource, or a portion thereof, meets one of the criteria in Section III.13.1.1.1.2.

**III.13.1.1.1.1. Resources Never Previously Counted as Capacity.**

(a) A resource, or a portion thereof, will be considered to have never been counted as a capacity resource if it has not cleared in any previous Forward Capacity Auction.

(b) [Reserved.]

(c) Where a New Capacity Generating Resource was accepted for participation in the qualification process for a previous Forward Capacity Auction, but cleared less than its summer Qualified Capacity in that previous Forward Capacity Auction and is having its critical path schedule monitored by the ISO in accordance with Section III.13.3, the portion of the resource that did not clear in the previous Forward Capacity Auction shall be a New Generating Capacity Resource in the subsequent Forward Capacity Auction. Such a New Generating Capacity Resource must satisfy all of the qualification process requirements applicable to a New Generating Capacity Resource as described in Section III.13.1.1.2, except that the Project Sponsor is not required to resubmit documentation demonstrating site control (Section III.13.1.1.2.2.1) or to resubmit a critical path schedule (Section III.13.1.1.2.2.2) or to provide a new Qualification Process Cost Reimbursement Deposit (Section III.13.1.1.2.1(e)).

**III.13.1.1.1.2. Resources Previously Counted as Capacity.**

A resource that has previously been counted as a capacity resource, including a deactivated or retired capacity resource, may elect to participate in the Forward Capacity Auction as a New Generating Capacity Resource, as described in this Section III.13.1.1.1.2. The incremental expenditure required to reactivate a resource that previously has been deactivated or retired pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions) may be included in the calculation of the dollar per kilowatt thresholds in this Section III.13.1.1.1.2. A resource accepted for participation in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to this Section III.13.1.1.1.2 shall participate in the Forward Capacity Auction pursuant to Section III.13.2.3.2(e). A resource shall be accepted for participation as a new resource if it complies with one of the following three subsections:

(a) Where investment in the resource will result, by the commencement of the Capacity Commitment Period, in an increase in output by an amount exceeding the greater of: (i) 20 percent of the summer Qualified Capacity of the resource at the time of the qualification process for the Forward Capacity Auction; or (ii) 40 MW above the summer Qualified Capacity of the resource at the time of the qualification process for the Forward Capacity Auction, the whole resource shall participate in the Forward Capacity Auction as a New Generating Capacity Resource; or

(b) Where investment in the resource subsequent to January 1, 2007 and prior to the conclusion of the first Capacity Commitment Period associated with the Capacity Supply Obligation for which treatment as a new resource may be applied, for the purposes of re-powering will be equal to or greater than $200 per kilowatt of the whole resource’s summer Qualified Capacity after re-powering, the owner of the resource may elect that the whole resource participate in the Forward Capacity Auction as a New Generating Capacity Resource. The $200 threshold (in base year 2008 dollars) shall be adjusted annually in accordance with the most recent Handy-Whitman Index of Public Utility Construction Costs; or

(c) Where investment in the resource subsequent to January 1, 2007 and prior to the conclusion of the first Capacity Commitment Period associated with the Capacity Supply Obligation for which treatment as a new resource may be applied, for the purpose of compliance with environmental regulations or permits will be equal to or greater than $100 per kilowatt of the whole resource’s summer Qualified Capacity after the investment, the owner of the resource may elect that the whole resource participate in the Forward Capacity Auction as a New Generating Capacity Resource. The $100 threshold (in base year 2008 dollars) shall be adjusted annually in accordance with the most recent Handy-Whitman Index of Public Utility Construction Costs.

**III.13.1.1.1.3. Incremental Capacity of Resources Previously Counted as Capacity.**

The owner of a resource previously counted as a capacity resource may elect to have the incremental amount of capacity above the summer Qualified Capacity of the resource at the time of the qualification process participate in the Forward Capacity Auction as a New Generating Capacity Resource, where investment in the resource:

(a) will result, by the start of the Capacity Commitment Period, in an increase in output greater than 2 percent of the summer Qualified Capacity of the resource at the time of the qualification process for the Forward Capacity Auction, but less than or equal to the greater of: (i) 20 percent of the summer Qualified Capacity of the resource at the time of the qualification process for the Forward Capacity Auction; or (ii) 40 MW; and

(b) will be equal to or greater than $200 per kilowatt of the amount of the increase in summer Qualified Capacity resulting from the investment. The $200 threshold (in base year 2008 dollars) shall be adjusted annually in accordance with the most recent Handy-Whitman Index of Public Utility Construction Costs. These investment costs may include the costs associated with reactivating a resource that was previously deactivated pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions) and in which investment in the resource was undertaken prior to reactivation. If the incremental amount of capacity seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to this Section does not cause the resource to exceed the megawatt amount approved in the resource’s Interconnection Agreement, the Project Sponsor must submit a New Capacity Qualification Package but is not required to submit a New Capacity Show of Interest Form for the incremental amount by the New Capacity Qualification Deadline. If the incremental amount of capacity seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to this Section III.13.1.1.1.3 causes the resource to exceed the megawatt amount approved in the resource’s Interconnection Agreement or MW amount approved pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions), the Project Sponsor must submit a New Capacity Show of Interest Form pursuant to Section III.13.1.1.2.1 and a New Capacity Qualification Package pursuant to Section III.13.1.1.2 for the incremental amount.

**III.13.1.1.1.3.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 or Intermittent Settlement Only 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 most recent Handy-Whitman Index of Public Utility Construction Costs. The owner of a resource seeking to have the incremental amount of capacity counted as a New Generating Capacity Resource as provided in this Section, must demonstrate based on 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 Commercial Operation shall, subject to ISO review and acceptance of that reactivation plan, be treated as an Existing Generating Capacity Resource unless that resource satisfies the criteria under Section III.13.1.1.1.2 as a New Generating Capacity Resource. Such reactivation plans must be received by the ISO no later than 15 Business Days before the Existing Capacity Retirement Deadline. A resource that previously has been deactivated or retired pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions), as applicable, that submits to the ISO a reactivation plan demonstrating that the resource shall return to Commercial Operation and having a material modification as described in Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions), as applicable, shall be subject to Section III.13.1.1.2.3 (Initial Interconnection Analysis).

**III.13.1.1.1.7 Renewable Technology Resources.**

To participate in the Forward Capacity Market as a Renewable Technology Resource, a Generating Capacity Resource or an On-Peak Demand Resource (including every Asset that is part of the On-Peak Demand Resource) must satisfy the following requirements:

1. receive an out-of-market revenue source supported by a state- or federally-regulated rate, charge or other regulated cost recovery mechanism;
2. qualify as a renewable or alternative energy generating resource under any New England state’s mandated (either by statute or regulation) renewable or alternative energy portfolio standards as in effect on January 1, 2014, or, in states without a standard, qualify under that state’s renewable energy goals as a renewable resource (either by statute or regulation) as in effect on January 1, 2014. The resource must qualify as a renewable or alternative energy generating resource in the state in which it is geographically located;
3. participate in a Forward Capacity Auction for a Capacity Commitment Period beginning on or after June 1, 2018 as a New Generating Capacity Resource or New Demand Capacity Resource pursuant to Section III.13.1.1, and;
4. has been designated for treatment as a Renewable Technology Resource pursuant to Section III.13.1.1.2.9.

An Export De-List Bid or Administrative Export De-List Bid may not be submitted for Generating Capacity Resources that assumed a Capacity Supply Obligation by participating in a Forward Capacity Auction as a Renewable Technology Resource.

**III.13.1.1.2. Qualification Process for New Generating Capacity Resources.**

For a resource to qualify as a New Generating Capacity Resource, the resource’s Project Sponsor must make two separate submissions to the ISO: First, the Project Sponsor must submit a New Capacity Show of Interest Form during the New Capacity Show of Interest Submission Window. Second, the Project Sponsor must submit a New Capacity Qualification Package no later than the New Capacity Qualification Deadline. Each of these submissions is described in more detail in this Section III.13.1.1.2. The Project Sponsor must also submit to the ISO, or in the case of an Import Capacity Resource seeking to qualify with an Elective Transmission Upgrade be associated with, an 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 project’s expected Commercial Operation date; the project address or location, and if relevant, asset identification number; the status of the project under the interconnection procedures described in Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff; whether the resource has ever previously had a Capacity Supply Obligation or previously received payment as a capacity resource pursuant to the market rules in effect prior to June 1, 2010; the capacity (in MW) of the New Generating Capacity Resource; the Economic Minimum Limit (in MW) of the New Generating Capacity Resource; a general description of the project’s equipment configuration, including a description of the resource type (such as those listed in the table in Section III.A.21 or some other type); a simple location plan and a one-line diagram of the plant and station facilities, including any known transmission facilities; the location of the proposed interconnection; and other specific project data as set forth in the New Capacity Show of Interest Form. The ISO may waive the submission of any information not required for evaluation of a project. A completed New Capacity Show of Interest Form shall also specify the Queue Position associated with the project pursuant to Section 4.1 of Schedule 22, Section 1.5 of Schedule 23 or Section 4.1 of Schedule 25 of Section II of the Transmission, Markets and Services Tariff. In the case of a resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Generating Capacity Resource that is supported by an Internal Elective Transmission Upgrade, all Queue Positions associated with the project must be submitted in the New Capacity Show of Interest Form. Submittal of the Interconnection Request may take place prior to the qualification process described here, but no later than the date on which the New Capacity Show of Interest Form is submitted to the ISO; however, the Interconnection Customer Interconnection Request must still be active and consistent with the project described in the New Capacity Show of Interest Form as well as the New Capacity Qualification Package to be submitted as described in Section III.13.1.1.2.2.

(b) The Project Sponsor must submit with the New Capacity Show of Interest Form, documentation demonstrating that the Project Sponsor has already achieved control of the project site for the duration of the relevant Capacity Commitment Period pursuant to Section III.13.1.1.2.2.1.

(c) In the New Capacity Show of Interest Form, the Project Sponsor must indicate if the New Generating Capacity Resource is incremental capacity associated with a resource that previously had a Capacity Supply Obligation or previously received payment as a capacity resource pursuant to the market rules in effect prior to June 1, 2010 as discussed in Section III.13.1.1.1.3, or if the New Generating Capacity Resource is incremental capacity associated with a resource previously listed as a capacity resource that has been de-rated for three or more years at the time of the Forward Capacity Auction, as discussed in Section III.13.1.1.1.4.

(d) [Reserved.]

(e) With the New Capacity Show of Interest Form, the Project Sponsor must submit the Qualification Process Cost Reimbursement Deposit, as described in Section III.13.1.9.3.

**III.13.1.1.2.2. New Capacity Qualification Package**.

For each resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Generating Capacity Resource, the Project Sponsor must submit a New Capacity Qualification Package no later than the New Capacity Qualification Deadline, described in Section III.13.1.10. Except as otherwise provided in this Section III.13.1, the New Capacity Qualification Package shall conform to the requirements of this Section III.13.1.1.2.2. The ISO may waive the submission of any information not required for evaluation of a project. No change that may result in a reduction in capacity may be made to a project described in a New Capacity Show of Interest Form or New Capacity Qualification Package between the date that is 150 days before the start of the Forward Capacity Auction and the deadline for qualification determination notifications described in Section III.13.1.1.2.8.

**III.13.1.1.2.2.1. Site Control.**

For all Forward Capacity Auctions and reconfiguration auctions, the Project Sponsor must achieve, prior to the close of the New Capacity Show of Interest Submission Window, control of the project site for the duration of the relevant Capacity Commitment Period, which shall be as defined in Section 4.1 of Schedule 22, Section 1.5 of Schedule 23 or Section 4.1 of Schedule 25 of Section II of the Transmission, Markets and Services Tariff.

**III.13.1.1.2.2.2. Critical Path Schedule.**

In the New Capacity Qualification Package, the Project Sponsor must provide a critical path schedule for the project with sufficient detail to allow the ISO to evaluate the feasibility of the project being built and the feasibility that the project will meet the requirement that the project achieve Commercial Operation as qualified no later than the start of the relevant Capacity Commitment Period. The critical path schedule shall include, at a minimum, the dates on which the following milestones have or are expected to occur:

(a) **Major Permits**. In the New Capacity Qualification Package, the Project Sponsor must list all major permits required for the project, and for each major permit, the Project Sponsor must list the agency requiring the permit, the date on which application for the permit is expected to be made, and the expected date of approval. Major permits shall include, but are not limited to: (i) all federal and state permits; and (ii) local, regional, and town permits. The permitting and installation process associated with any major ancillary infrastructure (such as new gas pipelines, new water supply systems, or large storage tanks) should be included in this portion of the New Capacity Qualification Package.

(b) **Project Financing Closing**. In the New Capacity Qualification Package, the Project Sponsor shall provide (i) the estimated dollar amount of required project financing; (ii) the expected sources of that financing; and (iii) the expected closing date(s) for the project financing.

(c) **Major Equipment Orders**. In the New Capacity Qualification Package, the Project Sponsor must provide a list of all of the major components necessary for the project, and the date or dates on which all major components necessary for the project have been or are expected to be ordered. Although the specific technology will determine the list of major components to be included, the list shall include, to the extent applicable: (i) electric generators which may include equipment such as fuel cells or solar photovoltaic equipment; (ii) turbines; (iii) step-up transformers; (iv) relay panels (v) distributed control systems; and (vi) any other single piece of equipment or system such as a cooling water system, steam generation, steam handling system, water treatment system, fuel handling system or emissions control system that is not included as a sub-component of other equipment listed in this Section III.13.1.1.2.2.2(d) 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 (d) above is scheduled to undergo testing, including major systems testing, as appropriate for the specific technology to establish its suitability to allow, in conjunction with other major equipment, subsequent Commercial Operation of the project in accordance with the design capacity of the resource and in accordance with Good 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. This date must be no later than the start of the Capacity Commitment Period associated with the Forward Capacity Auction.

**III.13.1.1.2.2.3. Offer Information**.

(a) All New Generating Capacity Resources that might submit offers in the Forward Capacity Auction at prices below the relevant Offer Review Trigger Price must include in the New Capacity Qualification Package the lowest price at which the resource requests to offer capacity in the Forward Capacity Auction and supporting documentation justifying that price as competitive in light of the resource’s costs (as described in Section III.A.21). This price is subject to review by the Internal Market Monitor pursuant to Section III.A.21.2 and must include the additional documentation described in that Section.

(b) The Project Sponsor for a New Generating Capacity Resource must indicate in the New Capacity Qualification Package if an offer from the New Generating Capacity Resource may be rationed. A Project Sponsor may specify a single MW quantity at or above the Economic Minimum Limit to which offers may be rationed. Without such indication, offers will only be accepted or rejected in whole. This rationing election shall apply for the entire Forward Capacity Auction.

(c) By submitting a New Capacity Qualification Package, the Project Sponsor certifies that an offer from the New Generating Capacity Resource will not include any anticipated revenues the resource is expected to receive for its capacity cost as a Qualified Generator Reactive Resource pursuant to Schedule 2 of Section II of the Transmission, Markets and Services Tariff.

**III.13.1.1.2.2.4. Capacity Commitment Period Election.**

In the New Capacity Qualification Package, the Project Sponsor must specify whether, if its New Capacity Offer clears in the Forward Capacity Auction, the associated Capacity Supply Obligation and Capacity Clearing Price (indexed for inflation) shall continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, for up to six additional and consecutive Capacity Commitment Periods, in whole Capacity Commitment Period increments only. For incremental capacity qualified pursuant to Section III.13.1.1.1.3.A, this election shall apply to both the incremental amount of capacity and the existing Qualified Capacity matched to the incremental capacity at the same generating resource. If no such election is made in the New Capacity Qualification Package, the Capacity Supply Obligation and Capacity Clearing Price associated with the New Capacity Offer shall apply only for the Capacity Commitment Period associated with the Forward Capacity Auction in which the New Capacity Offer clears. If a New Capacity Offer clears in the Forward Capacity Auction, the capacity associated with the resulting Capacity Supply Obligation may not be subject to any type of de-list or export bid in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply pursuant to this Section III.13.1.1.2.2.4.

**III.13.1.1.2.2.5. Additional Requirements for Resources Previously Counted As Capacity**.

In addition to the information described elsewhere in this Section III.13.1.1.2.2:

(a) For each resource seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.2 (re-powering), Section III.13.1.1.1.3 (incremental capacity), or Section III.13.1.1.1.4 (de-rated capacity), the Project Sponsor must include in the New Capacity Qualification Package documentation of the costs associated with the project in sufficient detail to allow the ISO to determine that the relevant cost threshold (described in Sections III.13.1.1.1.2(b), III.13.1.1.1.3(b), and III.13.1.1.1.4) will be met.

(b) For each resource seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.2(c) (environmental compliance), the Project Sponsor must include in the New Capacity Qualification Package: (i) a detailed description of the specific regulations that it is seeking to comply with and the permits that it must obtain; and (ii) documentation of the costs associated with the project in sufficient detail to allow the ISO to determine that the relevant cost threshold (described in Section III.13.1.1.1.2(c)) will be met.

(c) For each resource seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Sections III.13.1.1.1.2, III.13.1.1.1.3, or III.13.1.1.1.4, the Project Sponsor must include in the New Capacity Qualification Package detailed information showing how and when the resource will shed its Capacity Supply Obligation to accommodate necessary work on the facility, if necessary. The Project Sponsor must also include the shedding of its Capacity Supply Obligation as an additional milestone in the critical path schedule described in Section III.13.1.1.2.2.2.

**III.13.1.1.2.2.6.** **Additional Requirements for New Generating Capacity Resources that are Intermittent Power Resources and Intermittent Settlement Only Resources**.

In addition to the information described elsewhere in this Section III.13.1.1.2.2, for each Intermittent Power Resource and Intermittent Settlement Only Resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Generating Capacity Resource, the Project Sponsor must include in the New Capacity Qualification Package:

(a) a claimed summer Qualified Capacity and a claimed winter Qualified Capacity based on the data described in Section III.13.1.1.2.2.6(b);

(b) measured and recorded site-specific summer and winter data relevant to the expected performance of the Intermittent Power Resource and Intermittent Settlement Only Resource (including wind speed data for wind resources, water flow data for run-of-river hydropower resources, and irradiance data for solar resources) that, with the other information provided in the New Capacity Qualification Package, will enable the ISO to confirm the summer and winter Qualified Capacity that the Project Sponsor claims for the Intermittent Power Resource or the Intermittent Settlement Only Resource.

**III.13.1.1.2.3. Initial Interconnection Analysis.**

(a) For each New Generating Capacity Resource, the ISO shall perform an initial interconnection analysis, including an analysis of overlapping interconnection impacts, based on the information provided in the New Capacity Show of Interest Form and shall determine the amount of capacity that the resource could provide by the start of the associated Capacity Commitment Period. The initial interconnection analysis shall be performed consistent with the criteria and conditions described in ISO New England Planning Procedures, and will include, but will not be limited to, a power flow analysis and a short circuit analysis. No initial interconnection analysis is required where the total requested Qualified Capacity of a New Generating Capacity Resource pursuant to Sections III.13.1.1.2, III.13.1.1.3, III.13.1.1.4, or III.13.1.1.6 can be realized without a Material Modification (as defined in Section 4.4 of Schedule 22, Section 1.5 of Schedule 23 and Section 4.4 of Schedule 25 of Section II of the Transmission, Markets and Services Tariff). The ISO will perform the initial interconnection analysis in the form of a group study that will include all the projects that have submitted a New Capacity Show of Interest Form to participate in the same Capacity Commitment Period (as described in Section 4.1 of Schedule 22 and Section 1.5 of Schedule 23 of Section II of the Transmission, Markets and Services Tariff). Participation in an initial interconnection analysis is a requirement for obtaining Capacity Network Resource Interconnection Service or Capacity Network Import Interconnection Service in a manner that meets the Capacity Capability Interconnection Standard in accordance with the provisions in Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff.

(b) If as a result of the initial interconnection analysis, the ISO determines that the interconnection facilities and upgrades identified in the qualification process that are necessary to enable the New Generating Capacity Resource to provide the entire amount of capacity indicated in the New Capacity Show of Interest Form 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 or Intermittent Settlement Only Resource, sufficient data for confirming the resource’s claimed summer and winter Qualified Capacity is provided, and whether the data provided reasonably supports the claimed summer and winter Qualified Capacity.

**III.13.1.1.2.5. Qualified Capacity for New Generating Capacity Resources.**

**III.13.1.1.2.5.1. New Generating Capacity Resources Other Than Intermittent Power Resources and Intermittent Settlement Only Resources**.

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

The summer Qualified Capacity and winter Qualified Capacity of a New Generating Capacity Resource that is an Intermittent Power Resource or an Intermittent Settlement Only Resource shall be the summer Qualified Capacity and winter Qualified Capacity claimed by the Project Sponsor pursuant to Section III.13.1.1.2.2.6, as confirmed by the ISO pursuant to Section III.13.1.1.2.4(e). The FCA Qualified Capacity for such a resource shall be equal to the resource’s summer Qualified Capacity, as adjusted to account for applicable offers composed of separate resources.

**III.13.1.1.2.5.4. New Generating Capacity Resources Partially Clearing in a Previous Forward Capacity Auction**.

Where, as discussed in Section III.13.1.1.1.1(c), a New Generating Capacity Resource was accepted for participation in a previous Forward Capacity Auction, but cleared less than its summer or winter Qualified Capacity in that previous Forward Capacity Auction and is having its critical path schedule monitored by the ISO as described in Section III.13.3, its summer and winter Qualified Capacity as a New Generating Capacity Resource in the instant Forward Capacity Auction shall be the summer and winter Qualified Capacity from the previous Forward Capacity Auction minus the amount of capacity clearing from the New Generating Capacity Resource in the previous Forward Capacity Auction. The FCA Qualified Capacity for such a resource shall be the lesser of the resource’s summer Qualified Capacity and winter Qualified Capacity, as adjusted to account for applicable offers composed of separate resources. The amount of capacity clearing in a Forward Capacity Auction from a New Generating Capacity Resource shall be treated as an Existing Generating Capacity Resource in subsequent Forward Capacity Auctions.

**III.13.1.1.2.6. [Reserved.]**

**III.13.1.1.2.7. Opportunity to Consult with Project Sponsor.**

In its review of a New Capacity Show of Interest Form or a New Capacity Qualification Package, the ISO may consult with the Project Sponsor to seek clarification, to gather additional necessary information, or to address questions or concerns arising from the materials submitted. At the discretion of the ISO, the ISO may consider revisions or additions to the qualification materials resulting from such consultation; provided, however, that in no case shall the ISO consider revisions or additions to the qualification materials if the ISO believes that such consideration cannot be properly accomplished within the time periods established for the qualification process. In addition, the ISO or the Project Sponsor may confer to seek clarification, to gather additional necessary information, or to address questions or concerns prior to the ISO’s final determination and notification of qualification.

**III.13.1.1.2.8. Qualification Determination Notification for New Generating Capacity Resources**.

No later than 127 days before the Forward Capacity Auction, the ISO shall send notification to Project Sponsors or Market Participants, as applicable, for each New Generating Capacity Resource indicating:

(a) whether the New Generating Capacity Resource has been accepted for participation in the Forward Capacity Auction as a result of the initial interconnection analysis made pursuant to Section III.13.1.1.2.3, and if not accepted, an explanation of the reasons the New Generating Capacity Resource was not accepted in the initial interconnection analysis;

(b) whether the New Generating Capacity Resource has been accepted for participation in the Forward Capacity Auction as a result of the New Capacity Qualification Package evaluation made pursuant to Section III.13.1.1.2.4, and if not accepted, an explanation of the reasons the New Generating Capacity Resource’s New Capacity Qualification Package was not accepted;

(c) if accepted for participation in the Forward Capacity Auction, a list of the facilities that may be required to complete the interconnection for purposes of providing capacity and time required to construct those facilities by the start of the associated Capacity Commitment Period, as discussed in Section III.13.1.1.2.3(d);

(d) if accepted for participation in the Forward Capacity Auction, the New Generating Capacity Resource’s summer Qualified Capacity and winter Qualified Capacity, as determined pursuant to Section III.13.1.1.2.5;

(e) if accepted for participation in the Forward Capacity Auction, but subject to the provisions of Section III.13.1.1.2.3(f) (where not all New Generating Capacity Resources can be interconnected due to their combined effects on the New England Transmission System), a description of how the New Generating Capacity Resource shall participate in the Forward Capacity Auction, including, for the fourth and future auctions: (i) whether the resource shall participate as a Conditional Qualified New Resource; (ii) for the notification to a Conditional Qualified New Resource, the Queue Position of the associated resource with higher queue priority; and (iii) for the notification to a resource with higher queue priority than a Conditional Qualified New Resource, the Queue Position of the Conditional Qualified New Resource; and

(f) if accepted for participation in the Forward Capacity Auction and requesting to submit offers at prices below the relevant Offer Review Trigger Price pursuant to Section III.13.1.1.2.2.3, the Internal Market Monitor’s determination regarding whether the requested offer price is consistent with the long run average costs of that New Generating Capacity Resource.

**III.13.1.1.2.9 Renewable Technology Resource Election.**

A Project Sponsor or Market Participant electing Renewable Technology Resource treatment for the FCA Qualified Capacity of a New Generating Capacity Resource or New Demand Capacity Resource shall submit a Renewable Technology Resource election form no later than five Business Days after the date on which the ISO provides qualification determination notifications pursuant to Section III.13.1.1.2.8 or Section III.13.1.4.1.1.6. Only the portion of the FCA Qualified Capacity of the resource that meets the requirements of Section III.13.1.1.1.7 is eligible for treatment as a Renewable Technology Resource.

Renewable Technology Resource elections may not be modified or withdrawn after the deadline for submission of the Renewable Technology Resource election form.

The submission of a Renewable Technology Resource election that satisfies the requirements of Section III.13.1.1.1.7 will invalidate a prior multi-year Capacity Supply Obligation and Capacity Clearing Price election for the same resource made pursuant to Section III.13.1.4.1.1.2.7 or Section III.13.1.1.2.2.4 for a Forward Capacity Auction.

**III.13.1.1.2.10 Determination of Renewable Technology Resource Qualified Capacity.**

1. If the total FCA Qualified Capacity of Renewable Technology Resources exceeds the cap specified in subsections (b), (c) and (d) the qualified capacity value of each resource shall be prorated by the ratio of the cap divided by the total FCA Qualified Capacity. The ISO shall notify the Project Sponsor or Market Participant, as applicable, of the Qualified Capacity value of its resource no more than three Business Days after the deadline for submitting Renewable Technology Resource elections.
2. The cap for the Capacity Commitment Period beginning on June 1, 2018 is 200 MW.
3. The cap for the Capacity Commitment Period beginning on June 1, 2019 is 400 MW minus the amount of Capacity Supply Obligations acquired by Renewable Technology Resources that are New Generating Capacity Resources pursuant to Section III.13.2 in the prior Capacity Commitment Period.
4. The cap for each Capacity Commitment Period beginning on or after June 1, 2020 is 600 MW minus the amount of Capacity Supply Obligations acquired by Renewable Technology Resources that are New Generating Capacity Resources pursuant to Section III.13.2 in the prior two Capacity Commitment Periods.

**III.13.1.2. Existing Generating Capacity Resources.**

An Existing Generating Capacity Resource, as defined in Section III.13.1.2.1, may participate in the Forward Capacity Auction pursuant to the provisions of this Section III.13.1.2.

**III.13.1.2.1. Definition of Existing Generating Capacity Resource**.

Any resource that does not satisfy the criteria for participating in the Forward Capacity Auction as a New Generating Capacity Resource (Section III.13.1.1), as an Existing Import Capacity Resource or New Import Capacity Resource (Section III.13.1.3), or as a New Demand Capacity Resource or Existing Demand Capacity Resource (Section III.13.1.4) shall be an Existing Generating Capacity Resource.

**III.13.1.2.2. Qualified Capacity for Existing Generating Capacity Resources.**

**III.13.1.2.2.1. Existing Generating Capacity Resources Other Than Intermittent Power Resources and Intermittent Settlement Only Resources.**

**III.13.1.2.2.1.1. Summer Qualified Capacity.**

The summer Qualified Capacity of an Existing Generating Capacity Resource that is not an Intermittent Power Resource or an Intermittent Settlement Only Resource shall be equal to the median of that Existing Generating Capacity Resource’s summer Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day in October of each year, with only positive summer ratings included in the median calculation. For the first Forward Capacity Auction, the summer Qualified Capacity of an Existing Generating Capacity Resource shall be equal to the median of that Existing Generating Capacity Resource’s summer Seasonal Claimed Capability ratings from the most recent four years, as of the fifth Business Day in October of each year, with only positive summer ratings included in the median calculation. Where an Existing Generating Capacity Resource has fewer than five summer Seasonal Claimed Capability ratings, or in the case of the first Forward Capacity Auction, fewer than four summer Seasonal Claimed Capability ratings, then the summer Qualified Capacity for that Existing Generating Capacity Resource shall be equal to the median of all of that Existing Generating Capacity Resource’s previous summer Seasonal Claimed Capability ratings, as of the fifth Business Day in October of each year, with only positive summer ratings included in the median calculation. If for an Existing Generating Capacity Resource there are no previous positive summer Seasonal Claimed Capability ratings because the Existing Generating Capacity Resource has not yet achieved Commercial Operation, then the Existing Generating Capacity Resource’s summer Qualified Capacity shall be equal to the amount of capacity clearing from the resource as a New Generating Capacity Resource in previous Forward Capacity Auctions.

**III.13.1.2.2.1.2. Winter Qualified Capacity.**

The winter Qualified Capacity of an Existing Generating Capacity Resource that is not an Intermittent Power Resource or an Intermittent Settlement Only Resource shall be equal to the median of that Existing Generating Capacity Resource’s winter Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day in June of each year, with only positive winter ratings included in the median calculation. For the first Forward Capacity Auction, the winter Qualified Capacity of an Existing Generating Capacity Resource shall be equal to the median of that Existing Generating Capacity Resource’s winter Seasonal Claimed Capability ratings from the most recent four years, as of the fifth Business Day in June of each year, with only positive winter ratings included in the median calculation. Where an Existing Generating Capacity Resource has fewer than five winter Seasonal Claimed Capability ratings, or in the case of the first Forward Capacity Auction, fewer than four winter Seasonal Claimed Capability ratings, then the winter Qualified Capacity for that Existing Generating Capacity Resource shall be equal to the median of all of that Existing Generating Capacity Resource’s previous winter Seasonal Claimed Capability ratings, as of the fifth Business Day in June of each year, with only positive winter ratings included in the median calculation. If for an Existing Generating Capacity Resource there are no previous positive winter Seasonal Claimed Capability ratings because the Existing Generating Capacity Resource has not yet achieved Commercial Operation, then the Existing Generating Capacity Resource’s winter Qualified Capacity shall be equal to the amount of capacity clearing from the resource as a New Generating Capacity Resource in previous Forward Capacity Auctions.

**III.13.1.2.2.2. Existing Generating Capacity Resources that are Intermittent Power Resources and Intermittent Settlement Only Resources.**

The summer and winter Qualified Capacity for an Existing Generating Capacity Resource that is an Intermittent Power Resource or Intermittent Settlement Only Resource shall be calculated as follows:

**III.13.1.2.2.2.1. Summer Qualified Capacity for an Intermittent Power Resource and Intermittent Settlement Only Resource.**

(a) With regard to any Forward Capacity Auction, for each of the previous five summer periods, the ISO shall determine the median of the Intermittent Power Resource’s and Intermittent Settlement Only Resource’s net output in the Summer Intermittent Reliability Hours. If the Intermittent Power Resource or Intermittent Settlement Only Resource has not been in Commercial Operation for the requisite five full summer periods, the ISO shall determine the median of the Intermittent Power Resource’s net output in each of the previous summer periods, or portion thereof if the Intermittent Power Resource or Intermittent Settlement Only Resource achieved Commercial Operation during a summer period. If the Intermittent Power Resource or Intermittent Settlement Only Resource began Commercial Operation after the 2006 summer period and prior to the first Forward Capacity Auction, its summer Qualified Capacity shall be established pursuant to Section III.13.1.1.2.2.6, as confirmed by the ISO pursuant to Section III.13.1.1.2.4(e).

(b) The Intermittent Power Resource’s or Intermittent Settlement Only Resource’s summer Qualified Capacity shall be the average of the median numbers determined in Section III.13.1.2.2.2.1(a).

(c) The Summer Intermittent Reliability Hours shall be hours ending 1400 through 1800 each day of the summer period (June through September) and all summer period hours in which there was a system-wide Capacity Scarcity Condition and if the Intermittent Power Resource or Intermittent Settlement Only 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 or an Intermittent Settlement Only Resource there are no previous positive summer Seasonal Claimed Capability ratings because the Existing Generating Capacity Resource has not yet achieved Commercial Operation, then the Existing Generating Capacity Resource’s summer Qualified Capacity shall be equal to the amount of capacity clearing from the resource as a New Generating Capacity Resource in previous Forward Capacity Auctions.

**III.13.1.2.2.2.2. Winter Qualified Capacity for an Intermittent Power Resource and Intermittent Settlement Only Resources.**

(a) With regard to any Forward Capacity Auction, for each of the previous five winter periods, the ISO shall determine the median of the Intermittent Power Resource’s and Intermittent Settlement Only Resource’s net output in the Winter Intermittent Reliability Hours. If the Intermittent Power Resource or Intermittent Settlement Only Resource has not been in Commercial Operation for the requisite five full winter periods, the ISO shall determine the median of the Intermittent Power Resource’s and Intermittent Settlement Only Resource’s net output in each of the previous winter periods, or portion thereof if the Intermittent Power Resource or Intermittent Settlement Only Resource achieved Commercial Operation during a winter period.

(b) The Intermittent Power Resource’s and Intermittent Settlement Only Resource’s winter Qualified Capacity shall be the average of the 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 or Intermittent Settlement Only 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 or an Intermittent Settlement Only Resource there are no previous positive winter Seasonal Claimed Capability ratings because the Existing Generating Capacity Resource has not yet achieved Commercial Operation, then the Existing Generating Capacity Resource’s winter Qualified Capacity shall be equal to the amount of capacity clearing from the resource as a New Generating Capacity Resource in previous Forward Capacity Auctions.

**III.13.1.2.2.3. Qualified Capacity Adjustment for Partially New and Partially Existing Resources.**

(a) Where an Existing Generating Capacity Resource is associated with a New Generating Capacity Resource that was accepted for participation in a previous Forward Capacity Auction qualification process and that cleared in a previous Forward Capacity Auction, then in each subsequent Forward Capacity Auction until the New Generating Capacity Resource achieves Commercial Operation the summer Qualified Capacity of that Existing Generating Capacity Resource shall be the sum of [the median of that Existing Generating Capacity Resource’s positive summer Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day of October of each year, calculated in a manner consistent with Section III.13.1.2.2.1.1] plus [the amount of the New Generating Capacity Resource’s capacity clearing in previous Forward Capacity Auctions]. After the New Generating Capacity Resource achieves Commercial Operation, the Existing Generating Capacity Resource’s summer Qualified Capacity shall be calculated as described in Section III.13.1.2.2.1.1, except that no data from the time period prior to the New Generating Capacity Resource’s Commercial Operation date shall be used to determine the summer Qualified Capacity associated with the Existing Generating Capacity Resource.

(b) Where an Existing Generating Capacity Resource is associated with a New Generating Capacity Resource that was accepted for participation in a previous Forward Capacity Auction qualification process and that cleared in a previous Forward Capacity Auction, then in each subsequent Forward Capacity Auction until the New Generating Capacity Resource achieves Commercial Operation the winter Qualified Capacity of that Existing Generating Capacity Resource shall be the sum of [the median of that Existing Generating Capacity Resource’s positive winter Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day of June of each year, calculated in a manner consistent with Section III.13.1.2.2.1.2] plus [the amount of the New Generating Capacity Resource’s capacity clearing in previous Forward Capacity Auctions]. After the New Generating Capacity Resource achieves Commercial Operation, the Existing Generating Capacity Resource’s winter Qualified Capacity shall be calculated as described in Section III.13.1.2.2.1.2, except that no data from the time period prior to the New Generating Capacity Resource’s Commercial Operation date shall be used to determine the winter Qualified Capacity associated with the Existing Generating Capacity Resource.

**III.13.1.2.2.4. Adjustment for Significant Decreases in Capacity Prior to the Existing Capacity Retirement Deadline.**

Where the most recent summer Seasonal Claimed Capability, as of the fifth Business Day in October, of an Existing Generating Capacity Resource that is not a Settlement Only Resource, Intermittent Power Resource, or Intermittent Settlement Only Resource is below its summer Qualified Capacity, as determined pursuant to Section III.13.1.2.2.1.1, by more than the lesser of 20 percent of that summer Qualified Capacity or 40 MW, then the Lead Market Participant must elect one of the 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 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 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 that is not a Settlement Only Resource, meets the requirements of Section III.13.1.1.1.3(a) but not the requirements of Section III.13.1.1.1.3(b), the Lead Market Participant may elect to have the Existing Generating Capacity Resource’s summer Qualified Capacity be the sum of [the median of that Existing Generating Capacity Resource’s positive summer Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day in October of each year, calculated in a manner consistent with Section III.13.1.2.2.1.1] plus [the amount of incremental capacity as described in Section III.13.1.1.1.3(a)]; provided, however, that the Lead Market Participant must abide by all other provisions of this Section III.13 applicable to a resource that is a New Generating Capacity Resource pursuant to Section III.13.1.1.1.3. Such an election must be made in writing and must be received by the ISO no later than 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 or Intermittent Settlement Only 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 or an Intermittent Settlement Only 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.**

For each Existing Generating Capacity Resource, no later than 20 Business Days before the Existing Capacity Retirement Deadline, the ISO will notify the resource’s Lead Market Participant of the resource’s summer Qualified Capacity and winter Qualified Capacity and the Load Zone in which the Existing Generating Capacity Resource is located. If the Lead Market Participant believes that an ISO-determined summer Qualified Capacity or winter Qualified Capacity for an Existing Generating Capacity Resource does not accurately reflect the determination described in Section III.13.1.2.2, then the Lead Market Participant must notify the ISO within 5 Business Days of receipt of the Qualified Capacity notification. The ISO shall notify the Lead Market Participant of the outcome of any such challenge no later than 10 Business Days before the Existing Capacity Retirement Deadline. If an Existing Generating Capacity Resource does not submit a Static De-List Bid, an Export Bid, an Administrative Export De-List Bid, a Permanent De-List Bid, or a Retirement De-List Bid in the Forward Capacity Auction qualification process, then the resource shall be entered into the Forward Capacity Auction as described in Section III.13.2.3.2(c).

**III.13.1.2.3.1. Existing Capacity Retirement Package and Existing Capacity Qualification Package.**

A resource that previously has been deactivated pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions) and seeks to reactivate and participate in the Forward Capacity Market as an Existing Generating Capacity Resource must submit a reactivation plan no later than 15 Business Days before the Existing Capacity Retirement Deadline, as described in Section III.13.1.1.1.6(b). All Permanent De-List Bids and Retirement De-List Bids in the Forward Capacity Auction must be detailed in an Existing Capacity Retirement Package submitted to the ISO no later than the Existing Capacity Retirement Deadline. All Static De-List Bids, Export Bids and Administrative Export De-List Bids in the Forward Capacity Auction must be detailed in an Existing Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline. Permanent De-List Bids and Retirement De-List Bids may not be modified or withdrawn after the Existing Capacity Retirement Deadline, except as provided for in Section III.13.1.2.4.1. All Static De-List Bids, Export Bids, and Administrative Export De-List Bids submitted in the qualification process may not be modified or withdrawn after the Existing Capacity Qualification Deadline, except as provided for in Section III.13.1.2.3.1.1. An Existing Generating Capacity Resource may not submit a Static De-List Bid, Export Bid, Administrative Export De-List Bid, Permanent De-List Bid, or Retirement De-List Bid for an amount of capacity greater than its summer Qualified Capacity, unless the submittal is for the entire resource. Where a resource elected pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7 to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, the capacity associated with any resulting Capacity Supply Obligation may not be subject to any type of de-list or export bid in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply. For a single resource, a Lead Market Participant may combine a Static De-List Bid, an Export Bid, and an Administrative Export De-List Bid; neither a Permanent De-List Bid nor a Retirement De-List Bid may be combined with any other type of de-list or export bid.

Static De-List Bids and Export Bids may elect to be rationed (as described in Section III.13.2.6, however, an Export Bid is always subject to potential rationing where the associated external interface binds). Where a Lead Market Participant submits any combination of Static De-List Bid and Export Bid for a single resource, each of those bids must have the same rationing election. Where a Lead Market Participant submits any combination of Static De-List Bid, Export Bid, and Administrative Export De-List Bid for a single resource, none of the prices in a set of price-quantity pairs associated with a bid may be the same as any price in any other set of price-quantity pairs associated with another bid for the same resource.

**III.13.1.2.3.1.A Dynamic De-List Bid Threshold.**

The Dynamic De-List Bid Threshold for a Forward Capacity Auction is $5.50/kW-month. The Dynamic De-List Bid Threshold shall be recalculated no less often than once every three years. When the Dynamic De-List Bid Threshold is recalculated, the Internal Market Monitor will review the results of the recalculation with stakeholders.

**III.13.1.2.3.1.1. Static De-List Bids.**

A Lead Market Participant with an Existing Capacity Resource, or a portion thereof, seeking to specify a price below which it would not accept a Capacity Supply Obligation for that resource, or a portion thereof, at prices at or above the Dynamic De-List Bid Threshold during a single Capacity Commitment Period may submit a Static De-List Bid in the associated Forward Capacity Auction qualification process. A Static De-List Bid may not result in a resource’s Capacity Supply Obligation being less than its Economic Minimum Limit except where the resource submits de-list and export bids totaling the resource’s full summer Qualified Capacity. Each Static De-List Bid must be detailed in an Existing Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline, and must be in the form of a curve (up to five price-quantity pairs). The curve may in no case increase the quantity offered as the price decreases. All Static De-List Bids are subject to a reliability review as described in Section III.13.2.5.2.5. Static De-List Bids are subject to review by the Internal Market Monitor pursuant to Section III.13.1.2.3.2 and must include the additional documentation described in that section. With the submission of a Static De-List Bid, the Lead Market Participant must notify the ISO if the Existing Capacity Resource will not be participating in the energy and ancillary services markets during the Capacity Commitment Period (except for necessary audits or tests).

No later than seven days after the issuance by the ISO of the qualification determination notification described in Section III.13.1.2.4(b), a Lead Market Participant that submitted a Static De-List Bid may: (a) lower the price of any price-quantity pair of a Static De-List Bid, provided that the revised price is greater than or equal to the Dynamic De-List Bid Threshold, or; (b) withdraw any price-quantity pair of a Static De-List Bid.

**III.13.1.2.3.1.2. [Reserved.]**

**III.13.1.2.3.1.3. Export Bids.**

An Existing Generating Capacity Resource within the New England Control Area other than an Intermittent Power Resource, an Intermittent Settlement Only Resource or a Renewable Technology Resource seeking to export all or part of its capacity during a Capacity Commitment Period may submit an Export Bid in the associated Forward Capacity Auction qualification process. An Export Bid may not result in a resource’s Capacity Supply Obligation being less than its Economic Minimum Limit except where the resource submits de-list and export bids totaling the resource’s full summer Qualified Capacity. All Export Bids are subject to a reliability review as described in Section III.13.2.5.2.5. Export Bids at or above the Dynamic De-List Bid Threshold are subject to review by the Internal Market Monitor pursuant to Section III.13.1.2.3.2 and must include the additional information described in that Section. Each Export Bid must be detailed in an Existing Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline, and must be in the form of a curve (up to five price-quantity pairs) associated with a specific Existing Generating Capacity Resource. The curve may in no case increase the quantity offered as the price decreases. Each price-quantity pair must be less than the Forward Capacity Auction Starting Price. The Existing Capacity Qualification Package for each Export Bid must also specify the interface over which the capacity will be exported. Export Bids shall be entered into the Forward Capacity Auction pursuant to Section III.13.2.3.2(b).

**III.13.1.2.3.1.4. Administrative Export De-List Bids.**

An Existing Generating Capacity Resource other than an Intermittent Power Resource, an Intermittent Settlement Only Resource or a Renewable Technology Resource subject to a multiyear contract to sell capacity outside of the New England Control Area during the Capacity Commitment Period that either: (i) cleared as an Export Bid in a previous Forward Capacity Auction for a Capacity Commitment Period within the duration of the contract; or (ii) entered into a contract prior to April 30, 2007 to sell capacity outside of the New England Control Area during the Capacity Commitment Period, may submit an Administrative Export De-List Bid in the associated Forward Capacity Auction qualification process. An Administrative Export De-List Bid may not result in a resource’s Capacity Supply Obligation being less than its Economic Minimum Limit except where the resource submits de-list and export bids totaling the resource’s full summer Qualified Capacity. Unless reviewed as an Export Bid in a previous Forward Capacity Auction, an Administrative Export De-List Bid is subject to a reliability review prior to clearing in a Forward Capacity Auction, as described in Section III.13.2.5.2.5, and is subject to review by the Internal Market Monitor in the first Forward Capacity Auction in which it participates, pursuant to Section III.13.1.7. Both the reliability review and the review by the Internal Market Monitor shall be conducted once and shall remain valid for the multiyear contract period. Each Administrative Export De-List Bid must be detailed in an Existing Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline, must be associated with a specific Existing Generating Capacity Resource, and must indicate the quantity of capacity subject to the bid. The Existing Capacity Qualification Package for each Administrative Export De-List Bid must also specify the interface over which the capacity will be exported, and must include documentation demonstrating a contractual obligation to sell capacity outside of the New England Control Area during the whole Capacity Commitment Period. Administrative Export De-List Bids shall be entered into the Forward Capacity Auction pursuant to Section III.13.2.3.2(b).

**III.13.1.2.3.1.5. Permanent De-List Bids and Retirement De-List Bids.**

(a) A Lead Market Participant with an Existing Capacity Resource seeking to specify a price at or below which it would not accept a Capacity Supply Obligation permanently for all or part of a Generating Capacity Resource beginning at the start of a particular Capacity Commitment Period may submit a Permanent De-List Bid in the associated Forward Capacity Auction qualification process.

(b)A Lead Market Participant with an Existing Capacity Resource seeking to specify a price at or below which it would retire all or part of a Generating Capacity Resource from all New England Markets beginning at the start of a particular Capacity Commitment Period may submit a Retirement De-List Bid in the associated Forward Capacity Auction qualification process.

(c) No Permanent De-List Bid or Retirement De-List Bid may result in a resource’s Capacity Supply Obligation being less than its Economic Minimum Limit unless the Permanent De-List Bid or Retirement De-List Bid is for the entire resource. Each Permanent De-List Bid and Retirement De-List Bid must be detailed in an Existing Capacity Retirement Package submitted to the ISO no later than the Existing Capacity Retirement Deadline, and must be in the form of a curve (up to five price-quantity pairs) associated with a specific Existing Capacity Resource. The curve may in no case increase the quantity offered as the price decreases. Permanent De-List Bids and Retirement De-List Bids are subject to review by the Internal Market Monitor pursuant to Section III.13.1.2.3.2.1 and must include the additional documentation described in that section. Once submitted, no Permanent De-List Bid or Retirement De-List Bid may be withdrawn, except as provided in Section III.13.1.2.4.1.

**III.13.1.2.3.1.5.1. Reliability Review of Permanent De-List Bids and Retirement De-List Bids During the Qualification Process.**

During the qualification process, the ISO will review the following de-list bids to determine if the resource is needed for reliability: (1) Internal Market Monitor-accepted Permanent De-List Bids and Internal Market Monitor- accepted Retirement De-List Bids that are at or above the Forward Capacity Auction Starting Price; and (2) Permanent De-List Bids and Retirement De-List Bids for which the Lead Market Participant has opted to have the resource reviewed for reliability as described in Section III.13.1.2.4.1(a) or Section III.13.1.2.4.1(b) . The reliability review will be conducted according to Section III.13.2.5.2.5, except as follows:

(a) Permanent De-List Bids and Retirement De-List Bids that cannot be priced (for example, due to the expiration of an operating license) will be reviewed first.

(b) System needs associated with Permanent De-List Bids and Retirement De-List Bids for resources found needed for reliability reasons pursuant to this Section III.13.1.2.3.1.5.1 will be reviewed with the Reliability Committee no later than 30 days after the ISO submits to the Commission the retirement filing described in Section III.13.8.1(a). The Lead Market Participant shall be notified as soon as practicable following the ISO’s consultation with the Reliability Committee that the capacity associated with a Permanent De-List Bid or Retirement De-List Bid is needed for reliability reasons.

(c) If the capacity associated with a Permanent De-List Bid or Retirement De-List Bid is needed for reliability reasons pursuant to this Section III.13.1.2.3.1.5.1, the de-list bid shall be rejected and the resource shall be entered into the Forward Capacity Auction pursuant to Section III.13.2.3.2(c) and compensated according to Section III.13.2.5.2.5, unless the resource declines to be retained for reliability, as provided in Section III.13.1.2.3.1.5.1(d).

(d) No later than 10 Business Days after being informed that a resource is needed for reliability reasons pursuant to this Section III.13.1.2.3.1.5.1, a Lead Market Participant may notify the ISO that it declines to provide the associated capacity for reliability. Such an election will be binding. A resource for which a Lead Market Participant has made such an election will not be eligible for compensation pursuant to Sections III.13.2.5.2.5.1 or III.13.2.5.2.5.2.

(e) Where a resource is determined not to be needed for reliability or where a Lead Market Participant notifies the ISO that it declines to provide capacity for reliability pursuant to Section III.13.1.2.3.1.5.1(d), the capacity associated with the Permanent De-List Bid or Retirement De-List Bid will be treated as follows:

1. For a Retirement De-List Bid at or above the Forward Capacity Auction Starting Price, or a Permanent De-List Bid or Retirement De-List Bid for which a Lead Market Participant has elected to retire the resource pursuant to Section III.13.1.2.4.1(a), the portion of the resource subject to the de-list bid will be retired as permitted by applicable law coincident with the commencement of the Capacity Commitment Period for which the de-list bid was submitted, as described in Section III.13.2.5.2.5.3(a).

1. For a Permanent De-List Bid at or above the Forward Capacity Auction Starting Price, 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).
2. 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 be 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 above the Dynamic De-List Bid Threshold and each Retirement De-List Bid greater than 20 MW that is 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 above the Dynamic De-List Bid Threshold if the sum of all such bids above the Dynamic De-List Bid Threshold is greater than 20 MW. The Internal Market Monitor shall review each Permanent De-List Bid and each Retirement De-List Bid submitted at any price pursuant to Section III.13.2.5.2.1(b) if the sum of the Permanent De-List Bids and Retirement De-List Bids submitted by the Lead Market Participant or its Affiliates (as used in Section III.A.24) is greater than 20 MW. Permanent De-List Bids and Retirement De-List Bids that are not reviewed by the Internal Market Monitor shall be included in the retirement determination notification described in Section III.13.1.2.4(a) and in the filing made to the Commission as described in Section III.13.8.1(a).

Sufficient documentation and information about each bid component must be included in the Existing Capacity Retirement Package or the Existing Capacity Qualification Package to allow the Internal Market Monitor to make the requisite determinations. If a Permanent De-List Bid or Retirement De-List Bid is submitted pursuant to Section III.13.2.5.2.1(b), all relevant updates to previously submitted documentation and information must be provided to support the newly submitted price and allow the Internal Market Monitor to make updated determinations. The updated information may include a request to discontinue the Permanent De-List Bid or Retirement De-List Bid such that it will not be entered into the Forward Capacity Auction, in which case the update must include sufficient supporting information on the nature of resource investments that were undertaken, or other materially changed circumstances, to allow the Internal Market Monitor to determine whether discontinuation is appropriate.

The entire de-list submittal shall be accompanied by an affidavit executed by a corporate officer attesting to the accuracy of its content, including reported costs, the reasonableness of the estimates and adjustments of costs that would otherwise be avoided if the resource were not required to meet the obligations of a listed resource, and the reasonableness of the expectations and assumptions regarding Capacity Performance Payments, cash flows, opportunity costs, and risk premiums, and shall be subject to audit upon request by the ISO.

**III.13.1.2.3.2.1.1. Internal Market Monitor Review of De-List Bids.**

The Internal Market Monitor may seek additional information from the Lead Market Participant (including information about the other existing or potential new resources controlled by the Lead Market Participant) after the qualification deadline to address any questions or concerns regarding the data submitted, as appropriate. The Internal Market Monitor shall review all relevant information (including data, studies, and assumptions) to determine whether the bid is consistent with the resource’s net going forward costs, reasonable expectations about the resource’s Capacity Performance Payments, reasonable risk premium assumptions, and reasonable opportunity costs. In making this determination, the Internal Market Monitor shall consider, among other things, industry standards, market conditions (including published indices and projections), resource-specific characteristics and conditions, portfolio size, and consistency of assumptions across that portfolio.

**III.13.1.2.3.2.1.1.1. Review of Static De-List Bids and Export Bids.**

 If the Internal Market Monitor determines, after due consideration and consultation with the Lead Market Participant, as appropriate, that a Static De-List Bid or an Export Bid is not consistent with the sum of the resource’s net going forward costs plus reasonable expectations about the resource’s Capacity Performance Payments plus reasonable risk premium assumptions plus reasonable opportunity costs, then the Internal Market Monitor will establish an Internal Market Monitor-determined price for the bid that is consistent with its determination of the foregoing. If an Internal Market Monitor-determined price is established for a Static De-List Bid or an Export Bid, both the qualification determination notification described in Section III.13.1.2.4 and the informational filing made to the Commission as described in Section III.13.8.1(c) shall include an explanation of the Internal Market Monitor-determined price based on the Internal Market Monitor review and the resource’s net going forward costs, reasonable expectations about the resource’s Capacity Performance Payments, reasonable risk premium assumptions, and reasonable opportunity costs as determined by the Internal Market Monitor.

**III.13.1.2.3.2.1.1.2. Review of Permanent De-List Bids and Retirement De-List Bids.**

The Internal Market Monitor shall review those Permanent De-List Bids and Retirement De-List Bids identified in Section III.13.1.2.3.2.1 and, after due consideration and consultation with the Lead Market Participant, as appropriate, shalldevelop an Internal Market Monitor-accepted Permanent De-List Bid or an Internal Market Monitor-accepted Retirement De-List Bid. The Internal Market Monitor-accepted Permanent De-List Bid and Internal Market Monitor-accepted Retirement De-List Bid shall be equal to the Permanent De-List Bid or Retirement De-List Bid submitted by the Lead Market Participant unless the de-list bid price(s) submitted by the Lead Market Participant are more than 10% greater than the Internal Market Monitor-accepted de-list bid price(s) for the same de-list bid. If the de-list bid price(s) submitted by the Lead Market Participant are more than 10% greater than the Internal Market Monitor-accepted de-list bid price(s), the Internal Market Monitor shall calculate an Internal Market Monitor-accepted Permanent De-List Bid or Internal Market-Monitor-accepted Retirement De-List Bid that is consistent with the sum of the net present value of the resource’s expected cash flows plus reasonable expectations about the resource’s Capacity Performance Payments plus reasonable opportunity costs.

The retirement determination notification described in Section III.13.1.2.4(a) and the filing made to the Commission as described in Section III.13.8.1(a) shall include an explanation of the Internal Market Monitor-accepted price and the Internal Market Monitor determination on any request to discontinue the Permanent De-List Bid or Retirement De-List Bid.

**III.13.1.2.3.2.1.2.A. Static De-List Bid and Export Bid Net Going Forward Costs**.

The Lead Market Participant for an Existing Capacity Resource that submits a Static De-List Bid or an Export Bid at or above the Dynamic De-List Bid Threshold that is to be reviewed by the Internal Market Monitor shall report net going forward costs in a manner and format specified by the Internal Market Monitor, and may supplement this information with other evidence. A Static De-List Bid or Export Bid at or above the Dynamic De-List Bid Threshold shall be considered consistent with the Existing Capacity Resource’s net going forward costs based on a review of the data submitted in the following formula. To the extent possible, all costs and operational data used in this calculation shall be the cumulative actual data for the Existing Capacity Resource from the most recent full Capacity Commitment Period available.

[*GFC – (IMR – PER)]* x *InfIndex*

 (*CQSummer, kw*)x (12,*months*)

Where:

GFC = annual going forward costs, in dollars. These are costs that might otherwise be avoided or not incurred if the resource were not subject to the obligations of a listed capacity resource during the Capacity Commitment Period (i.e., maintaining a constant condition of being ready to respond to commitment and dispatch orders). Costs that are not avoidable in a single Capacity Commitment Period and costs associated with the production of energy are not to be included. Service of debt is not a going forward cost. Staffing, maintenance, capital expenses, and other normal expenses that would be avoided only in the absence of a Capacity Supply Obligation may be included. Staffing, maintenance, capital expenses, and other normal expenses that would be avoided only if the resource were not participating in the energy and ancillary services markets may not be included, except in the case of a resource that has indicated in the submission of a Static De-List Bid that the resource will not be participating in the energy and ancillary services markets during the Capacity Commitment Period. To the extent that the Capacity Commitment Period data used to calculate these data do not reflect known and measurable costs that would or are likely to be incurred in the relevant Capacity Commitment Period, the Internal Market Monitor shall also consider adjustments submitted, provided the costs are based on known and measurable conditions and supported by appropriate documentation to reflect those costs.

CQSummerkW = capacity seeking to de-list in kW. In no case shall this value exceed the resource’s summer Qualified Capacity.

IMR = annual infra-marginal rents, in dollars. In the case of a resource that has indicated in the submission of a Static De-List Bid that the resource will not be participating in the energy and ancillary services markets during the Capacity Commitment Period, this value shall be calculated by subtracting all submitted cost data representing the cumulative actual cost of production (total expenses related to the production of energy, e.g. fuel, actual consumables such as chemicals and water, and, if quantified, incremental labor and maintenance) from the Existing Generating Capacity Resource’s total ISO market revenues. In the case of a resource that has not indicated in the submission of a Static De-List Bid that the resource will not be participating in the energy and ancillary services markets during the Capacity Commitment Period, this value shall be $0.00. As soon as practicable, the resource’s total ISO market revenues used in this calculation shall be calculated by the ISO and available to the Lead Market Participant upon request.

PER = resource-specific annual peak energy rents, in dollars. As soon as practicable, this value shall be calculated by the ISO and available to the Lead Market Participant upon request.

At the option of the Lead Market Participant, the cumulative production costs for each of the most recent three Capacity Commitment Periods may be submitted and the annual infra-marginal rents calculated for each year. The Lead Market Participant may then specify two of the three years to be averaged and subsequently used as the IMR value. Upon exercising such option, the PER value used shall be an average of the PER values for the two years selected

InfIndex = inflation index. infIndex = (1 + *i*)4

Where: “*i*” is the most recent reported 4- Year expected inflation number published by the Federal Reserve Bank of Cleveland at the beginning of the qualification period. The specific value to be used shall be specified by the ISO and available to the Lead Market Participant.

**III.13.1.2.3.2.1.2.B Permanent De-List Bid and Retirement De-List Bid Net Present Value of Expected Cash Flows**.

The Lead Market Participant for an Existing Capacity Resource that submits a Permanent De-List Bid or Retirement De-List Bid that is to be reviewed by the Internal Market Monitor shall report all expected costs, revenues, prices, discount rates and capital expenditures in a manner and format specified by the Internal Market Monitor, and may supplement this information with other evidence. The Internal Market Monitor will review the Lead Market Participant’s submitted data to ensure that it is consistent with overall market conditions and reflects expected values.

The Internal Market Monitor will adjust any data that are inconsistent with overall market conditions or do not reflect expected values. The Internal Market Monitor shall enter all relevant expected costs, revenues, prices, discount rates and capital expenditures into a capital budgeting model and shall determine the net present value of the Existing Capacity Resource’s expected cash flows as follows:

The net present value of the Existing Capacity Resource’s expected cash flows is equal to (i) the net present value of the Existing Capacity Resource’s net annual expected cash flows over the resource’s remaining economic life (as determined pursuant to Section III.13.1.2.3.2.1.2.C) plus the net present value of the resource’s expected terminal value, using the resource’s discount rate, divided by (ii) the product of the resource’s Qualified Capacity (in kilowatts) and12 months.

The Existing Capacity Resource’s net annual expected cash flow for the first Capacity Commitment Period of the resource’s remaining economic life is the resource’s expected annual net operating profit excluding expected capacity revenues less its expected capital expenditures in the Capacity Commitment Period.

The Existing Capacity Resource’s net annual expected cash flow for each of the subsequent Capacity Commitment Periods of the resource’s remaining economic life is the resource’s expected annual net operating profit less its expected capital expenditures in the Capacity Commitment Period.

Where:

**Expected net operating profit**, in dollars, is the Lead Market Participant’s expected annual profit that might otherwise be avoided or not accrued if the resource were not subject to the obligations of a listed capacity resource during the Capacity Commitment Period. Expected labor, maintenance, taxes, insurance, administrative and other normal expenses that can be avoided or not incurred if the resource is retired or permanently de-listed may be included. Service of debt is not an avoidable cost and may not be included.

**Expected capacity revenues**, in dollars, are the forecasted annual expected capacity revenues based on the Lead Market Participant’s forecasted expected capacity prices for each of the subsequent Capacity Commitment Periods of the resource’s remaining economic life. The Lead Market Participant shall provide the Internal Market Monitor with documentation supporting the forecasted expected capacity prices. The supporting documentation must include a detailed description and sources of the Lead Market Participant’s assumptions about expected resource additions, resource retirements, estimated Installed Capacity Requirements, estimated Local Sourcing Requirements, expected market conditions, and any other assumptions used to develop the forecasted expected capacity price in each Capacity Commitment Period.

If the Internal Market Monitor determines the Lead Market Participant has not provided adequate supporting documentation for the forecasted expected capacity prices, the Internal Market Monitor will replace the Lead Market Participant’s forecasted expected capacity prices with the Internal Market Monitor’s estimate thereof in each of the subsequent Capacity Commitment Periods of the resource’s remaining economic life.

**Expected capital expenditures**, in dollars, are the Lead Market Participant’s expected capital investments that might otherwise be avoided or not incurred if the resource were not subject to the obligations of a listed capacity resource during the Capacity Commitment Periods.

**Expected terminal value**, in dollars, for resources with five years or less of remaining economic life, is the Lead Market Participant’s expected revenue less expected costs associated with retiring or permanently de-listing the resource. For resources with more than five years of remaining economic life, the expected terminal value in the fifth year of the evaluation period is the Lead Market Participant’s expected revenue less expected costs associated with retiring or permanently de-listing the resource at the end of the resource’s economic life plus the net present value of the Existing Capacity Resource’s net annual expected cash flows from the sixth year of the evaluation period through the end of the resource’s remaining economic life, using the resource’s discount rate.

**Discount rate** is a value reflecting the Lead Market Participant’s weighted average cost of capital for the Existing Capacity Resource adjusted to reflect the risk to cash flows calculated pursuant to the net present value of expected cash flows analysis in this Section III.13.1.2.3.2.1.2.B.

The Lead Market Participant shall provide the Internal Market Monitor with documentation supporting the weighted average cost of capital for the Existing Capacity Resource adjusted for risk.

The supporting documentation must include a detailed description and sources of the Lead Market Participant’s assumptions associated with the cost of capital, risks and any other assumptions used to develop the weighted average cost of capital for the Existing Capacity Resource adjusted for risk.

If the Internal Market Monitor determines the Lead Market Participant has not provided adequate supporting documentation for the weighted average cost of capital for the Existing Capacity Resource adjusted for risk, the Lead Market Participant has included risks not associated with cash flows calculated pursuant to the net present value of expected cash flows analysis in this Section III.13.1.2.3.2.1.2.B or the Lead Market Participant has submitted costs, revenues, capital expenditures or prices that are not reflective of expected values, the Internal Market Monitor will replace the Lead Market Participant’s discount rate with a value determined by the Internal Market Monitor.

**III.13.1.2.3.2.1.2.C Permanent De-List Bid and Retirement De-List Bid Calculation of Remaining Economic Life**.

The Internal Market Monitor shall calculate the Existing Capacity Resource’s remaining economic life, using evaluation periods ranging from one to five years. For each evaluation period, the Internal Market Monitor will calculate the net present value of (a) the annual expected net operating profit minus annual expected capital expenditures assuming the Capacity Clearing Price for the first year is equal to the Forward Capacity Auction Starting Price and (b) the expected terminal value of the resource at the end of the given evaluation period. The economic life is the maximum evaluation period in which a resource’s net present value is non-negative.

**III.13.1.2.3.2.1.3. Expected Capacity Performance Payments.**

The Lead Market Participant for an Existing Capacity Resource that submits a Static De-List Bid or an Export Bid, Permanent De-List Bid, or Retirement De-List Bid at or above the Dynamic De-List Bid Threshold that is to be reviewed by the Internal Market Monitor shall also provide documentation separately detailing the expected Capacity Performance Payments for the resource. This documentation must include expectations regarding the applicable Capacity Balancing Ratio, the number of hours of reserve deficiency, and the resource’s performance during reserve deficiencies.

**III.13.1.2.3.2.1.4. Risk Premium.**

The Lead Market Participant for an Existing Capacity Resource that submits a Static De-List Bid, or an Export Bid at or above the Dynamic De-List Bid Threshold that is to be reviewed by the Internal Market Monitor shall also provide documentation separately detailing any risk premium included in the bid. This documentation should address all components of physical and financial risk reflected in the bid, including, for example, catastrophic events, a higher than expected amount of reserve deficiencies, and performing scheduled maintenance during reserve deficiencies. Any risk that can be quantified and analytically supported and that is not already reflected in the formula for net going forward costs described in Section III.13.1.2.3.2.1.2.A may be included in this risk premium component. In support of the resource’s risk premium, the Lead Market Participant may also submit an affidavit from a corporate officer attesting that the risk premium submitted is the minimum necessary to ensure that the overall level of risk associated with the resource’s participation in the Forward Capacity Market is consistent with the participant’s corporate risk management practices.

**III.13.1.2.3.2.1.5. Opportunity Costs**.

To the extent that an Existing Capacity Resource submitting a Static De-List Bid or an Export Bid, Permanent De-List Bid or Retirement De-List Bid at or above the Dynamic De-List Bid Threshold has additional opportunity costs that are not reflected in the net going forward costs, net present value of expected cash flows, expected Capacity Performance Payments, discount rate, or risk premium components of the bid, the Lead Market Participant must include in the Existing Capacity Qualification Package evidence supporting such costs. Opportunity costs associated with major repairs necessary to restore decreases in capacity as described in Section III.13.1.2.2.4, capital projects required to operate the plant as a capacity resource or other uses of the resource shall be considered, provided such costs are substantiated by evidence of a repair plan, documented business plan and fundamental market analysis, or other independent and transparent trading index or indices as applicable. Substantiation of opportunity costs relying on sales in reconfiguration auctions or risk aversion premiums shall not be considered sufficient justification.

**III.13.1.2.3.2.2. [Reserved.]**

**III.13.1.2.3.2.3. Administrative Export De-List Bids.**

The Internal Market Monitor shall review each Administrative Export De-List Bid associated with a multi-year contract entered into prior to April 30, 2007 in the first Forward Capacity Auction in which it clears. An Administrative Export De-List Bid shall be rejected if the Internal Market Monitor determines that the bid may be an attempt to manipulate the Forward Capacity Auction, and the matter will be referred to the Commission in accordance with the protocols set forth in Appendix A to the Commission’s Market Monitoring Policy Statement (111 FERC ¶ 61,267 (2005)).

**III.13.1.2.3.2.4. Static De-List Bids for Reductions in Ratings Due to Ambient Air Conditions**.

A Lead Market Participant may submit a Static De-List Bid for up to the megawatt amount that the Lead Market Participant expects will not be physically available due to the difference between the summer Qualified Capacity at 90 degrees and the expected rating of the resource at 100 degrees. The ISO shall verify during the qualification process that the rating is accurate. Such Static De-List Bids may be entered into the Forward Capacity Market at prices up to and including the Forward Capacity Auction Starting Price, subject to validation of the physical limit. Static De-List Bids for reductions in ratings due to ambient air conditions shall not be subject to the review described in Section III.13.1.2.3.2 and need not include documentation for that purpose.

**III.13.1.2.3.2.5. Static De-List Bid Incremental Capital Expenditure Recovery Schedule.**

Except as described below, the Internal Market Monitor shall review all Static De-List Bids using the following cost recovery schedule for incremental capital expenditures, which assumes an annual pre-tax weighted average cost of capital of 10 percent.

|  |  |  |
| --- | --- | --- |
| **Age of Existing Resource (years)** | **Remaining Life****(years)** | **Annual Rate of Capital Cost Recovery** |
| 1 to 5 | 30 | 0.106 |
| 6 to 10 | 25 | 0.110 |
| 11 to 15 | 20 | 0.117 |
| 16 to 20 | 15 | 0.131 |
| 21 to 25 | 10 | 0.163 |
| 25 plus | 5 | 0.264 |

A Market Participant may request that a different pre-tax weighted average cost of capital be used to determine the resource’s annual rate of capital cost recovery by submitting the request, along with supporting documentation, in the Existing Capacity Qualification Package. The Internal Market Monitor shall review the request and supporting documentation and may, at its sole discretion, replace the annual rate of capital cost recovery from the table above with a resource-specific value based on an adjusted pre-tax weighted average cost of capital. If the Internal Market Monitor uses an adjusted pre-tax weighted average cost of capital for the resource, then the resource’s annual rate of capital cost recovery will be determined according to the following formula:

 *Cost Of Capital*

*(1- (****1****+CostOfCapital)-RemainingLife)*

Where:

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

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

**III.13.1.2.4. Retirement Determination Notification for Existing Capacity and Qualification Determination Notification for Existing Capacity.**

(a) No later than 90 days after the Existing Capacity Retirement Deadline, the ISO shall send notification to the Lead Market Participant that submitted each Permanent De-List Bid and Retirement De-List Bid concerning the result of the Internal Market Monitor’s review conducted pursuant to Section III.13.1.2.3.2. This retirement determination notification shall not include the results of the reliability review pursuant to Sections III.13.1.2.3.1.5.1 or III.13.2.5.2.5.

(b) No later than 127 days before the Forward Capacity Auction, the ISO shall send notification to the Lead Market Participant that submitted each Static De-List Bid and Export Bid concerning the result of the Internal Market Monitor’s de-list bid review conducted pursuant to Section III.13.1.2.3.2. The qualification determination shall not include the results of the reliability review pursuant to Section III.13.2.5.2.5.

**III.13.1.2.4.1. Participant-Elected Retirement or Conditional Treatment.**

No later than ten Business Days after the issuance by the ISO of the retirement determination notification described in Section III.13.1.2.4(a), a Lead Market Participant that submitted a Permanent De-List Bid or Retirement De-List Bid may make an election pursuant to Section III.13.1.2.4.1(a) or Section III.13.1.2.4.1(b). If the Lead Market Participant does not make an election pursuant to Section III.13.1.2.4.1(a) or Section III.13.1.2.4.1(b), the prices provided by the Internal Market Monitor in the retirement determination notifications shall be the finalized prices used in the Forward Capacity Auction as described in Section III.13.2.3.2(b) (unless otherwise directed by the Commission).

(a) A Lead Market Participant may elect to retire the resource, or portion thereof, for which it has submitted a Permanent De-List Bid or Retirement De-List Bid. The capacity associated with a Permanent De-List Bid or Retirement De-List Bid subject to this election will not be subject to reliability review and will be retired pursuant to Section III.13.2.5.2.5.3(a); provided, however, that when making the retirement election pursuant to this Section III.13.1.2.4.1(a) the Lead Market Participant may opt to have the resource reviewed for reliability pursuant to Section III.13.1.2.3.1.5.1, in which case the Lead Market Participant may have the opportunity (but will not be obligated) to provide capacity from the resource if the ISO determines that the resource is needed for reliability reasons, as described in Section III.13.1.2.3.1.5.1(d).

(b) A Lead Market Participant may elect conditional treatment for the Permanent De-List Bid or Retirement De-List Bid. The capacity associated with a Permanent De-List Bid or Retirement De-List Bid subject to this election will be treated as described in Section III.13.2.3.2(b)(ii), Section III.13.2.5.2.1, and Section III.13.2.5.2.5.3; provided, however, that in making this election the Lead Market Participant may opt to have the resource reviewed for reliability pursuant to Section III.13.1.2.3.1.5.1, in which case the Lead Market Participant may have the opportunity (but will not be obligated) to provide capacity from the resource if the ISO determines that the resource is needed for reliability reasons, as described in Section III.13.1.2.3.1.5.1(d).

**III.13.1.2.5. Optional Existing Capacity Qualification Package for New Generating Capacity Resources Previously Counted as Capacity.**

A resource seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.2 (resources previously counted as capacity resources) may elect to submit an Existing Capacity Qualification Package in addition to the New Capacity Show of Interest Form and New Capacity Qualification Package that it is required to submit pursuant to Section III.13.1.1.2. The bids contained in an Existing Capacity Qualification Package submitted pursuant to this Section III.13.1.2.5 must clearly indicate which New Generating Capacity Resource the Existing Capacity Qualification Package is associated with, and if accepted in accordance with Section III.13.1.2.3, would only be entered into the Forward Capacity Auction where: (i) the new resource is not accepted for participation in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Section III.13.1.1.2; or (ii) no offer from that New Generating Capacity Resource clears in the Forward Capacity Auction, as described in Section III.13.2.3.2(e). An Existing Capacity Qualification Package submitted pursuant to this Section III.13.1.2.5 must conform in all other respects to the requirements of this Section III.13.1.2.

**III.13.1.3. Import Capacity.**

The qualification requirements for import capacity shall depend on whether the import capacity is an Existing Import Capacity Resource or a New Import Capacity Resource. Both Existing Import Capacity Resources and New Import Capacity Resources clearing in the Forward Capacity Auction must be backed by one or more External Resources or by an external Control Area throughout the relevant Capacity Commitment Period. An external demand resource may not be an Existing Import Capacity Resource or a New Import Capacity Resource. External nodes shall be established and mapped to Capacity Zones pursuant to the provisions in Attachment K to Section II of the Transmission, Markets and Services Tariff.

An Elective Transmission Upgrade with an Interconnection Request for Capacity Network Import Interconnection Service under Schedule 25 of Section II of the Transmission, Markets and Services Tariff shall be included in the FCM (1) after it has established a contractual association with an Import Capacity Resource and that Import Capacity Resource has met the Forward Capacity Market qualification requirements or (2) after it has met the requirements of an Elective Transmission Upgrade with Long Lead Time Facilitytreatment pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff. An external node for such an Elective Transmission Upgrade will be modeled for participation in the Forward Capacity Market after the Import Capacity Resource meets the requirements to participate in the FCA. The Qualified Capacity of an Import Capacity Resource associated with an Elective Transmission Upgrade shall not exceed the Capacity Network Import Interconnection Service Interconnection Request. In order for an Elective Transmission Upgrade to maintain its Capacity Network Import Interconnection Service, an associated Import Capacity Resource must meet the Forward Capacity Market qualification requirements and offer into each Forward Capacity Auction. Otherwise, the Capacity Network Import Interconnection Service will revert to Network Import Interconnection Service for the portion of the Capacity Network Import Interconnection Service for which no Import Capacity Resource is offered into the Forward Capacity Auction and the Elective Transmission Upgrade’s Interconnection Agreement will be revised. The provisions in Sections III.13.1.3.5.4, permitting a Capacity Commitment Period Election, and in Section III.13.1.3.5.8, permitting a rationing election, shall apply to a New Import Capacity Resource associated with an Elective Transmission Upgrade seeking to reestablish Capacity Network Import Interconnection Service if the threshold to be treated as a new resource in Section III.13.1.1.1.4 is met. If the threshold to be treated as a new increment in Section III.13.1.1.1.3 is met, only the increment will be eligible for the provisions in Sections III.13.1.3.5.4, permitting a Capacity Commitment Period Election, and in Section III.13.1.3.5.8, permitting a rationing election.

**III.13.1.3.1. Definition of Existing Import Capacity Resource.**

Capacity associated with a multi-year contract entered into before the Existing Capacity Retirement Deadline to provide capacity in the New England Control Area from outside of the New England Control Area for a period including the whole Capacity Commitment Period, or capacity from an External Resource that is owned or directly controlled by the Lead Market Participant and which is committed for at least two whole consecutive Capacity Commitment Periods by the Lead Market Participant in the New Capacity Qualification Package, shall participate in the Forward Capacity Auction as an Existing Import Capacity Resource, except that if that Existing Import Capacity Resource has not cleared in a previous Forward Capacity Auction, then the import capacity shall participate in the Forward Capacity Auction as a New Import Capacity Resource.

**III.13.1.3.2. Qualified Capacity for Existing Import Capacity Resources.**

The summer Qualified Capacity and winter Qualified Capacity of an Existing Import Capacity Resource shall be based on the data provided to the ISO during the qualification process, subject to ISO review and verification.

The qualified capacity for the Existing Import Capacity Resources associated with the VJO and NYPA contracts listed in Section III.13.1.3.3.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.13.2.7.3 for the duration of the contracts as listed. For each Forward Capacity Auction after the first Forward Capacity Auction, in order for an Existing Import Capacity Resource associated with a contract listed below to qualify for the treatment described in Section III.13.2.7.3, no later than 15 Business Days prior to the Existing Capacity Retirement Deadline, the Market Participant submitting the Existing Import Capacity Resource must also submit to the ISO documentation verifying that the contract will remain in effect throughout the Capacity Commitment Period and that it has not been amended. For the first Forward Capacity Auction, Existing Import Capacity Resources associated with contracts listed in the table below are qualified to receive the treatment described in Section III.13.2.7.3.

**Contract Description MW Contract End Date**

NYPA: NY ─ NE: CMEEC 13.2 8/31/2025

NYPA: NY ─ NE: MMWEC 53.3 8/31/2025

NYPA: NY ─ NE: Pascoag 2.3 8/31/2025

NYPA: NY─ NE: VELCO 15.3 8/31/2025

 84.1

VJO: Highgate ─ NE Up to 225 10/31/2016

VJO: Highgate ─ NE (extension) Up to 6 October 2020

(beginning 11/01/2016)

VJO: Phase I/II ─ NE Up to 110 10/31/2016

(d) In addition to the review described in Section III.13.1.2.3.2, the Internal Market Monitor shall review each bid from Existing Import Capacity Resources. A bid from an Existing Import Capacity Resource shall be rejected if the Internal Market Monitor determines that the bid may be an attempt to manipulate the Forward Capacity Auction, and the matter will be referred to the Commission in accordance with the protocols set forth in Appendix A to the Commission’s Market Monitoring Policy Statement (111 FERC ¶ 61,267 (2005)).

**III.13.1.3.3.B. Qualification Process for Existing Import Capacity Resources that are associated with an Elective Transmission Upgrade with Capacity Import Interconnection Service.**

Existing Import Capacity Resources associated with an Elective Transmission Upgrade with Capacity Import Interconnection Service pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff shall be subject to the same qualification process as Existing Generating Capacity Resources as described in Section III.13.1.2.3, except the Qualified Capacity shall be the lesser of the multi-year contract values as documented in the new resource qualification determination notification and the capacity clearing in the Forward Capacity Auction to which the new resource qualification determination notification applied.

**III.13.1.3.4. Definition of New Import Capacity Resource.**

Capacity not associated with a multi-year contract entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside the New England Control Area for the whole Capacity Commitment Period, but that meets the requirements of Section III.13.1.3.5.1, shall participate in the Forward Capacity Auction as a New Import Capacity Resource. For capacity associated with a multi-year contract entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside the New England Control Area for a period including the whole Capacity Commitment Period, or capacity from an External Resource that is owned or directly controlled by the Lead Market Participant and which is committed for at least two whole consecutive Capacity Commitment Periods by the Lead Market Participant in the New Capacity Qualification Package, if the import capacity has not cleared in a previous Forward Capacity Auction, then the import capacity shall participate in the Forward Capacity Auction as a New Import Capacity Resource.

**III.13.1.3.5. Qualification Process for New Import Capacity Resources.**

The qualification process for a New Import Capacity Resource, whether backed by a new External Resource, by one or more existing External Resources, or by an external Control Area, shall be the same as the qualification process for a New Generating Capacity Resource, as described in Section III.13.1.1.2, except as follows:

**III.13.1.3.5.1. Documentation of Import.**

1. For each New Import Capacity Resource, the Project Sponsor submitting the import capacity must also submit: (i) documentation of a one-year contract entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside of the New England Control Area for the entire Capacity Commitment Period, including documentation of the MW value of the contract; (ii) documentation of a multi-year contract entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside of the New England Control Area for the contract period including the entire Capacity Commitment Period, including documentation of the MW value of the contract; (iii) proof of ownership or direct control over one or more External Resources that will be used to back the New Import Capacity Resource during the Capacity Commitment Period, including information to establish the summer and winter ratings of the resource(s) backing the import; or (iv) documentation for system-backed import capacity that the import capacity will be supported by the Control Area and that the energy associated with that system-backed import capacity will be afforded the same curtailment priority as that Control Area’s native load. For each New Import Capacity Resource, the Project Sponsor must specify the interface over which the capacity will be imported. The Project Sponsor must indicate whether the import is associated with any investment in transmission that increases New England’s import capability or is associated with an Elective Transmission Upgrade with an Interconnection Request for Capacity Network Import Interconnection Service pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff that has not yet achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff. The Project Sponsor must submit a contract confirming its association with the Elective Transmission Upgrade Interconnection Customer and the ISO will confirm that relationship. If the import will be backed by a single new External Resource, the Project Sponsor submitting the import capacity must also submit a general description of the project’s equipment configuration, including a description of the resource type (such as those listed in the table in Section III.A.21.1 or some other type).

(b) To qualify for Capacity Commitment Periods prior to the Capacity Commitment Period associated with the Forward Capacity Auction for which the import capacity is qualifying, the Project Sponsor must submit documentation of one or more one-year contracts for each prior Capacity Commitment Period, entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside of the New England Control Area for the entire Capacity Commitment Period, including documentation of the MW value of the contract(s); the Project Sponsor must also satisfy the relevant requirements of Sections III.13.1.3.5.1(a) , III.13.1.3.5.2, III.13.1.9, and III.13.3.1.1.

**III.13.1.3.5.2. Import Backed by Existing External Resources.**

If the New Import Capacity Resource will be backed by one or more External Resources existing at the time of the Forward Capacity Auction and the capacity will be imported over an interface that has achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff, the provisions regarding site control (Section III.13.1.1.2.2.1) and critical path schedule (Section III.13.1.1.2.2.2) shall not apply, and the Project Sponsor shall instead submit a description of how the New Import Capacity Resource will meet its Capacity Supply Obligation in the Capacity Commitment Period(s) for which it seeks to qualify.

If the New Import Capacity Resource will be backed by one or more External Resources existing at the time of the Forward Capacity Auction and the capacity will be imported over an interface that has not achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets, the provisions regarding site control (Section III.13.1.1.2.2.1) and critical path schedule (Section III.13.1.1.2.2.2) shall apply in addition to the requirement that the Project Sponsor submit a description of how the New Import Capacity Resource will meet its Capacity Supply Obligation in the Capacity Commitment Period(s) for which it seeks to qualify.

The description must indicate specifically which External Resources will back the New Import Capacity Resource during the Capacity Commitment Period, and if those External Resources are not owned or controlled directly by the Project Sponsor, the description must include a commitment that the External Resources will have sufficient capacity that is not obligated outside the New England Control Area to fully satisfy the New Import Capacity Resource’s potential Capacity Supply Obligation during the Capacity Commitment Period and demonstrate how that commitment will be met.

**III.13.1.3.5.3. Imports Backed by an External Control Area.**

If the New Import Capacity Resource will be backed by an external Control Area and the capacity will be imported over an interface that has achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff, the provisions regarding site control (Section III.13.1.1.2.2.1) and critical path schedule (Section III.13.1.1.2.2.2) shall not apply, and the Project Sponsor shall instead submit system load and capacity projections for the external Control Area showing sufficient excess capacity during the Capacity Commitment Period to back the New Import Capacity Resource.

If the New Import Capacity Resource will be backed by an external Control Area and the capacity will be imported over an Elective Transmission Upgrade and the capacity will be imported over an interface that has not achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff, the provisions regarding site control (Section III.13.1.1.2.2.1) and critical path schedule (Section III.13.1.1.2.2.2) shall apply in addition to the requirement that the Project Sponsor submit system load and capacity projections for the external Control Area showing sufficient excess capacity during the Capacity Commitment Period to back the New Import Capacity Resource for the length of the multi-year contract.

**III.13.1.3.5.3.1. Imports Crossing Intervening Control Areas.**

The preceding rules define requirements associated with the import of capacity from a Control Area, or resources located in a Control Area, directly adjacent to the New England Control Area. Imports of capacity from a Control Area or resources located in a Control Area where such import crosses an intervening Control Area or Control Areas shall comply with the following additional requirements: (1) For imports crossing a single intervening Control Area, the Project Sponsor entering the import contract shall demonstrate, as detailed in the ISO New England Manuals, that the remote Control Area will afford the energy export to the adjacent intervening Control Area the same curtailment priority as its native load, that the adjacent intervening Control Area has procedures in place to explicitly recognize the linkage between the import and re-export of energy in support of the import contract, and that the energy export to the ISO will not be curtailed (except pro-rata with a curtailment of native load) so long as the linked import is flowing. (2) For imports crossing more than one intervening Control Area, in addition to the requirements above, the Project Sponsor entering the import contract shall demonstrate, as detailed in the ISO New England Manuals, by the New Capacity Qualification Deadline, that explicit market and operating procedures exist among the intervening Control Areas to ensure that the energy required to be delivered to the New England Control Area will be guaranteed the same curtailment priority as the intervening native loads, and that none of the intervening Control Areas will curtail the transaction except in conjunction with a curtailment of native load. (3) The Project Sponsor entering the import contract shall demonstrate that capacity it supplies to the New England Control Area will not be recalled or curtailed to satisfy the load of the external Control Area, or that the external Control Area in which it is located will afford New England Control Area load the same curtailment priority that it affords its own Control Area native load.

**III.13.1.3.5.4. Capacity Commitment Period Election**.

The provisions regarding Capacity Commitment Period election (Section III.13.1.1.2.2.4) shall only apply to a New Import Capacity Resource associated with an Elective Transmission Upgrade with a Capacity Network Import Interconnection Service Interconnection Request. All other New Import Capacity Resources clearing in the Forward Capacity Auction shall have a Capacity Supply Obligation and shall receive payments only for the one-year Capacity Commitment Period associated with that Forward Capacity Auction.

**III.13.1.3.5.5. Initial Interconnection Analysis.**

The provisions regarding initial interconnection analysis (Section III.13.1.1.2.3) shall not apply unless the capacity will be imported over an Elective Transmission Upgrade pursuing Capacity Network Import Interconnection Service pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff that has not achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff.

**III.13.1.3.5.5.A. Cost Information.**

The offer information described in Section III.13.1.1.2.2.3 and Section III.A.21.2 may be submitted in the form of a curve (up to five price-quantity pairs) associated with a specific New Import Capacity Resource. The curve may in no case increase the quantity offered as the price decreases. Each price is subject to review by the Internal Market Monitor pursuant to Section III.A.21.2 and must include the additional documentation described in that Section.

**III.13.1.3.5.6. Review by Internal Market Monitor of Offers from New Import Capacity Resources.**

In addition to the review described in Section III.13.1.1.2.2.3 and Section III.A.21, the Internal Market Monitor shall review each offer from New Import Capacity Resources. An offer from a New Import Capacity Resource shall be rejected if the Internal Market Monitor determines that the bid may be an attempt to manipulate the Forward Capacity Auction, and the matter will be referred to the Commission in accordance with the protocols set forth in Appendix A to the Commission’s Market Monitoring Policy Statement (111 FERC ¶ 61,267 (2005)).

**III.13.1.3.5.7. Qualification Determination Notification for New Import Capacity Resources.**

For New Import Capacity Resources, the qualification determination notification described in Section III.13.1.1.2.8 shall be modified to reflect the differences in the qualification process described in this Section III.13.1.3.5.

No later than seven days after the issuance by the ISO of the qualification determination notification described in Section III.13.1.1.2.8, a Lead Market Participant with a New Import Capacity Resource (other than a New Import Capacity Resource that is (i) backed by a single new External Resource and associated with an investment in transmission that increases New England’s import capability, or (ii) associated with an Elective Transmission Upgrade) that submitted a request to submit offers in the Forward Capacity Auction at prices that are below the relevant Offer Review Trigger Price as described in Sections III.13.1.1.2.2.3 and III.13.1.3.5 may: (a) lower the requested offer price of any price-quantity pair submitted to the ISO pursuant to Section III.13.1.1.2.2.3, provided that the revised price is greater than or equal to the Dynamic De-List Bid Threshold, or (b) withdraw any price-quantity pair of a requested offer price.

**III.13.1.3.5.8. Rationing Election.**

New Import Capacity Resources are subject to rationing except New Import Capacity Resource associated with an Elective Transmission Upgrade with a Capacity Network Import Interconnection Service Interconnection Request, which are eligible for the rationing election described in Section III.13.1.1.2.2.3(b).

**III.13.1.4. Demand Capacity Resources.**

To participate in a Forward Capacity Auction as a Demand Capacity Resource, a resource must meet the requirements of this Section III.13.1.4. Each Demand Capacity Resource shall be a minimum of 100 kW. An Active Demand Capacity Resource comprises one or more Demand Response Resources located in a single Dispatch Zone. An On-Peak Demand Resource or Seasonal Peak Demand Resource comprises one or more Assets located in a single Load Zone. Demand Capacity Resources must comply with all applicable federal, state, and local regulatory, siting, and tariff requirements, including interconnection tariff requirements related to siting, interconnection, and operation of the Demand Capacity Resource. Demand Capacity Resources are not permitted to submit import or export bids or Administrative Export De-list Bids. A Demand Capacity Resource cannot be composed of: (i) the customers of Host Utilities that distributed more than 4 million MWh in the previous fiscal year, if the relevant electric retail regulatory authority prohibits such customers’ demand reduction capability to be bid into the ISO-administered markets or programs; or (ii) the customers of Host Utilities that distributed 4 million MWh or less in the previous fiscal year, unless the relevant electric retail regulatory authority permits such customers’ demand reduction capability to be bid into the ISO-administered markets or programs.

**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. The New Demand Capacity Resource Show of Interest Form is available on the ISO website.

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) expected to be achieved five weeks prior to the first and second annual Forward Capacity Auctions after the Forward Capacity Auction in which the Project Sponsor’s capacity award would be made, if applicable, and on the Commercial Operation date; 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; expected Commercial Operation date – i.e., the date by which the Project Sponsor expects to reach Commercial Operation (Commercial Operation for a Demand Capacity Resource shall mean the demonstration to the ISO by the Project Sponsor that the Demand Capacity Resource described in the Project Sponsor's New Demand Capacity Resource Qualification Package has achieved its full demand reduction value); ISO Market Participant status and ISO customer identification (if applicable); status under Schedules 22 or 23 of the Transmission, Markets and Services Tariff (if applicable); project/technical and credit/financial contacts; and for individual Distributed Generation projects and Demand Capacity Resource projects from a single facility with a demand reduction value equal to or greater than 5 MW, the Pnode and service address at which the end-use facility is located; capability and experience of the Project Sponsor.

**III.13.1.4.1.1.2. New Demand Capacity Resource Qualification Package**.

For each resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Demand Capacity Resource, the Project Sponsor must submit a New Demand Capacity Resource Qualification Package no later than the New Capacity Qualification Deadline. The New Demand Capacity Resource Qualification Package shall conform to the requirements of this Section III.13.1.4.1.1.2. The ISO may waive the submission of any information not required for evaluation of a project.

**III.13.1.4.1.1.2.1. Source of Funding.**

The Project Sponsor must provide in the New Demand Capacity Resource Qualification Package the source of funding, which includes, but is not limited to, the following: the source(s) of public benefits funding or private financing, or a funding plan supplemented by information on how previous projects were funded; and a completed ISO credit application.

**III.13.1.4.1.1.2.2. Measurement and Verification Plan.**

For On-Peak Demand Resources and Seasonal Peak Demand Resources, the Project Sponsor must provide in the New Demand Capacity Resource Qualification Package a Measurement and Verification Plan that complies with the ISO’s measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals.

**III.13.1.4.1.1.2.3. Customer Acquisition Plan**.

A Project Sponsor with more than a single customer must include in the New Demand Capacity Resource Qualification Package a description of its plan to acquire customers that includes, but is not limited to, the following information: a description of proposed customer market; the estimated size of target market and supporting documentation; a marketing plan with supporting documentation describing the manner in which customers will be recruited; and evidence supporting the viability of the marketing plan.

**III.13.1.4.1.1.2.4. Critical Path Schedule for a Demand Capacity Resource with a Demand Reduction Value of at Least 5 MW at a Single Retail Delivery Point.**

The Project Sponsor of a Demand Capacity Resource with a demand reduction value of at least 5 MW at a single Retail Delivery Point shall provide in the New Demand Capacity Resource Qualification Package a critical path schedule as set forth in Section III.13.1.1.2.2.2.

**III.13.1.4.1.1.2.5. Critical Path Schedule for a Demand Capacity Resource with All Retail Delivery Points Having a Demand Reduction Value of Less Than 5 MW.**

The Project Sponsor of a Demand Capacity Resource with all Retail Delivery Points having a demand reduction value of less than 5 MW shall provide in the New Demand Capacity Resource Qualification Package a critical path schedule comprised of a delivery schedule of the share of total offered demand reduction value achieved as of target dates, as follows: (i) the cumulative percentage of total demand reduction value achieved on target date 1 occurring five weeks prior to the first annual Forward Capacity Auction after the Forward Capacity Auction in which the Project Sponsor’s capacity award was made; (ii) the cumulative percentage of total demand reduction value achieved on target date 2 occurring five weeks prior to the second annual Forward Capacity Auction after the Forward Capacity Auction in which the Project Sponsor’s capacity award was made; and (iii) target date 3 which is the expected Commercial Operation date, which must be on or before the first day of the relevant Capacity Commitment Period and by which date 100% of total demand reduction value must be complete.

**III.13.1.4.1.1.2.6. Additional Critical Path Schedule Requirement For Project Sponsors Proposing Total Demand Reduction Value of 30 Percent or Less by the Second Target Date.**

If a Project Sponsor proposes in its New Demand Capacity Resource Qualification Package a cumulative percentage of demand reduction value achieved that is 30 percent or less by the second critical path schedule target date, then a pipeline analysis must be submitted to the ISO five weeks prior to the second annual Forward Capacity Auction after the Forward Capacity Auction in which the award was made. A pipeline analysis demonstrates the Project Sponsor’s ability to fulfill its obligation to deliver capacity that cleared in a Forward Capacity Auction by the relevant Capacity Commitment Period. Such an analysis must list the customers that have made a commitment to participate in the Project Sponsor’s program to deliver capacity to meet the Project Sponsor’s Forward Capacity Auction obligations, and must include each customer’s projected summer and winter demand reduction value, and expected measure installation date; provided, however, that a Project Sponsor targeting customer facilities with under 10 kW of demand reduction value per facility shall have the option of using a targeting and marketing plan based on past performance in that market to determine the Project Sponsor’s ability to fulfill its obligation by the relevant Capacity Commitment Period. To the extent that the Project Sponsor is unable to demonstrate through its pipeline analysis that it has sufficient customers to meet its Capacity Supply Obligation by the beginning of the relevant Capacity Commitment Period, the Project Sponsor shall be subject to the ISO’s critical path schedule monitoring procedures, as specified in Section III.13.3 of Market Rule 1.

**III.13.1.4.1.1.2.7. Capacity Commitment Period Election**.

In the New Demand Capacity Resource Qualification Package, the Project Sponsor must specify whether, if its New Demand Capacity Resource offer clears in the Forward Capacity Auction, the associated Capacity Supply Obligation and Capacity Clearing Price (indexed for inflation) shall continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, for up to six additional and consecutive Capacity Commitment Periods, in whole Capacity Commitment Period increments only. If no such election is made in the New Demand Capacity Resource Qualification Package, the Capacity Supply Obligation and Capacity Clearing Price associated with the New Demand Capacity Resource offer shall apply only for the Capacity Commitment Period associated with the Forward Capacity Auction in which the New Demand Capacity Resource offer clears. If the Project Sponsor elects to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, then the Project Sponsor may not change the Demand Capacity Resource type as long as that Capacity Supply Obligation and Capacity Clearing Price continue to apply. If an offer from a New Demand Capacity Resource clears in the Forward Capacity Auction, the capacity associated with the resulting Capacity Supply Obligation may not be subject to any type of de-list or export bid in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply pursuant to this Section III.13.1.4.1.1.2.7.

**III.13.1.4.1.1.2.8. Offer Information From New Demand Capacity Resources.**

1. All New Demand Capacity Resources that might submit offers in the Forward Capacity Auction at prices below the relevant Offer Review Trigger Price must include in the New Demand Capacity Resource Qualification Package the lowest price at which the resource requests to offer capacity in the Forward Capacity Auction and supporting documentation justifying that price as competitive in light of the resource’s costs (as described in Section III.A.21). This price is subject to review by the Internal Market Monitor pursuant to Section III.A.21.2 and must include the additional documentation described in that section.

(b) The Project Sponsor for a New Demand Capacity Resource must indicate in the New Demand Capacity Resource Qualification Package if an offer from the New Demand Capacity Resource may be rationed. A Project Sponsor may specify a single MW quantity to which offers may be rationed. Without such indication, offers will only be accepted or rejected in whole. This rationing election shall apply for the entire Forward Capacity Auction.

**III.13.1.4.1.1.3. Initial Analysis for Active Demand Capacity Resources.**

For each New Demand Capacity Resource that is an Active Demand Capacity Resource, the ISO shall perform an analysis based on the information provided in the New Demand Capacity Resource Show of Interest Form to determine the amount of capacity that the resource could provide by the start of the associated Capacity Commitment Period. This analysis shall be performed consistent with the criteria and conditions described in ISO New England Planning Procedures. Where, as a result of this analysis, the ISO determines that because of overlapping interconnection impacts, such a New Demand Capacity Resource that is otherwise accepted for participation in the Forward Capacity Auction in accordance with the other provisions and requirements of this Section III.13.1 cannot deliver any of the capacity that it would otherwise be able to provide (in the absence of the other relevant Existing Capacity Resources), then that New Demand Capacity Resource will not be accepted for participation in the Forward Capacity Auction.

**III.13.1.4.1.1.4. Consistency of the New Demand Capacity Resource Qualification Package and New Demand Capacity Resource Show of Interest Form.**

The ISO shall review the Project Sponsor’s New Demand Capacity Resource Qualification Package for consistency with its New Demand Capacity Resource Show of Interest Form. The New Demand Capacity Resource Qualification Package may not contain material changes relative to the New Demand Capacity Resource Show of Interest Form. A material change may include, but is not limited to the following: (i) a change in the designation of the Demand Capacity Resource type; (ii) a change in the Project Sponsor, subject to review by the ISO of the capability and experience of the new Project Sponsor; (iii) a change in the Load Zone within which the project is located, and a change in the Dispatch Zone within which the Active Demand Capacity Resource is located; (iv) a change in the total summer or winter demand reduction value of the project by more than 30 percent; (v) a change in the general type of measure being implemented (e.g., Energy Efficiency, Load Management, Distributed Generation); or (vi) a misrepresentation of the interconnection status of a Distributed Generation project.

**III.13.1.4.1.1.5. Evaluation of New Demand Capacity Resource Qualification Materials.**

The ISO shall review the information submitted by New Demand Capacity Resources and shall determine whether the information submitted complies with the requirements set forth in this Section III.13.1.4 and whether, based on the information provided, the Demand Capacity Resource is accepted for participation in the Forward Capacity Auction. In making these determinations, the ISO may consider, but is not limited to consideration of, the following:

(a) whether the information submitted by New Demand Capacity Resources is accurate and contains all of the elements required by this Section III.13.1.4;

(b) whether the critical path schedule submitted by New Demand Capacity Resources includes all necessary elements and is sufficiently developed;

(c) whether the milestones in the critical path schedule submitted by New Demand Capacity Resources are reasonable and likely to be met;

(d) whether, in the case of a resource previously counted as a capacity resource, the requirements for treatment as a New Demand Capacity Resource are satisfied; and

(e) whether, in the case of a New Demand Capacity Resource that is an On-Peak Demand Resource or Seasonal Peak Demand Resource, the Measurement and Verification Plan complies with the ISO’s measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals.

**III.13.1.4.1.1.6. Qualification Determination Notification for New Demand Capacity Resources**.

No later than 127 days prior to the relevant Forward Capacity Auction, the ISO shall send notification to Project Sponsors for each New Demand Capacity Resource indicating whether the New Demand Capacity Resource has been accepted for participation in the Forward Capacity Auction.

(a) For a New Demand Capacity Resource accepted for participation in the Forward Capacity Auction, the notification will specify the Demand Capacity Resource type and the Demand Capacity Resource’s summer and winter Qualified Capacity, which shall be the ISO-determined summer and winter demand reduction value increased by average avoided peak transmission and distribution losses (that is, eight percent).

(b) For a New Demand Capacity Resource not accepted for participation in the Forward Capacity Auction, the notification will provide an explanation as to why the resource did not meet the requirements set forth in this Section III.13.1.4 and was not accepted.

**III.13.1.4.2. Definition of Existing Demand Capacity Resources.**

Demand Capacity Resources that previously have been in service and registered with the ISO, and which are not otherwise New Demand Capacity Resources, shall be Existing Demand Capacity Resources. Existing Demand Capacity Resources shall include and are limited to Demand Capacity Resources that have been in service and registered with the ISO to fulfill a Capacity Supply Obligation created by clearing in a past Forward Capacity Auction before the Existing Capacity Qualification Deadline of the applicable Forward Capacity Auction. Except as specified in this Section III.13.1.4, Existing Demand Capacity Resources shall be subject to the same qualification process as Existing Generating Capacity Resources, as described in Section III.13.1.2.3. Existing Demand Capacity Resources shall be subject to Section III.13.1.2.2.5.2. An On-Peak Demand Resource or Seasonal Peak Demand Resource may not include in its demand reduction value a measure whose Measure Life will expire before the beginning of the associated Capacity Commitment Period.

**III.13.1.4.2.1. Qualified Capacity Notification for Existing Demand Capacity Resources**.

1. For each Existing Demand Capacity Resource, the ISO will notify the Resource’s Lead Market Participant no later than 20 Business Days before the Existing Capacity Retirement Deadline of: the Demand Capacity Resource type; summer and winter Qualified Capacity (which shall be the summer and winter demand reduction value increased by average avoided peak transmission and distribution losses); the Load Zone in which the Demand Capacity Resource is located; and, for Active Demand Capacity Resources, the Dispatch Zone in which the resource is located.
2. If the Lead Market Participant believes that the ISO’s assessment of the Qualified Capacity is inaccurate, the Market Participant must notify the ISO within 5 Business Days of receipt of the Qualified Capacity notification.
3. 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 5 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 5 Business Days after receipt of the Qualified Capacity notification.

(e) If an Existing Demand Capacity Resource is not submitting a Static De-List Bid, Permanent De-List Bid, or Retirement De-List Bid for the Forward Capacity Auction, then no further submissions or actions for that resource are necessary, and the resource shall participate in the Forward Capacity Auction as described in Section III.13.2.3.2(c) with Qualified Capacity as indicated in the ISO’s notification.

**III.13.1.4.2.2. Existing Demand Capacity Resource De-List Bids.**

An Existing Demand Capacity Resource may submit a Permanent De-List Bid or Retirement De-List Bid pursuant to the provisions of Section III.13.1.2.3.1.5 no later than the Existing Capacity Retirement Deadline or a Static De-List Bid pursuant to the provisions of Section III.13.1.2.3.1.1 no later than the Existing Capacity Qualification Deadline, provided, however, that no de-list bid shall be used as a mechanism to inappropriately qualify Assets associated with Existing Demand Capacity Resources as New Demand Capacity Resources.

**III.13.1.4.3. Measurement and Verification Applicable to On-Peak Demand Resources and Seasonal Peak Demand Resources.**

To demonstrate the demand reduction value of an On-Peak Demand Resource or Seasonal Peak Demand Resource, the Project Sponsor or Market Participant of such a resource participating in the Forward Capacity Auction, Capacity Supply Obligation Bilaterals, or reconfiguration auctions shall submit to the ISO the Measurement and Verification Documents in accordance with this Section III.13.1.4.3 and the ISO New England Manuals. The ISO shall review such Measurement and Verification Documents to determine whether they are consistent with the measurement and verification requirements set forth in this Section III.13.1.4.3 and the ISO New England Manuals.

**III.13.1.4.3.1. Measurement and Verification Documents.**

Measurement and Verification Documents must demonstrate both availability and performance of an On-Peak Demand Resource or Seasonal Peak Demand Resource in reducing demand coincident with Demand Resource On-Peak Hours or Demand Resource Seasonal Peak Hours such that the reported monthly demand reduction value shall achieve at least a ten percent relative precision and an eighty percent confidence interval as described and applied in the ISO New England Manuals and ISO New England Operating Procedures. The Measurement and Verification Documents shall serve as the basis for the claimed demand reduction value of an On-Peak Demand Resource or Seasonal Peak Demand Resource. The Measurement and Verification Documents shall document the measurement and verification performed to verify the achieved demand reduction value of the On-Peak Demand Resource or Seasonal Peak Demand Resource. The Measurement and Verification Documents shall contain a projection of the On-Peak Demand Resource’s or Seasonal Peak Demand Resource’s demand reduction value for each month of the Capacity Commitment Period and over the expected Measure Lives associated with the Demand Capacity Resources. An On-Peak Demand Resource’s or Seasonal Peak Demand Resource’s Measurement and Verification Documents must describe the methodology used to calculate electrical energy load reduction or output during Demand Resource On-Peak Hours, or Demand Resource Seasonal Peak Hours. If an On-Peak Demand Resource or Seasonal Peak Demand Resource includes Distributed Generation, the Measurement and Verification Documents must describe the individual metering or metering protocol used to monitor and verify the output of the Distributed Generation, consistent with the measurement and verification requirements set forth in Market Rule 1 and the ISO New England Manuals.

The Measurement and Verification Documents shall include a Measurement and Verification Plan submitted in the Forward Capacity Auction Qualification, as described in Section III.13.1.4.3 and a monthly Measurement and Verification Summary Report during the Capacity Commitment Period. The monthly Measurement and Verification Summary Reports shall reference the measurement and verification protocols and performance data documented in the Measurement and Verification Plan or the Measurement and Verification Reference Report(s). Such monthly Measurement and Verification Summary Reports will document the Project Sponsor’s total demand reduction value from eligible pre-existing measures and new measures, and the Project Sponsor’s total demand reduction value from both eligible pre-existing measures and new measures, for all measures it had in operation as of the end of the previous month. The monthly Measurement and Verification Summary Reports shall be based on Measurement and Verification Documents determined in accordance with Market Rule 1 and the ISO New England Manuals, and shall be the basis for monthly settlement with Project Sponsors. All Measurement and Verification Documents shall conform to the ISO’s specifications with respect to content, format and delivery methodology, and shall be submitted in accordance with the timelines and deadlines set forth in Market Rule 1 and the ISO New England Manuals.

**III.13.1.4.3.1.1. Optional Measurement and Verification Reference Reports**.

At the option of the Project Sponsor, the Measurement and Verification Documents for an On-Peak Demand Resource or a Seasonal Peak Demand Resource may also include one or more Measurement and Verification Reference Report(s) submitted during the Capacity Commitment Period subject to the schedule in the Measurement and Verification Plan and consistent with the schedule and reporting standards set forth in the ISO New England Manuals. Measurement and Verification Reference Reports shall update the prospective demand reduction value of the On-Peak Demand Resource or Seasonal Peak Demand Resource based on measurement and verification studies performed during the Capacity Commitment Period.

**III.13.1.4.3.1.2. Updated Measurement and Verification Documents.**

At the option of the Project Sponsor, an Updated Measurement and Verification Plan for an On-Peak Demand Resource or a Seasonal Peak Demand Resource may be submitted during a subsequent Forward Capacity Auction qualification process prior to the beginning of the Capacity Commitment Period of the Demand Capacity Resource project. The Updated Measurement and Verification Plan may include updated project specifications, measurement and verification protocols, and performance data. However, the Updated Measurement and Verification Plan shall not modify for the duration of the Capacity Commitment Period the total claimed demand reduction value or the Demand Capacity Resource type from the applicable Forward Capacity Auction in which the Project Sponsor’s offer cleared. Additionally, the Updated Measurement and Verification Plan shall provide measurement and verification consistent with the requirements specified in the ISO New England Manuals, and shall be comparable to the quality of the original Measurement and Verification Plan accepted during the Forward Capacity Auction qualification process in which the Demand Capacity Resource project cleared the Forward Capacity Auction.

**III.13.1.4.3.1.3. Annual Certification of Accuracy of Measurement and Verification Documents.**

Project Sponsors for On-Peak Demand Resources and Seasonal Peak Demand Resources shall submit no less frequently than once per year, a statement certifying that the Demand Capacity Resource projects for which the Project Sponsor is requesting compensation continue to perform in accordance with the submitted Measurement and Verification Documents reviewed by the ISO. One such statement must be received by the ISO no later than 10 Business Days before the Existing Capacity Qualification Deadline.

**III.13.1.4.3.1.4. Record Requirement of Retail Customers Served.**

For On-Peak Demand Resources and Seasonal Peak Demand Resources targeting customer facilities with greater than or equal to 10 kW of demand reduction value per facility, Project Sponsors shall maintain records of retail customers served including, at a minimum, the retail customer’s address, the customer’s utility distribution company, utility distribution company account identifier, measures installed, and corresponding monthly demand reduction values. For On-Peak Demand Resources and Seasonal Peak Demand Resources targeting customer facilities with under 10 kW of demand reduction value per facility, the Project Sponsor shall maintain records as described above for customer facilities with greater than or equal to 10 kW of demand reduction value per facility, or shall maintain records of aggregated demand reduction value and measures installed by Load Zone and meter domain. Project Sponsors shall maintain such records until the end of the Measure Life, or until the Demand Capacity Resource is permanently de-listed from the Forward Capacity Market, and shall submit such records to the ISO upon request in a readable electronic format.

**III.13.1.4.3.2. ISO Review of Measurement and Verification Documents**.

The ISO shall review the Measurement and Verification Documents and complete such review and identify any necessary modifications in accordance with the Forward Capacity Auction qualification process as described in Section III.13.1 and pursuant to the ISO New England Manuals. In its review of the Measurement and Verification Documents, the ISO may consult with the Project Sponsor or Lead Market Participant to seek clarification, to gather additional necessary information, or to address questions or concerns arising from the materials submitted. At the discretion of the ISO, the ISO may consider revisions or additions to the Measurement and Verification Documents resulting from such consultation; provided, however, that in no case shall the ISO consider revisions or additions to the Measurement and Verification Documents if the ISO believes that such consideration cannot be properly accomplished within the time periods established for the qualification process.

**III.13.1.5. Offers Composed of Separate Resources.**

Separate resources seeking to participate together in a Forward Capacity Auction shall submit a composite offer form no later than 10 Business Days after the date on which the ISO provides qualification determination notifications, as described in Section III.13.1.1.2.8, Section III.13.1.2.4, and Section III.13.1.4.1.1.6. 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 or Intermittent Settlement Only Resource. If the winter capacity of the offer composed of separate resources in any month is higher than the summer Qualified Capacity, then the capacity offered from the winter resources will be reduced pro-rata to equal the summer Qualified Capacity.

(d) If an offer is composed of separate resources, and is intended to meet the Local Sourcing Requirement in an import-constrained Capacity Zone, then each resource comprising the offer must be located in that import-constrained Capacity Zone.

(e) If an offer is composed of separate resources, and is intended to meet the capacity requirement in the Rest-of-Pool Capacity Zone, then each resource comprising the offer must be located in a Capacity Zone that is not export-constrained.

(f) If an offer is composed of separate resources, and is for capacity in an export-constrained Capacity Zone, then each resource comprising the offer must be located inside of the export-constrained Capacity Zone or be located in any non-export constrained Capacity Zone.

(g) [Reserved.]

(h) A Renewable Technology Resource may only participate in an offer composed of separate resources if its FCA Qualified Capacity has not been prorated pursuant to Section III.13.1.1.2.10.

**III.13.1.5.A. Notification of FCA Qualified Capacity.**

No later than five Business Days after the deadline for submission of offers composed of separate resources, the ISO shall notify the Project Sponsor or Lead Market Participant for each New Generating Capacity Resource, New Import Capacity Resource, and New Demand Capacity Resource of the resource’s final FCA Qualified Capacity for the Forward Capacity Auction. Such notification will detail the resource’s financial assurance requirements in accordance with Section III.13.1.9.

**III.13.1.6. Self-Supplied FCA Resources**.

Where a Project Sponsor elects to designate all or a portion of a New Generating Capacity Resource or an Existing Generating Capacity Resource as a Self-Supplied FCA Resource, the Project Sponsor must make such designation in writing to the ISO no later than the date by which the Project Sponsor is required to submit the FCM Deposit and, if the Project Sponsor is not also the associated load serving entity, the Project Sponsor must at that time provide written confirmation from the load serving entity regarding the Self-Supplied FCA Resource designation. A New Import Capacity Resource or Existing Import Capacity Resource may be designated as a Self-Supplied FCA Resource. All Self-Supplied FCA Resources shall be subject to the eligibility and locational requirements in this Section III.13.1.6. If designated as a Self-Supplied FCA Resource and otherwise accepted in the qualification process, the resource will clear in the Forward Capacity Auction as described in Section III.13.2.3.2(c) and, with the exception of demand programs for Self-Supplied FCA Resources, shall offset an equal amount of the load serving entity’s Capacity Load Obligation in the Capacity Commitment Period. A load serving entity seeking to self-supply using a Demand Capacity Resource shall realize the benefit through the actual reduction in its annual system coincident peak load, shall not receive credit for a resource and, therefore, is not required to participate in the qualification process described in this Section III.13.1. All designations as a Self-Supplied FCA Resource in the Forward Capacity Auction qualification process are binding.

**III.13.1.6.1. Self-Supplied FCA Resource Eligibility.**

Where all or a portion of a resource is designated as a Self-Supplied FCA Resource, it shall also maintain its status as a New Generating Capacity Resource, Existing Generating Capacity Resource, New Import Capacity Resource or Existing Import Capacity Resource, and must satisfy the Forward Capacity Auction qualification process requirements set forth in the remainder of Section III.13.1 applicable to that resource type, in addition to the requirements of this Section III.13.1.6. Where an offer composed of separate resources is designated as a Self-Supplied FCA Resource, all of the requirements and deadlines specified in Section III.13.1.5 shall apply to that offer, in addition to the requirements of this Section III.13.1.6. The total quantity of capacity that an load serving entity designates as Self-Supplied FCA Resources may not exceed the load serving entity’s projected share of the Installed Capacity Requirement during the Capacity Commitment Period which shall be calculated by determining the load serving entity’s most recent percentage share of the Installed Capacity Requirement multiplied by the projected Installed Capacity Requirement for the commitment year. No resource may be designated as a Self-Supplied FCA Resource for more MW than the lesser of that resource’s summer Qualified Capacity and winter Qualified Capacity.

**III.13.1.6.2. Locational Requirements for Self-Supplied FCA Resources.**

In order to participate in the Forward Capacity Auction as a Self-Supplied FCA Resource for a load in an import-constrained Capacity Zone, the Self-Supplied FCA Resource must be located in the same Capacity Zone as the associated load, unless the Self-Supplied FCA Resource is a pool-planned unit or other unit with a special allocation of Capacity Transfer Rights. In order to participate in the Forward Capacity Auction as a Self-Supplied FCA Resource in an export-constrained Capacity Zone for a load outside that export-constrained Capacity Zone, the Self-Supplied FCA Resource must be a pool-planned unit or other unit with a special allocation of Capacity Transfer Rights.

**III.13.1.7. Internal Market Monitor Review of Offers and Bids.**

In addition to the other provisions of this Section III.13.1, the Internal Market Monitor shall have the authority to review in the qualification process each resource’s summer and winter Seasonal Claimed Capability if it is significantly lower than historical values, and if the Internal Market Monitor determines that it may be an attempt to exercise physical withholding, the matter will be referred to the Commission in accordance with the protocols set forth in Appendix A to the Commission’s Market Monitoring Policy Statement (111 FERC ¶ 61,267 (2005)). Where an entity submits: (i) an offer as a New Generating Capacity Resource, a New Import Capacity Resource or a New Demand Capacity Resource; and (ii) a Static De-List Bid, a Permanent De-List Bid, a Retirement De-List Bid, an Export Bid or an Administrative Export De-List Bid in the same Forward Capacity Auction, the Internal Market Monitor shall take appropriate steps to ensure that the resource bid to de-list, retire or export in the Forward Capacity Auction is not inappropriately replaced by that new capacity in a subsequent reconfiguration auction or Capacity Supply Obligation Bilateral. In its review of any offer or bid pursuant to this Section III.13.1.7, the Internal Market Monitor may consult with the Project Sponsor or Market Participant, as appropriate, to seek clarification, or to address questions or concerns regarding the materials submitted.

**III.13.1.8. Publication of Offer and Bid Information**.

(a) Resource name, quantity and Load Zone (or interface, as applicable) in which the resource is located about each Permanent De-list Bid and Retirement De-List Bid will be posted no later than 15 days after the Forward Capacity Auction is conducted.

(b) The quantity and Load Zone (or interface, as applicable) in which the resource is located of each Static De-List Bid will be posted no later than 15 days after the Forward Capacity Auction is conducted.

(c) Name of submitter, quantity, and interface of Export Bids and Administrative Export Bids shall be published no later than 15 days after the Forward Capacity Auction is conducted.

(d) Name of submitter, quantity, and interface about offers from New Import Capacity Resources shall be published no later than 15 days after the Forward Capacity Auction is conducted.

(e) No later than three Business Days after the Existing Capacity Retirement Deadline, the ISO shall post on its website information concerning Permanent De-List Bids and Retirement De-List Bids.

(f) The name of each Lead Market Participant submitting Static De-List Bids, Export Bids, and Administrative Export De-List Bids, as well as the number and type of such de-list bids submitted by each Lead Market Participant, shall be published no later than three Business Days after the ISO issues the qualification determination notifications described in Sections III.13.1.1.2.8, III.13.1.2.4(b), and III.13.1.3.5.7. Authorized Persons of Authorized Commissions will be provided confidential access to full information about posted Static De-list Bids, Permanent De-List Bids, and Retirement De-List Bids upon request pursuant to Section 3.3 of the ISO New England Information Policy.

**III.13.1.9. Financial Assurance**.

Except as noted in this Section III.13.1.9, all financial assurance requirements associated with Forward Capacity Auctions and annual reconfiguration auctions and other payments and charges resulting from the Forward Capacity Market shall be governed by the ISO New England Financial Assurance Policy.

**III.13.1.9.1. Financial Assurance for New Generating Capacity Resources and New Demand Capacity Resources Participating in the Forward Capacity Auction.**

In order to participate in any Forward Capacity Auction, New Generating Capacity Resources (including Conditional Qualified New Resources) and New Demand Capacity Resources shall be required to meet the financial assurance requirements as described in the ISO New England Financial Assurance Policy. Timely payment of the FCM Deposit by the Project Sponsor for a New Generating Capacity Resource or New Demand Capacity Resource accepted for participation in the Forward Capacity Auction constitutes a commitment to offer the full FCA Qualified Capacity of that New Generating Capacity Resource or New Demand Capacity Resource in the Forward Capacity Auction at the Forward Capacity Auction Starting Price. If the FCM Deposit is not received within the timeframe specified in the ISO New England Financial Assurance Policy, the New Generating Capacity Resource or New Demand Capacity Resource shall not be permitted to participate in the Forward Capacity Auction. If capacity offered by the New Generating Capacity Resource or New Demand Capacity Resource clears in the Forward Capacity Auction, financial assurance required prior to the auction pursuant to FAP shall be applied toward the resource’s financial assurance obligation, as described in the ISO New England Financial Assurance Policy. If no capacity offered by that New Generating Capacity Resource or New Demand Capacity Resource clears in the Forward Capacity Auction, the financial assurance required prior to the auction pursuant to FAP will be released pursuant to the terms of the ISO New England Financial Assurance Policy.

**III.13.1.9.2. Financial Assurance for New Generating Capacity Resources and New Demand Capacity Resources Clearing in a Forward Capacity Auction.**

Where a New Generating Capacity Resource’s offer or a New Demand Capacity Resource’s offer is accepted in a Forward Capacity Auction, that resource must provide financial assurance as described in the ISO New England Financial Assurance Policy.

**III.13.1.9.2.1. Failure to Provide Financial Assurance or to Meet Milestone.**

If a New Generating Capacity Resource or New Demand Capacity Resource: (i) fails to provide the required financial assurance as described in the ISO New England Financial Assurance Policy or (ii) has its Capacity Supply Obligation terminated by the ISO pursuant to Section III.13.3.4(c), it shall lose its Capacity Supply Obligation and its right to any payments associated with that Capacity Supply Obligation, and it shall forfeit any financial assurance provided with respect to that Capacity Supply Obligation.

**III.13.1.9.2.2. Release of Financial Assurance.**

Once a New Generating Capacity Resource or New Demand Capacity Resource achieves Commercial Operation and is tested for its capacity rating, 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 to replace that capacity.

**III.13.1.9.2.4. Financial Assurance for New Import Capacity Resources**.

A New Import Capacity Resource that is backed by a new External Resource 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 Commercial Operation, the New Import Capacity Resource shall be subject to the same financial assurance requirements as an Existing Generating Capacity Resource, as described in Section III.13.1.9. A New Import Capacity Resource that is backed by one or more existing External Resources or by an external Control Area shall be subject to the same financial assurance requirements as an Existing Generating Capacity Resource, as governed by the ISO New England Financial Assurance Policy.

**III.13.1.9.3. Qualification Process Cost Reimbursement Deposit.**

For each New Capacity Show of Interest Form and New Demand Capacity Resource Show of Interest Form submitted for the purposes of qualifying for either a Forward Capacity Auction or reconfiguration auction, the Project Sponsor must submit to the ISO a refundable deposit in the amount shown in the table below (“Qualification Process Cost Reimbursement Deposit”). The Qualification Process Cost Reimbursement Deposit must be received in accordance with the ISO New England Billing Policy. Such deposit shall be used for costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owners, associated with the qualification process described in Section III.13.1 and with the critical path schedule monitoring described in Section III.13.3. An additional Qualification Process Cost Reimbursement Deposit is not required if: (i) the Project Sponsor is actively seeking qualification for another Forward Capacity Auction or annual reconfiguration auction, or is having the project’s critical path schedule monitored pursuant to Section III.13.3; and (ii) the costs already incurred in the qualification process and critical path schedule monitoring do not equal or exceed 90 percent of the amount of the previously-submitted Qualification Process Cost Reimbursement Deposit(s). The ISO shall provide the Project Sponsor with an annual statement in writing of the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring. In any case where resources are aggregated or disaggregated, the associated Qualification Process Cost Reimbursement Deposits will be adjusted as appropriate. After aggregation or disaggregation of resources, historical data regarding the costs already incurred in the qualification process of the original resources will no longer be provided. Coincident with the issuance of the annual statement, where incurred costs are equal to or greater than 90 percent of the Qualification Process Cost Reimbursement Deposit(s) previously submitted, the ISO will issue an invoice in the amount determined pursuant to the Qualification Process Cost Reimbursement Deposit table contained in Section III.13.1.9.3.1 plus any excess of costs incurred to date by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owners, associated with the qualification process described in Section III.13.1 and with the critical path schedule monitoring described in Section III.13.3. Any refunds that may result from aggregation of resources will be issued coincident with the annual statement. Payment on the invoice must be received in accordance with the ISO New England Billing Policy. If the Project Sponsor fails to pay the amount due by the stated due date, the ISO will consider the resources that were invoiced withdrawn by the Project Sponsor. Such a withdrawal shall be irrevocable, and payment on the invoice after the due date will not remedy the failure to pay or the withdrawal.

**III.13.1.9.3.1. Partial Waiver Of Deposit.**

A portion of the deposit shall be waived when there is an active Interconnection Request and an executed Interconnection Feasibility Study Agreement or Interconnection System Impact Study Agreement under Schedule 22, 23 or 25 of Section II of the Transmission, Markets and Services Tariff or where a resource modification does not require a revision to the Interconnection Agreement.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **New Generating Capacity Resources** ≥ **20 MW or an Import Capacity Resource associated with an Elective Transmission Upgrade that has not achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff** | **New Generating Capacity Resources < 20 MW and** ≥ **2 MW**  | **Imports and New Demand Capacity Resources (including Distributed Generation)** |  | **New Generating Capacity Resources < 2 MW**  |
| *Including Up-rates, Re-powering, Environmental Compliance & Intermittent Power Resources*  | *Including Up-rates, Re-powering, Environmental Compliance & Intermittent Power Resources*  |  |  |  |
| $25,000  | $7,500  | $1,000  |  | $500  |
| *With Executed* *Interconnection**Feasibility Study Agreement or System Impact Study Agreement*  | *With Executed**Interconnection* *Feasibility Study Agreement or System Impact Study Agreement*  |  |  |  |
| $15,000  | $6,500  | n/a  |  | n/a  |

**III.13.1.9.3.2. Settlement of Costs.**

**III.13.1.9.3.2.1. Settlement Of Costs Associated With Resources Participating In A Forward Capacity Auction Or Reconfiguration Auction**.

Upon the latter of: (i) the first day of the Capacity Commitment Period for which a resource offers into the Forward Capacity Market or (ii) the date on which the entire resource is accepted by the ISO for Commercial Operation, the ISO shall provide the Project Sponsor with a statement in writing of the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring. If any portion of the Qualification Process Cost Reimbursement Deposit exceeds the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owner(s) associated with the qualification process and critical path schedule monitoring, the ISO shall refund to the Project Sponsor the excess including interest calculated in accordance with 18 CFR § 35.19a(a)(2). If the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring exceed the Qualification Process Cost Reimbursement Deposit, the Project Sponsor shall pay such excess, including interest calculated in accordance with 18 CFR § 35.19a(a)(2) – For Demand Capacity Resources, the ISO shall provide all of the above concurrently with the annual statement required under Section III.13.1.9.3.

**III.13.1.9.3.2.2. Settlement Of Costs Associated With Resources That Withdraw From A Forward Capacity Auction Or Reconfiguration Auction**.

Upon the withdrawal or failure to meet the requirements of the qualification process set forth in Section III.13.1, the ISO shall provide the Project Sponsor with a statement in writing of the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring. A Project Sponsor that withdraws or is deemed to have withdrawn its request for qualification shall pay to the ISO all costs prudently incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring. The ISO shall refund to the Project Sponsor any portion of the Qualification Process Cost Reimbursement Deposit that exceeds the costs associated with the qualification process and critical path schedule monitoring incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), including interest calculated in accordance with 18 CFR § 35.19a(a)(2). The ISO shall charge the Project Sponsor the amount of such costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), that exceeds the Qualification Process Cost Reimbursement Deposit, including interest calculated in accordance with 18 CFR § 35.19a(a)(2). For Demand Capacity Resources, the ISO shall provide all of the above concurrently with the annual statement required under Section III.13.1.9.3.

**III.13.1.9.3.2.3. Crediting Of Reimbursements**.

Cost reimbursements received (excluding amounts passed through to the ISO’s consultants and to affected Transmission Owner(s)) by the ISO pursuant to this Section III.13.1.9.3.2 shall be credited against revenues received by the ISO pursuant to Section IV.A.6.1 of the Transmission, Markets and Services Tariff.

**III.13.1.10. Forward Capacity Auction Qualification Schedule**.

Beginning with the timeline for the Capacity Commitment Period beginning on June 1, 2017 (the eighth Forward Capacity Auction), and for each Capacity Commitment Period thereafter, the deadlines will be consistent for each Capacity Commitment Period, as follows:

(a) each Capacity Commitment Period shall begin in June;

(b) the Existing Capacity Retirement Deadline will be in March, approximately four years and three months before the beginning of the Capacity Commitment Period;

(c) the New Capacity Show of Interest Submission Window will be in April , approximately four years and two months before the beginning of the Capacity Commitment Period;

(d) the Existing Capacity Qualification Deadline will be in June, approximately four years before the beginning of the Capacity Commitment Period;

(e) the New Capacity Qualification Deadline will be in June or July that is just under four years before the beginning of the Capacity Commitment Period; and

(f) the Forward Capacity Auction for the Capacity Commitment Period will begin in February approximately three years and four months before the beginning of the Capacity Commitment Period.

The table below shows this generic timeline for the Capacity Commitment Period beginning in year “X”, where X is any year after 2015.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Existing Capacity Retirement Deadline** | **New Capacity Show of Interest Submission Window**  | **Existing Capacity Qualification Deadline**  | **New Capacity Qualification Deadline**  | **First Day of Forward Capacity Auction for the Capacity Commitment Period**  | **Capacity Commitment Period Begins**  |
| March (X-4) | April (X-4)  | June (X-4)  | June/July (X-4)  | Feb. (X-3)  | June X  |

**III.13.1.11 Opt-Out for Resources Electing Multiple-Year Treatment.**

Beginning in the qualification process for the ninth Forward Capacity Auction (for the Capacity Commitment Period beginning June 1, 2018), any resource that had elected in a Forward Capacity Auction prior to the ninth Forward Capacity Auction (pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7) to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which its New Capacity Offer cleared may, by submitting a written notification to the ISO no later than the Existing Capacity Qualification Deadline (or, in the case of the ninth Forward Capacity Auction, no later than September 19, 2014), opt-out of the remaining years of the resource’s multiple-year election. A decision to so opt-out shall be irrevocable. A resource choosing to so opt-out will participate in subsequent Forward Capacity Auctions in the same manner as other Existing Capacity Resources.

**III.13.2. Annual Forward Capacity Auction.**

**III.13.2.1. Timing of Annual Forward Capacity Auctions**.

Except with respect to the first six Forward Capacity Auctions (as described in Section III.13.1.10), each Forward Capacity Auction will be conducted beginning on the first Monday in the February that is approximately three years and four months before the beginning of the associated Capacity Commitment Period (unless, no later than the immediately preceding December 1, an alternative date is announced by the ISO), or, where exigent circumstances prevent the start of the Forward Capacity Auction at that time, as soon as possible thereafter.

**III.13.2.2. Amount of Capacity Cleared in Each Forward Capacity Auction**.

The total amount of capacity cleared in each Forward Capacity Auction shall be determined using the System-Wide Capacity Demand Curve and the Capacity Zone Demand Curves for the modeled Capacity Zones pursuant to Section III.13.2.3.3.

**III.13.2.2.1. System-Wide Capacity Demand Curve.**

The MRI Transition Period is the period from the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2020 through the earlier of:

1. the Forward Capacity Auction for which the amount of the Installed Capacity Requirement (net of HQICCs) that is filed by the ISO with the Commission pursuant to Section III.12.3 for the upcoming Forward Capacity Auction is greater than or equal to the sum of: 34,151 MW, and: (a) 722 MW (for the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2020); (b) 375 MW (for the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2021), or; (c) 150 MW (for the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2022);
2. 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;
3. the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2022.

During the MRI Transition Period, the System-Wide Capacity Demand Curve shall consist of the following three segments:

1. at prices above $7.03/kW-month and below the Forward Capacity Auction Starting Price, the System-Wide Capacity Demand Curve shall specify a price for system capacity quantities based on the product of the system-wide Marginal Reliability Impact value, calculated pursuant to Section III.12.1.1, and the scaling factor specified in Section III.13.2.2.4;
2. at prices below $7.03/kW-month, the System-Wide Capacity Demand Curve shall be linear between $7.03/kW-month and $0.00/kW-month and determined by the following quantities:
	1. At the price of $0.00/kW-month, the quantity specified by the System-Wide Capacity Demand Curve shall be 1616 MW plus the MW value determined under the applicable provision in (b), (c), or (d) of this subsection.
	2. for the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2020, at $7.03/kW-month, the quantity shall be the lesser of:
		* 1. 35,437 MW; and
			2. 722 MW plus the quantity at which the product of the system-wide Marginal Reliability Impact value and the scaling factor yield a price of $7.03/kW-month;
	3. for the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2021, at $7.03/kW-month, the quantity shall be the lesser of:
		* 1. 35,090 MW; and
			2. 375 MW plus the quantity at which the product of the system-wide Marginal Reliability Impact value and the scaling factor yield a price of $7.03/kW-month;
	4. for the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2022, at $7.03/kW-month, the quantity shall be the lesser of:
		* 1. 34,865 MW; and
			2. 150 MW plus the quantity at which the product of the system-wide Marginal Reliability Impact value and the scaling factor yield a price of $7.03/kW-month
3. a price of $7.03/kW-month for all quantities between those curves segments.

In addition to the foregoing, the System-Wide Capacity Demand Curve shall not specify a price in excess of the Forward Capacity Auction Starting Price.

Following the MRI Transition Period, the System-Wide Capacity Demand Curve shall specify a price for system capacity quantities based on the product of the system-wide Marginal Reliability Impact value, calculated pursuant to Section III.12.1.1, and the scaling factor specified in Section III.13.2.2.4. For any system capacity quantity greater than 110% of the Installed Capacity Requirement (net of HQICCs), the System-Wide Capacity Demand Curve shall specify a price of zero. The System-Wide Capacity Demand Curve shall not specify a price in excess of the Forward Capacity Auction Starting Price.

**III.13.2.2.2. Import-Constrained Capacity Zone Demand Curves.**

For each import-constrained Capacity Zone, the Capacity Zone Demand Curve shall specify a price for all Capacity Zone quantities based on the product of the import-constrained Capacity Zone’s Marginal Reliability Impact value, calculated pursuant to Section III.12.2.1.3, and the scaling factor specified in Section III.13.2.2.4. The prices specified by an import-constrained Capacity Zone Demand Curve shall be non-negative. At all quantities greater than the amount of capacity for which the Capacity Zone Demand Curve specifies a price of $0.01/kW-month, the Capacity Zone Demand Curve shall specify a price of zero. The Capacity Zone Demand Curve shall not specify a price in excess of the Forward Capacity Auction Starting Price.

**III.13.2.2.3. Export-Constrained Capacity Zone Demand Curves.**

For each export-constrained Capacity Zone, the Capacity Zone Demand Curve shall specify a price for all Capacity Zone quantities based on the product of the export-constrained Capacity Zone’s Marginal Reliability Impact value, calculated pursuant to Section III.12.2.2.1, and the scaling factor specified in Section III.13.2.2.4. The prices specified by an export-constrained Capacity Zone Demand Curve shall be non-positive. At all quantities less than the amount of capacity for which the Capacity Zone Demand Curve specifies a price of negative $0.01/kW-month, the Capacity Zone Demand Curve shall specify a price of zero.

**III.13.2.2.4. Capacity Demand Curve Scaling Factor.**

The demand curve scaling factor shall be set at the value such that, at the quantity specified by the System-Wide Capacity Demand Curve at a price of Net CONE, the Loss of Load Expectation is 0.1 days per year.

**III.13.2.3. Conduct of the Forward Capacity Auction**.

The Forward Capacity Auction shall be a descending clock auction, which will determine, subject to the provisions of Section III.13.2.7, the Capacity Clearing Price for each Capacity Zone modeled in that Forward Capacity Auction pursuant to Section III.12.4, and the Capacity Clearing Price for certain offers from New Import Capacity Resources and Existing Import Capacity Resources pursuant to Section III.13.2.3.3(d). The Forward Capacity Auction shall determine the outcome of all offers and bids accepted during the qualification process and submitted during the auction. Each Forward Capacity Auction shall be conducted as a series of rounds, which shall continue (for up to five consecutive Business Days, with up to eight rounds per day, absent extraordinary circumstances) until the Forward Capacity Auction is concluded for all modeled Capacity Zones in accordance with the provisions of Section III.13.2.3.3. Each round of the Forward Capacity Auction shall consist of the following steps, which shall be completed simultaneously for each Capacity Zone included in the round:

**III.13.2.3.1. Step 1: Announcement of Start-of-Round Price and End-of-Round Price.**

For each round, the auctioneer shall announce a single Start-of-Round Price (the highest price associated with a round of the Forward Capacity Auction) and a single (lower) End-of-Round Price (the lowest price associated with a round of the Forward Capacity Auction). In the first round, the Start-of-Round Price shall equal the Forward Capacity Auction Starting Price for all modeled Capacity Zones. In each round after the first round, the Start-of-Round Price shall equal the End-of-Round Price from the previous round.

**III.13.2.3.2. Step 2: Compilation of Offers and Bids.**

The auctioneer shall compile all of the offers and bids for that round, as follows:

(a) **Offers from New Generating Capacity Resources, New Import Capacity Resources, and New Demand Capacity Resources.**

(i) The Project Sponsor for any New Generating Capacity Resource, New Import Capacity Resource that is backed by a single new External Resource and that is associated with an investment in transmission that increases New England’s import capability, New Import Capacity Resource that is associated with an Elective Transmission Upgrade, or New Demand Capacity Resource accepted in the qualification process for participation in the Forward Capacity Auction may submit a New Capacity Offer indicating the quantity of capacity that the Project Sponsor would commit to provide from the resource during the Capacity Commitment Period at that round’s prices. A New Capacity Offer shall be defined by the submission of one to five prices, each strictly less than the Start-of-Round Price but greater than or equal to the End-of-Round Price, and an associated quantity in the applicable Capacity Zone. Each price shall be expressed in units of dollars per kilowatt-month to an accuracy of at most three digits to the right of the decimal point, and each quantity shall be expressed in units of MWs to an accuracy of at most three digits to the right of the decimal point. A New Capacity Offer shall imply a supply curve indicating quantities offered at all of that round’s prices, pursuant to the convention of Section III.13.2.3.2(a)(iii).

(ii) If the Project Sponsor of a New Generating Capacity Resource, New Import Capacity Resource that is backed by a single new External Resource and that is associated with an investment in transmission that increases New England’s import capability, New Import Capacity Resource that is associated with an Elective Transmission Upgrade, or New Demand Capacity Resource elects to offer in a Forward Capacity Auction, the Project Sponsor must offer the resource’s full FCA Qualified Capacity at the Forward Capacity Auction Starting Price in the first round of the auction. A New Capacity Offer for a resource may in no event be for greater capacity than the resource’s full FCA Qualified Capacity at any price. A New Capacity Offer for a resource may not be for less capacity than the resource’s Economic Minimum Limit at any price, except where the New Capacity Offer is for a capacity quantity of zero.

(iii) Let the Start-of-Round Price and End-of-Round Price for a given round be PS and PE, respectively. Let the m prices (1 ≤ *m* ≤ 5) submitted by a Project Sponsor for a modeled Capacity Zone be p1, p2, …,pm, where PS > p1 > p2 > … > pm ≥ PE, and let the associated quantities submitted for a New Capacity Resource be q1, q2, …,qm. Then the Project Sponsor’s supply curve, for all prices strictly less than PS but greater than or equal to PE, shall be taken to be:



where, in the first round, q0 is the resource’s full FCA Qualified Capacity and, in subsequent rounds, q0 is the resource’s quantity offered at the lowest price of the previous round.

(iv) Except for Renewable Technology Resources and except as provided in Section III.13.2.3.2(a)(v), a New Capacity Resource may not include any capacity in a New Capacity Offer during the Forward Capacity Auction at any price below the resource’s New Resource Offer Floor Price. The amount of capacity included in each New Capacity Offer at each price shall be included in the aggregate supply curves at that price as described in Section III.13.2.3.3.

(v) Capacity associated with a New Import Capacity Resource (other than a New Import Capacity Resource that is backed by a single new External Resource and that is associated with an investment in transmission that increases New England’s import capability or a New Import Capacity Resource that is associated with an Elective Transmission Upgrade) shall be automatically included in the aggregate supply curves as described in Section III.13.2.3.3 at prices at or above the resource’s offer prices (as they may be modified pursuant to Section III.A.21.2) and shall be automatically removed from the aggregate supply curves at prices below the resource’s offer prices (as they may be modified pursuant to Section III.A.21.2), except under the following circumstances:

In any round of the Forward Capacity Auction in which prices are below the Dynamic De-List Bid Threshold, the Project Sponsor for a New Import Capacity Resource (other than a New Import Capacity Resource that is backed by a single new External Resource and that is associated with an investment in transmission that increases New England’s import capability or a New Import Capacity Resource that is associated with an Elective Transmission Upgrade) with offer prices (as they may be modified pursuant to Section III.A.21.2) that are less than the Dynamic Delist Bid Threshold may submit a New Capacity Offer indicating the quantity of capacity that the Project Sponsor would commit to provide from the resource during the Capacity Commitment Period at that round’s prices. Such an offer shall be defined by the submission of one to five prices, each less than the Dynamic De-List Bid Threshold (or the Start-of-Round Price, if lower than the Dynamic De-List Bid Threshold) but greater than or equal to the End-of-Round Price, and a single quantity associated with each price. Such an offer shall be expressed in the same form as specified in Section III.13.2.3.2(a)(i) and shall imply a curve indicating quantities at all of that round’s relevant prices, pursuant to the convention of Section III.13.2.3.2(a)(iii). The curve may not increase the quantity offered as the price decreases.

(b) **Bids from Existing Capacity Resources**

1. 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, 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.13.1.2.3.5.1) 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 bid into 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). Administrative Export De-List Bids shall be automatically entered into the first round of the Forward Capacity Auction at the Forward Capacity Auction Starting Price. If the amount of capacity associated with Export Bids for an interface exceeds the transfer limit of that interface (minus any accepted Administrative De-List Bids over that interface), then the set of Export Bids associated with that interface equal to the interface’s transfer limit (minus any accepted Administrative De-List Bids over that interface) having the highest bid prices shall be included in the auction as described above; capacity for which Export Bids are not included in the auction as a result of this provision shall be entered into the auction pursuant to Section III.13.2.3.2(c).

 (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, and the Internal Market Monitor has found a portfolio benefit pursuant to Section III.A.24; or (2) if the Lead Market Participant has elected conditional treatment pursuant to Section III.13.1.2.4.1(b), the resource has not been retained for reliability pursuant to Section III.13.1.2.3.1.5.1, and the price specified in the Commission-approved de-list bid is less than the price specified in the de-list bid submitted by the Lead Market Participant and less than the Forward Capacity Auction Starting Price. The Proxy De-List Bid shall be non-rationable and shall be equal in price and quantity to, and located in the same Capacity Zone as, the Commission-approved Permanent De-List Bid or Commission-approved Retirement De-List Bid, and shall be entered into the appropriate rounds of the Forward Capacity Auction such that the capacity associated with the Proxy De-List Bid will be included in the aggregate supply curves as described in Section III.13.2.3.3 until the Proxy De-List Bid clears in the Forward Capacity Auction, as described in Section III.13.2.5.2, and is removed from the aggregate supply curves. If the Lead Market Participant has elected conditional treatment pursuant to Section III.13.1.2.4.1(b), the resource has not been retained for reliability pursuant to Section III.13.1.2.3.1.5.1, and the Commission-approved Permanent De-List Bid or Commission-approved Retirement De-List Bid is equal to or greater than the de-list bid submitted by the Lead Market Participant, no Proxy De-List Bid shall be used and the Commission-approved de-list bid shall be entered in the Forward Capacity Auction pursuant to Section III.13.2.3.2(b)(i).

(iii) For purposes of this subsection (b), if an Internal Market Monitor-determined price has been established for a Static De-List Bid and the associated resource’s capacity is pivotal pursuant to Sections III.A.23.1 and III.A.23.2, then (unless otherwise directed by the Commission) the lower of the Internal Market Monitor-determined price and any revised bid that is submitted pursuant to Section III.13.1.2.3.1.1 will be used in place of the initially submitted bid; provided, however, that if the bid was withdrawn pursuant to Section III.13.1.2.3.1.1, then the capacity associated with the withdrawn bid shall be entered into the auction pursuant to Section III.13.2.3.2(c). If an Internal Market Monitor-determined price has been established for an Export Bid and the associated resource’s capacity is pivotal pursuant to Sections III.A.23.1 and III.A.23.2, then the Internal Market Monitor-determined price (or price directed by the Commission) will be used in place of the submitted bid.

Any Static De-List Bid for ambient air conditions that has not been verified pursuant to Section III.13.1.2.3.2.4 shall not be subject to the provisions of this subsection (b).

(c) **Existing Capacity Resources Without De-List or Export Bids and Self-Supplied FCA Resources**. Each Existing Generating Capacity Resource, Existing Import Capacity Resource, and Existing Demand Capacity Resource without a Static De-List Bid, a Permanent De-List Bid, a Retirement De-List Bid, an Export Bid or an Administrative Export De-List Bid in its Existing Capacity Qualification Package, and each existing Self-Supplied FCA Resource shall be automatically entered into each round of the Forward Capacity Auction at its FCA Qualified Capacity, such that the resource’s FCA Qualified Capacity will be included in the aggregate supply curves as described in Section III.13.2.3.3, except where such resource, if permitted, submits an appropriate Dynamic De-List Bid, as described in Section III.13.2.3.2(d). Each new Self-Supplied FCA Resource shall be automatically entered into each round of the Forward Capacity Auction at its designated self-supplied quantity at prices at or above the resource’s New Resource Offer Floor Price, such that the resource’s designated self-supply quantity will be included in the aggregate supply curves as described in Section III.13.2.3.3.

(d) **Dynamic De-List Bids.** In any round of the Forward Capacity Auction in which prices are below the Dynamic De-List Bid Threshold, any Existing Generating Capacity Resource, Existing Import Capacity Resource, or Existing Demand Capacity Resource (but not any Self-Supplied FCA Resources) may submit a Dynamic De-List Bid at prices below the Dynamic De-List Bid Threshold. Such a bid shall be defined by the submission of one to five prices, each less than the Dynamic De-List Bid Threshold (or the Start-of-Round Price, if lower than the Dynamic De-List Bid Threshold) but greater than or equal to the End-of-Round Price, and a single quantity associated with each price. Such a bid shall be expressed in the same form as specified in Section III.13.2.3.2(a)(i) and shall imply a curve indicating quantities at all of that round’s relevant prices, pursuant to the convention of Section III.13.2.3.2(a)(iii). The curve may in no case increase the quantity offered as the price decreases. A dynamic De-List Bid may not offer less capacity than the resource’s Economic Minimum Limit at any price, except where the amount of capacity offered is zero. All Dynamic De-List Bids are subject to a reliability review as described in Section III.13.2.5.2.5, and if not rejected for reliability reasons, shall be included in the round in the same manner as Static De-List Bids as described in Section III.13.2.3.2(b). Where a resource elected pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7 to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, the capacity associated with any resulting Capacity Supply Obligation may not be subject to a Dynamic De-List Bid in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply. Where a Lead Market Participant submits any combination of Dynamic De-List Bid, Static De-List Bid, Export Bid, and Administrative Export De-List Bid for a single resource, none of the prices in a set of price-quantity pairs associated with a bid may be the same as any price in any other set of price-quantity pairs associated with another bid for the same resource.

(e) **Repowering**. Offers and bids associated with a resource participating in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.2 (resources previously counted as capacity resources) shall be addressed in the Forward Capacity Auction in accordance with the provisions of this Section III.13.2.3.2(e). The Project Sponsor shall offer such a New Generating Capacity Resource into the Forward Capacity Auction in the same manner and pursuant to the same rules as other New Generating Capacity Resources, as described in Section III.13.2.3.2(a). As long as any capacity is offered from the New Generating Capacity Resource, the amount of capacity offered is the amount that the auctioneer shall include in the aggregate supply curve at the relevant prices, and the quantity of capacity offered from the associated Existing Generating Capacity Resource shall not be included in the aggregate supply curve. If any portion of the New Generating Capacity Resource clears in the Forward Capacity Auction, the associated Existing Generating Capacity Resource shall be permanently de-listed as of the start of the associated Capacity Commitment Period. If at any price, no capacity is offered from the New Generating Capacity Resource, then the auctioneer shall include capacity from the associated Existing Generating Capacity Resource at that price, subject to any bids submitted and accepted in the qualification process for that Existing Generating Capacity Resource pursuant to Section III.13.1.2.5. Bids submitted and accepted in the qualification process for an Existing Generating Capacity Resource pursuant to Section III.13.1.2.5 shall only be entered into the Forward Capacity Auction after the associated New Generating Capacity Resource is fully withdrawn (that is, the Forward Capacity Auction reaches a price at which the resource’s New Capacity Offer is zero capacity), and shall only then be subject to the reliability review described in Section III.13.2.5.2.5.

(f) **Conditional Qualified New Resources.** Offers associated with a resource participating in the Forward Capacity Auction as a Conditional Qualified New Resource pursuant to Section III.13.1.1.2.3(f) shall be addressed in the Forward Capacity Auction in accordance with the provisions of this Section III.13.2.3.2(f). The Project Sponsor shall offer such a Conditional Qualified New Resource into the Forward Capacity Auction in the same manner and pursuant to the same rules as other New Generating Capacity Resources, as described in Section III.13.2.3.2(a). An offer from at most one resource at a Conditional Qualified New Resource’s location will be permitted to clear (receive a Capacity Supply Obligation for the associated Capacity Commitment Period) in the Forward Capacity Auction. As long as a positive quantity is offered at the End-of-Round Price in the final round of the Forward Capacity Auction by the resource having a higher queue priority at the Conditional Qualified New Resource’s location, as described in Section III.13.1.1.2.3(f), then no capacity from the Conditional Qualified New Resource shall clear. If at any price greater than or equal to the End-of-Round Price in the final round of the Forward Capacity Auction, zero quantity is offered from the resource having higher queue priority at the Conditional Qualified New Resource’s location, as described in Section III.13.1.1.2.3(f), then the auctioneer shall consider capacity offered from the Conditional Qualified New Resource in the determination of clearing, including the application of Section III.13.2.7.

(g) **Mechanics**. Offers and bids that may be submitted during a round of the Forward Capacity Auction must be received between the starting time and ending time of the round, as announced by the auctioneer in advance. The ISO at its sole discretion may authorize a participant in the auction to complete or correct its submission after the ending time of a round, but only if the participant can demonstrate to the ISO’s satisfaction that the participant was making reasonable efforts to complete a valid offer submission before the ending time of the round, and only if the ISO determines that allowing the completion or correction will not unreasonably disrupt the auction process. All decisions by the ISO concerning whether or not a participant may complete or correct a submission after the ending time of a round are final.

**III.13.2.3.3. Step 3: Determination of the Outcome of Each Round.**

The auctioneer shall use the offers and bids for the round as described in Section III.13.2.3.2 to determine the aggregate supply curves for the New England Control Area and for each modeled Capacity Zone included in the round.

The aggregate supply curve for the New England Control Area, the Total System Capacity, shall reflect at each price the sum of the following:

1. the amount of capacity offered in all Capacity Zones modeled as import-constrained Capacity Zones at that price (excluding capacity offered from New Import Capacity Resources and Existing Import Capacity Resources);
2. the amount of capacity offered in the Rest-of-Pool Capacity Zone at that price (excluding capacity offered from New Import Capacity Resources and Existing Import Capacity Resources);
3. for each Capacity Zone modeled as an export-constrained Capacity Zone, the lesser of:
4. the amount of capacity offered in the Capacity Zone at that price (including the amount of capacity offered from New Import Capacity Resources and Existing Import Capacity Resources for each interface between the New England Control Area and an external Control Area mapped to the export-constrained Capacity Zone up to that interface’s approved capacity transfer limit (net of tie benefits), or;
5. the amount of capacity determined by the Capacity Zone Demand Curve at zero minus that price, and;
6. for each interface between the New England Control Area and an external Control Area mapped to an import-constrained Capacity Zone or the Rest-of-Pool Capacity Zone, the lesser of:
7. that interface’s approved capacity transfer limit (net of tie benefits), or;
8. the amount of capacity offered from New Import Capacity Resources and Existing Import Capacity Resources.

In computing the Total System Capacity, capacity associated with any New Capacity Offer at any price greater than the Forward Capacity Auction Starting Price will not be included in the tally of total capacity at the Forward Capacity Auction Starting Price for that Capacity Zone. On the basis of these aggregate supply curves, the auctioneer shall determine the outcome of the round for each modeled Capacity Zone as follows:

(a) **Import-Constrained Capacity Zones.**

For a Capacity Zone modeled as an import-constrained Capacity Zone, if either of the following two conditions is met during the round:

(1) the aggregate supply curve for the import-constrained Capacity Zone, adjusted as necessary in accordance with Section III.13.2.6 (Capacity Rationing Rule), equals or is less than the quantity determined by the Capacity Zone Demand Curve at the difference between the End-of-Round Price and the price specified by the System-Wide Capacity Demand Curve (at a quantity no less than Total System Capacity at the Start-of-Round Price), or;

(2) the Forward Capacity Auction is concluded for the Rest-of-Pool Capacity Zone;

then the Forward Capacity Auction for that Capacity Zone is concluded and such Capacity Zone will not be included in further rounds of the Forward Capacity Auction.

The Capacity Clearing Price for that Capacity Zone shall be set at the greater of: (1) the sum of the price specified by the Capacity Zone Demand Curve at the amount of capacity equal to the total amount that is awarded a Capacity Supply Obligation in the import-constrained Capacity Zone, and the Capacity Clearing Price for the Rest-of-Pool Capacity Zone, or; (2) the highest price of any offer or bid for a resource in the Capacity Zone that is awarded a Capacity Supply Obligation, subject to the other provisions of this Section III.13.2.

If neither of the two conditions above are met in the round, then the auctioneer shall publish the quantity of capacity in the Capacity Zone from Demand Capacity Resources by type at the End-of-Round Price, and that Capacity Zone will be included in the next round of the Forward Capacity Auction.

(b) **Rest-of-Pool Capacity Zone**.

If the Total System Capacity at the End-of-Round Price, adjusted as necessary in accordance with Section III.13.2.6 (Capacity Rationing Rule), and adjusted to include the additional supply in the import-constrained Capacity Zone that may be cleared at a higher price, equals or is less than the amount of capacity determined by the System-Wide Capacity Demand Curve, then the Forward Capacity Auction for the Rest-of-Pool Capacity Zone is concluded and the Rest-of-Pool Capacity Zone will not be included in further rounds of the Forward Capacity Auction.

The Capacity Clearing Price for the Rest-of-Pool Capacity Zone shall be set at the highest price at which the Total System Capacity is less than or equal to the amount of capacity determined by the System-Wide Capacity Demand Curve, subject to the other provisions of this Section III.13.2.

If the Forward Capacity Auction for the Rest-of-Pool Capacity Zone is not concluded then the Rest-of-Pool Capacity Zone will be included in the next round of the Forward Capacity Auction, and the auctioneer shall publish the Total System Capacity at the End-of-Round Price, adjusted to include the additional supply in the import-constrained Capacity Zone that may be cleared at a higher price, less the amount of capacity determined by the System-Wide Capacity Demand Curve at the End-of-Round Price, and also shall publish the quantity of capacity from Demand Capacity Resources by type at the End-of-Round Price.

(c) **Export-Constrained Capacity Zones**. For a Capacity Zone modeled as an export-constrained Capacity Zone, if both of the following two conditions are met during the round:

(1) the aggregate supply curve for the export-constrained Capacity Zone, adjusted as necessary in accordance with Section III.13.2.6 (Capacity Rationing Rule), is equal to or less than the maximum amount of capacity determined by the Capacity Zone Demand Curve at a price of zero, and;

(2) the Forward Capacity Auction is concluded for the Rest-of-Pool Capacity Zone;

then the Forward Capacity Auction for that Capacity Zone is concluded and such Capacity Zone will not be included in further rounds of the Forward Capacity Auction.

The Capacity Clearing Price for that Capacity Zone shall be set at the greater of: (1) the sum of the price specified by the Capacity Zone Demand Curve at the amount of capacity equal to the total amount that is awarded a Capacity Supply Obligation in the export-constrained Capacity Zone, and the Capacity Clearing Price for the Rest-of-Pool Capacity Zone, or; (2) the highest price of any offer or bid for a resource in the Capacity Zone that is awarded a Capacity Supply Obligation, and subject to the other provisions of this Section III.13.2.

If it is not the case that both of the two conditions above are satisfied in the round, then the auctioneer shall publish the quantity of excess supply in the export-constrained Capacity Zone at the End-of-Round Price (the amount of capacity offered at the End-of-Round Price in the export-constrained Capacity Zone minus the maximum amount of capacity determined by the Capacity Zone Demand Curve at a price of zero) and the quantity of capacity in the Capacity Zone from Demand Capacity Resources by type at the End-of-Round Price, and that Capacity Zone will be included in the next round of the Forward Capacity Auction.

(d) **Treatment of Import Capacity.** Where the amount of capacity offered from New Import Capacity Resources and Existing Import Capacity Resources over an interface between the New England Control Area and an external Control Area is less than or equal to that interface’s approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF), then the capacity offers from those resources shall be treated as capacity offers in the modeled Capacity Zone associated with that interface. Where the amount of capacity offered from New Import Capacity Resources and Existing Import Capacity Resources over an interface between the New England Control Area and an external Control Area is greater than that interface’s approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF), then the following provisions shall apply (separately for each such interface):

(i) For purposes of determining which capacity offers from the New Import Capacity Resources and Existing Import Capacity Resources over the interface shall clear and at what price, the offers over the interface shall be treated in the descending-clock auction as if they comprised a separately-modeled export-constrained capacity zone, with an aggregate supply curve consisting of the offers from the New Import Capacity Resources and Existing Import Capacity Resources over the interface.

(ii) The amount of capacity offered over the interface that will be included in the aggregate supply curve of the modeled Capacity Zone associated with the interface shall be the lesser of the following two quantities: the amount of capacity offered from New Import Capacity Resources and Existing Import Capacity Resources over the interface; and the interface’s approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF).

(iii) The Forward Capacity Auction for New Import Capacity Resources and Existing Import Capacity Resources over the interface is concluded when the following two conditions are both satisfied: the amount of capacity offered from New Import Capacity Resource and Existing Import Capacity Resources over the interface is less than or equal to the interface’s approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF); and the Forward Capacity Auction is concluded in the modeled Capacity Zone associated with the interface.

(e) **Treatment of Export Capacity.** Any Export Bid or any Administrative Export De-List Bid that is used to export capacity through an export interface connected to an import-constrained Capacity Zone from another Capacity Zone, or through an export interface connected to the Rest-of-Pool Capacity Zone from an export-constrained Capacity Zone in the Forward Capacity Auction will be modeled in the Capacity Zone where the export interface that is identified in the Existing Capacity Qualification Package is located. The Export Bid or Administrative Export De-List Bid clears against the Capacity Clearing Price in the Capacity Zone where the Export Bid or Administrative Export De-List Bid is modeled.

(i) Then the MW quantity equal to the relevant Export Bid or Administrative Export De-List Bid from the resource associated with the Export Bid or Administrative Export De-List Bid will be de-listed in the Capacity Zone where the resource is located. If the export interface is connected to an import-constrained Capacity Zone, the MW quantity procured will be in addition to the amount of capacity determined by the Capacity Zone Demand Curve for the import-constrained Capacity Zone.

(ii) If the Export Bid or Administrative Export De-List Bid does not clear, then the resource associated with the Export Bid or Administrative Export De-List Bid will not be de-listed in the Capacity Zone where the resource is located.

**III.13.2.3.4. Determination of Final Capacity Zones.**

(a) For all Forward Capacity Auctions up to and including the sixth Forward Capacity Auction (for the Capacity Commitment Period beginning June 1, 2015), after the Forward Capacity Auction is concluded for all modeled Capacity Zones, the final set of distinct Capacity Zones that will be used for all purposes associated with the relevant Capacity Commitment Period, including for the purposes of reconfiguration auctions and Capacity Supply Obligation Bilaterals, shall be those having distinct Capacity Clearing Prices as a result of constraints between modeled Capacity Zones binding in the running of the Forward Capacity Auction. Where a modeled constraint does not bind in the Forward Capacity Auction, and as a result adjacent modeled Capacity Zones clear at the same Capacity Clearing Price, those modeled Capacity Zones shall be a single Capacity Zone used for all purposes of the relevant Capacity Commitment Period, including for the purposes of reconfiguration auctions and Capacity Supply Obligation Bilaterals.

(b) For all Forward Capacity Auctions beginning with the seventh Forward Capacity Auction (for the Capacity Commitment Period beginning June 1, 2016) the final set of distinct Capacity Zones that will be used for all purposes associated with the relevant Capacity Commitment Period, including for the purposes of reconfiguration auctions and Capacity Supply Obligation Bilaterals, shall be those described in Section III.12.4.

**III.13.2.4. Forward Capacity Auction Starting Price and the Cost of New Entry.**

The Forward Capacity Auction Starting Price is max [1.6 multiplied by Net CONE, CONE]. References in this Section III.13 to the Forward Capacity Auction Starting Price shall mean the Forward Capacity Auction Starting Price for the Forward Capacity Auction associated with the relevant Capacity Commitment Period.

CONE for the Forward Capacity Auction for the Capacity Commitment Period beginning on June 1, 2021 is $11.35/kW-month.

Net CONE for the Forward Capacity Auction for the Capacity Commitment Period beginning on June 1, 2021 is $8.04/kW-month.

CONE and Net CONE shall be recalculated using updated data coincident with the recalculation of Offer Review Trigger Prices pursuant to Section III.A.21.1.2. Whenever these values are recalculated, the ISO will review the results of the recalculation with stakeholders and the new values will be filed with the Commission prior to the Forward Capacity Auction in which the new value is to apply.

Between recalculations, CONE and Net CONE will be adjusted for each Forward Capacity Auction pursuant to Section III.A.21.1.2(e). Prior to applying the annual adjustment for the Capacity Commitment Period beginning on June 1, 2019, Net CONE will be reduced by $0.43/kW-month to reflect the elimination of the PER adjustment. The adjusted CONE and Net CONE values will be published on the ISO’s web site.

**III.13.2.5. Treatment of Specific Offer and Bid Types in the Forward Capacity Auction.**

**III.13.2.5.1. Offers from New Generating Capacity Resources, New Import Capacity Resources, and New Demand Capacity Resources.**

A New Capacity Offer (other than one from a Conditional Qualified New Resource) clears (receives a Capacity Supply Obligation for the associated Capacity Commitment Period) in the Forward Capacity Auction if the Capacity Clearing Price is greater than or equal to the price specified in the offer, except possibly as a result of the Capacity Rationing Rule described in Section III.13.2.6. An offer from a Conditional Qualified New Resource clears (receives a Capacity Supply Obligation for the associated Capacity Commitment Period) in the Forward Capacity Auction, except possibly as a result of the Capacity Rationing Rule described in Section III.13.2.6, if all of the following conditions are met: (i) the Capacity Clearing Price is greater than or equal to the price specified in the offer; (ii) capacity from that resource is considered in the determination of clearing as described in Section III.13.2.3.2(f); and (iii) such offer minimizes the costs for the associated Capacity Commitment Period, subject to Section III.13.2.7.7(c).

The amount of capacity that receives a Capacity Supply Obligation through the Forward Capacity Auction shall not exceed the quantity of capacity offered from the New Generating Capacity Resource, New Import Capacity Resource, or New Demand Capacity Resource at the Capacity Clearing Price.

**III.13.2.5.2. Bids and Offers from Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Capacity Resources**.

**III.13.2.5.2.1. Permanent De-List Bids and Retirement De-List Bids.**

1. Except as provided in Section III.13.2.5.2.5, a Permanent De-List Bid, Retirement De-List Bid or Proxy De-List Bid clears in the Forward Capacity Auction (does not receive a Capacity Supply Obligation) if the Capacity Clearing Price is less than or equal to the price specified in the bid, except possibly as a result of the Capacity Rationing Rule described in Section III.13.2.6.

(b) Unless the bid has been retained for reliability pursuant to Section III.13.2.5.2.5, if all or part of a resource with a Permanent De-List Bid or Retirement De-List Bid does not clear in the Forward Capacity Auction (receives a Capacity Supply Obligation), the Lead Market Participant shall enter the uncleared portion of the bid into the qualification process for the following Forward Capacity Auction as described in Section III.13.1.2.3.1.5.

(c) If the Capacity Clearing Price is greater than the price specified in a de-list bid submitted by a Lead Market Participant that elected conditional treatment for the de-list bid pursuant to Section III.13.1.2.4.1(b), and there is an associated Proxy De-List Bid that does not clear (receives a Capacity Supply Obligation), the resource will receive a Capacity Supply Obligation at the Capacity Clearing Price.

(d) The process by which the auction is cleared (but not the compilation of offers and bids pursuant to Sections III.13.2.3.1 and III.13.2.3.2) will be repeated if either of the following conditions is met in the initial auction clearing process: (1) if any Proxy De-List Bid entered as a result of a Lead Market Participant electing to retire pursuant to Section III.13.1.2.4.1(a) does not clear in the Forward Capacity Auction (receives a Capacity Supply Obligation); or (2) if any Proxy De-List Bid entered as a result of a Lead Market Participant electing conditional treatment pursuant to Section III.13.1.2.4.1(b) does not clear in the Forward Capacity Auction (receives a Capacity Supply Obligation) and the de-list bid submitted by the Lead Market Participant is at or above the Capacity Clearing Price. The second run of the auction-clearing process: (i) excludes all Proxy De-List Bid(s), (ii) includes the offers and bids of resources that did not receive a Capacity Supply Obligation in the first run of the auction-clearing process, and (iii) includes the capacity of resources, or portion thereof, that received a Capacity Supply Obligation in the first run of the auction-clearing process. The second run of the auction-clearing process shall not affect the Capacity Clearing Price of the Forward Capacity Auction (which is established by the first run of the auction-clearing process).

(e) Resources (other than those still subject to a multi-year Capacity Commitment Period election as described in Sections III.13.1.1.2.2.4 and III.13.1.4.1.1.2.7) that receive a Capacity Supply Obligation as a result of the first run of the auction-clearing process shall be paid the Capacity Clearing Price during the associated Capacity Commitment Period. Where the second run of the auction-clearing process procures additional capacity, the resulting price, paid during the associated Capacity Commitment Period (and subsequent Capacity Commitment Periods, as elected pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7)to the additionally procured capacity, shall be equal to or greater than the adjusted price resulting from the first run of the auction-clearing process for that Capacity Zone.

**III.13.2.5.2.2. Static De-List Bids and Export Bids**.

Except as provided in Section III.13.2.5.2.5, a Static De-List Bid or an Export Bid clears in the Forward Capacity Auction (does not receive a Capacity Supply Obligation for the associated Capacity Commitment Period) if the Capacity Clearing Price is less than or equal to the price specified in the bid, except possibly as a result of the Capacity Rationing Rule described in Section III.13.2.6.

**III.13.2.5.2.3. Dynamic De-List Bids.**

A Dynamic De-List Bid clears in the Forward Capacity Auction (does not receive a Capacity Supply Obligation for the associated Capacity Commitment Period) if the Capacity Clearing Price is less than or equal to the price specified in the bid, except possibly as a result of the Capacity Rationing Rule described in Section III.13.2.6. If more Dynamic De-List Bids are submitted at a price than are needed to clear the market, such Dynamic De-List Bids shall be cleared pro-rata, but in no case less than a resource’s Economic Minimum Limit.

**III.13.2.5.2.4. Administrative Export De-List Bids**.

An Administrative Export De-List Bid clears in the Forward Capacity Auction (does not receive a Capacity Supply Obligation for the associated Capacity Commitment Period) regardless of the Capacity Clearing Price.

**III.13.2.5.2.5. Reliability Review**.

The ISO shall review each Retirement De-List Bid, Permanent De-List Bid, Static De-List Bid, Export Bid, Administrative Export De-List Bid, and Dynamic De-List Bid to determine whether the capacity associated with that de-list bid is needed for reliability reasons during the Capacity Commitment Period associated with the Forward Capacity Auction; Proxy De-List Bids shall not be reviewed.

1. The reliability review will be conducted in descending price order using the price as finalized during qualification or as otherwise directed by the Commission. De-list bids with the same price will be reviewed in the order that produces the least negative impact to reliability; where bids are the same price and provide the same impact to reliability, they will be reviewed based on their submission time. If de-list bids with the same price are from a single generating station, they will be reviewed in an order that seeks to provide (1) the least-cost solution under Section III.13.2.5.2.5.1(d) and (2) the minimum aggregate quantity required for reliability from the generating station.. The capacity shall be deemed needed for reliability reasons if the absence of the capacity would result in the violation of any NERC or NPCC criteria, or ISO New England System Rules. De-list bids shall only be rejected pursuant to this Section III.13.2.5.2.5 for the sole purpose of addressing a local reliability issue, and shall not be rejected solely on the basis that acceptance of the de-list bid may result in the procurement of less capacity than the Installed Capacity Requirement (net of HQICCs) or the Local Sourcing Requirement for a Capacity Zone.
2. Where a Retirement De-List Bid, Permanent De-List Bid, Static De-List Bid, Export Bid, Administrative Export De-List Bid, or Dynamic De-List Bid would otherwise clear in the Forward Capacity Auction, but the ISO has determined that some or all of the capacity associated with the de-list bid is needed for reliability reasons, then the de-list bid having capacity needed for reliability will not clear in the Forward Capacity Auction.

(c) The Lead Market Participant shall be notified that its de-list bid did not clear for reliability reasons at the later of: (i) immediately after the end of the Forward Capacity Auction round in which the auction price reaches the price of the de-list bid; or (ii) as soon as practicable after the time at which the ISO has determined that the de-list bid must be rejected for reliability reasons. In no event, however, shall a Lead Market Participant be notified that a bid submitted pursuant to Section III.13.1.2.5 and accepted in the qualification process for an Existing Generating Capacity Resource did not clear for reliability reasons if the associated New Generating Capacity Resource remains in the Forward Capacity Auction. In such a case, the Lead Market Participant shall be notified that its bid did not clear for reliability reasons at the later of: (i) immediately after the end of the Forward Capacity Auction round in which the auction price reaches the price of the bid; (ii) immediately after the end of the Forward Capacity Auction round in which the associated New Generating Capacity Resource is fully withdrawn (that is, the Forward Capacity Auction reaches a price at which the resource’s New Capacity Offer is zero capacity); or (iii) as soon as practicable after the time at which the ISO has determined that the bid must be rejected for reliability reasons.

(d) A resource that has a de-list bid rejected for reliability reasons shall be compensated pursuant to the terms set out in Section III.13.2.5.2.5.1 and shall have a Capacity Supply Obligation as described in Section III.13.6.1.

(e) The ISO shall review the results of each annual reconfiguration auction and determine whether the reliability need which caused the ISO to reject the de-list bid has been met through the annual reconfiguration auction. The ISO may also attempt to address the reliability concern through other reasonable means (including transmission enhancements).

(f) If the reliability need that caused the ISO to reject the de-list bid is met through a reconfiguration auction or other means, the resource shall retain its Capacity Supply Obligation through the end of the Capacity Commitment Period for which it was retained for reliability. Resources that submitted Permanent De-List Bids or Retirement De-List Bids shall be permanently de-listed or retired as of the first day of the subsequent Capacity Commitment Period (or earlier if the resource sheds the entirety of the Capacity Supply Obligation as described in Section III.13.2.5.2.5.3(a)(ii) or Section III.13.2.5.2.5.3(b)(ii)).

(g) If a Permanent De-List Bid or a Retirement De-List Bid is rejected for reliability reasons, and the reliability need is not met through a reconfiguration auction or other means, that resource, or portion thereof, as applicable, is no longer eligible to participate as an Existing Capacity Resource in any reconfiguration auction, Forward Capacity Auction or Capacity Supply Obligation Bilateral for that and subsequent Capacity Commitment Periods. If the resource, or portion thereof, continues to be needed for reliability reasons, it shall be counted as capacity in the Forward Capacity Auction and shall be compensated as described in Section III.13.2.5.2.5.1.

 (h) The ISO shall review with the Reliability Committee (i) the status of any prior rejected de-list bids reported to the Commission in an FCA results filing pursuant to Section 13.8.2, and (ii) the status of any Retirement De-List Bid or Permanent De-List Bid that has been rejected for reliability reasons and has elected to continue to operate, prior to the New Capacity Qualification Deadline in accordance with Section 4.1(c) of Attachment K of the ISO OATT.

 If an identified reliability need results in the rejection of a Retirement De-List Bid, Permanent De-List Bid, Export Bid, Administrative Export De-List Bid, Static De-List Bid, or Dynamic De-List Bid while executing an FCA, the ISO shall (i) review each specific reliability need with the Reliability Committee in accordance with the timing provided for in the ISO New England Operating Documents and, (ii) update the current system Needs Assessments pursuant to Section 4.1(c) of Attachment K of the ISO OATT. This review and update will follow ISO’s filing of the FCA results with the Commission pursuant to Section 13.8.2.

**III.13.2.5.2.5.1. Compensation for Bids Rejected for Reliability Reasons.**

(a) In cases where a Static De-List Bid, Export Bid, Administrative Export De-List Bid, Dynamic De-List Bid, partial Permanent De-List Bid, or partial Retirement De-List Bid has been rejected for reliability reasons pursuant to Sections III.13.1.2.3.1.5.1 or III.13.2.5.2.5, the resource will be paid by the ISO in the same manner as all other capacity resources, except that payment shall be made on the basis of its de-list bid as accepted for the Forward Capacity Auction for the relevant Capacity Commitment Period instead of the Forward Capacity Market Clearing Price. Under this Section, accepted Dynamic De-List Bids filed with the Commission as part of the FCA results filing are subject to review and approval by the Commission pursuant to the “just and reasonable” standard of Section 205 of the Federal Power Act. If a resource with a partial Permanent De-List Bid or partial Retirement De-List Bid continues to be needed for reliability in Capacity Commitment Periods following the Capacity Commitment Period for which the partial Permanent De-List Bid or partial Retirement De-List Bid was rejected, payment will continue to be pursuant to this Section III.13.2.5.2.5.1(a).

 (b) In cases where a Permanent De-List Bid or a Retirement De-List Bid for the capacity of an entire resource has been rejected for reliability reasons pursuant to Section III.13.1.2.3.1.5.1 or III.13.2.5.2.5, the resource will be paid either (i) in the same manner as all other capacity resources, except that payment shall be made on the basis of its Commission-approved Permanent De-List Bid or Commission-approved Retirement De-List Bid for the relevant Capacity Commitment Period instead of the Forward Capacity Market Clearing Price or (ii) under the terms of a cost­-of-service agreement pursuant to Section III, Appendix I. Resources must notify the ISO of their election within six months after the ISO files the results of the relevant Forward Capacity Auction with the Commission. A resource that has had a Permanent De-List Bid or Retirement De-List Bid rejected for reliability reasons and does not notify the ISO of its election as described in this paragraph will be paid on the basis of the resource’s Commission-approved Permanent De-List Bid or Commission-approved Retirement De-List Bid. Cost-of-service agreements must be filed with and approved by the Commission, and cost-­of-service compensation may not commence until the Commission has approved the use of cost-of-service rates for the unit in question or has accepted the use of the cost-of-service rates subject to refund while the rate is reviewed. In no event will payment under the cost-of-service agreement start prior to the start of the relevant Capacity Commitment Period for which the Permanent De-List Bid or Retirement De-List Bid was submitted. If a resource continues to be needed for reliability in Capacity Commitment Periods following the Capacity Commitment Period for which the Permanent De-List Bid or Retirement De-List Bid was rejected, payment will continue to be pursuant to this Section III.13.2.5.2.5.1(b). Resources that elect payment based on the Commission-approved Permanent De-List Bid or Commission-approved Retirement De-List Bid may file with the Commission pursuant to Section 205 of the Federal Power Act to update its Permanent De-List Bid or Retirement De-List Bid if the unit is retained for reliability for a period longer than the Capacity Commitment Period for which the Permanent De-List Bid or Retirement De-List Bid was originally submitted.

 (c) The difference between payments based on resource de-list bids or cost-­of-service compensation as detailed in this Section III.13.2.5.2.5.1 and payments based on the market clearing price for the Forward Capacity Market under this Section III.13.2.5.2.5.1 shall be allocated to Regional Network Load within the affected Reliability Region.

(d) **Compensation for Existing Generating Capacity Resources at Stations with Common Costs that are Retained for Reliability**. If a Static De-List Bid, Permanent De-List Bid, or Retirement De-List Bid from an Existing Generating Capacity Resource that is associated with a Station having Common Costs is rejected for reliability reasons, the Existing Generating Capacity Resource will be paid as follows: (i) if one or more Existing Generating Capacity Resources at the Station assume a Capacity Supply Obligation through the normal clearing of the Forward Capacity Auction and one or more Existing Generating Capacity Resources are retained for reliability, then the Existing Generating Capacity Resources retained for reliability will be paid the sum of the Asset-Specific Going Forward Costs for the assets comprising that Existing Generating Capacity Resource; or (ii) if no Existing Generating Capacity Resources at the Station assumes a Capacity Supply Obligation through the normal clearing of the Forward Capacity Auction and one or more Existing Generating Capacity Resources are retained for reliability, then each Existing Generating Capacity Resource retained for reliability will be paid the sum of the Asset-Specific Going Forward Costs for the assets associated with that Existing Generating Capacity Resource plus a portion of the Station Going Forward Common Costs (such that the full amount of Station Going Forward Common Costs are allocated to the Existing Generating Capacity Resources retained for reliability).

**III.13.2.5.2.5.2. Incremental Cost of Reliability Service From Permanent De-List Bid or Retirement De-List Bid Resources.**

In cases where an Existing Generating Capacity Resource or Existing Demand Capacity Resource has had a Permanent De-List Bid or Retirement De-List Bid for the entire resource rejected for reliability reasons pursuant to Sections III.13.1.2.3.1.5.1 or III.13.2.5.2.5, does not elect to retire pursuant to Section III.13.1.2.3.1.5.1(d), and must make a capital improvement to the unit to remain in operation in order to continue to operate to meet the reliability need identified by the ISO, the resource may make application to the Commission pursuant to Section 205 of the Federal Power Act to receive just and reasonable compensation of the capital investment pursuant to the following:

(a) **Notice to State Utility Commissions, the ISO and Stakeholder Committees of Expectation that a Capital Expense will be Necessary to Meet the Reliability Need Identified by the ISO**: A resource seeking to avail itself of the recovery mechanism provided in this Section must notify the state utility commissions in the states where rate payers will fund the capital improvement, the ISO, and the Participants Committee of its intent to make the capital expenditure and the need for the expenditure. This notification must be made at least 120 days prior to the resource making the capital expenditure.

(b) **Required Showing Made to the Federal Energy Regulatory Commission**: In order to receive just and reasonable compensation for a capital expenditure under this Section, a resource must file an explanation of need with the Commission that explains why the capital expenditure is necessary in order to meet the reliability need identified by the ISO. This showing must demonstrate that the expenditure is reasonably determined to be the least-cost commercially reasonable option consistent with Good Utility Practice to meet the reliability need identified by the ISO. If the resource elects cost-of-service treatment pursuant to Section III.13.2.5.2.5.1(b), the Incremental Cost of Reliability Service filing described in this Section must be made separately from and may be made in advance of the resource’s cost-of-service filing.

(c) **Allocation:** Costs of capital expenditures approved by the Commission under this provision shall be allocated to Regional Network Load within the affected Reliability Region.

**III.13.2.5.2.5.3. Retirement and Permanent De-Listing of Resources.**

(a)(i) A resource, or portion thereof, will be retired coincident with the commencement of the Capacity Commitment Period for which the Retirement De-List Bid was submitted, or earlier as described in Section III.13.2.5.2.5.3(a)(ii), if the resource: submitted a Retirement De-List Bid that was not included in the Forward Capacity Auction pursuant to Section III.13.1.2.3.1.5(d); 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; was subject to 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; had a Commission-approved Retirement De-List Bid clear in the Forward Capacity Auction; or, for a resource, or portion thereof, that submitted a Permanent 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. 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 Capacity Commitment Period for which its Permanent De-List Bid was submitted, or earlier as described in Section III.13.2.5.2.5.3(b)(ii), if the resource: submitted a Permanent De-List Bid that was not included in the Forward Capacity Auction pursuant to Section III. III.13.1.2.3.1.5(d); was subject to 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 had a Commission-approved Permanent De-List Bid clear in the Forward Capacity Auction. The CNR Capability interconnection rights, or relevant portion thereof, for the resource will be adjusted downward to reflect the Permanent De-List Bid, consistent with the provisions of Schedules 22 and 23 of the OATT. A resource that permanently de-lists pursuant to this Section III.13.2.5.2.5.3(b)(i) is precluded from subsequent participation in the Forward Capacity Market unless it qualifies as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.2.

(b)(ii) A resource, or portion thereof, that is to be permanently de-listed pursuant to Section III.13.2.5.2.5.3(b)(i) may be permanently de-listed earlier than the Capacity Commitment Period for which its Permanent De-List Bid was submitted if it is able to transfer the entire Capacity Supply Obligation of the resource to another resource through one or more approved Capacity Supply Obligation Bilateral transactions as described in Section III.13.5.1 or reconfiguration auctions as described in Section III.13.4.

(c) A resource that has never been counted as a capacity resource may retire the asset by notifying the ISO in writing of its election to retire and the date of retirement. The date specified for retirement is subject to the limit for resource inactivity set out in Section III.13.2.5.2.5.3(d). The interconnection rights for the resource will terminate and the status of the resource will be converted to retired on the date of retirement.

(d) A resource that does not operate commercially for a period of three calendar years will be deemed by the ISO to be retired. The interconnection rights for the unit will terminate and the status of the unit will be converted to retired on the date of retirement. Where a generator has submitted an application to repower under Schedule 22 or 23 of the OATT, the current interconnection space will be maintained beyond the three years unless the application under Schedule 22 or 23 is withdrawn voluntarily or by the operation of those provisions. Where an application is withdrawn under Schedule 22 or 23, the three year period will be calculated from the last day of commercial operation of the resource.

**III.13.2.6. Capacity Rationing Rule**.

Except for Dynamic De-List Bids, Export Bids, and offers from New Import Capacity Resources that are subject to rationing pursuant to Section III.13.1.3.5.8 and Existing Import Capacity Resources that are subject to rationing pursuant to Section III.13.1.3.3.A, offers and bids in the Forward Capacity Auction must clear or not clear in whole, unless the offer or bid specifically indicates that it may be rationed. A resource may elect to be rationed to either its Economic Minimum Limit or a level above its Economic Minimum Limit. These levels are submitted pursuant to Section III.13.1.1.2.2.3. Offers from New Import Capacity Resources and Existing Import Capacity Resources will not be rationed where such rationing would violate any applicable physical minimum flow requirements on the associated interface. Export Bids may elect to be rationed generally, but regardless of such election will always be subject to potential rationing where the associated external interface binds. If more Dynamic De-List Bids are submitted at a price than are needed to clear the market, the bids shall be cleared pro-rata, subject to honoring the Economic Minimum Limit of the resources. Where an offer or bid may be rationed, such rationing may not result in procuring an amount of capacity that is below the associated resource’s Economic Minimum Limit.

**III.13.2.7. Determination of Capacity Clearing Prices.**

The Capacity Clearing Price in each Capacity Zone shall be the price established by the descending clock Forward Capacity Auction as described in Section III.13.2.3, subject to the other provisions of this Section III.13.2. The Capacity Clearing Price for the Rest-of-Pool Capacity Zone and the Capacity Clearing Price for each import-constrained Capacity Zone shall not exceed the Forward Capacity Auction Starting Price. The Capacity Clearing Price for an export-constrained Capacity Zone shall not be less than zero.

**III.13.2.7.1. Import-Constrained Capacity Zone Capacity Clearing Price Floor.**

The Capacity Clearing Price in an import-constrained Capacity Zone shall not be lower than the Capacity Clearing Price in the Rest-of-Pool Capacity Zone. If after the Forward Capacity Auction is conducted, the Capacity Clearing Price in an import-constrained Capacity Zone is less than the Capacity Clearing Price in the Rest-of-Pool Capacity Zone, all resources clearing in the import-constrained Capacity Zone shall be paid based on the Capacity Clearing Price in the Rest-of-Pool Capacity Zone during the associated Capacity Commitment Period.

**III.13.2.7.2. Export-Constrained Capacity Zone Capacity Clearing Price Ceiling.**

The Capacity Clearing Price in an export-constrained Capacity Zone shall not be higher than the Capacity Clearing Price in the Rest-of-Pool Capacity Zone. If after the Forward Capacity Auction is conducted, the Capacity Clearing Price in an export-constrained Capacity Zone is higher than the Capacity Clearing Price in the Rest-of-Pool Capacity Zone, all resources clearing in the export-constrained Capacity Zone shall be paid based on the Capacity Clearing Price in the Rest-of-Pool Capacity Zone during the associated Capacity Commitment Period.

**III.13.2.7.3. Capacity Clearing Price Floor.**

In the Forward Capacity Auctions for the Capacity Commitment Periods beginning on June 1, 2013, June 1, 2014, June 1, 2015, and June 1, 2016 only, the following additional provisions regarding the Capacity Clearing Price shall apply in all Capacity Zones (and in the application of Section III.13.2.3.3(d)(iii)):

(a) [Reserved.]

(b) The Capacity Clearing Price shall not fall below 0.6 times CONE (or in the case of the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2016 below $3.15). Where the Capacity Clearing Price reaches 0.6 times CONE (or in the case of the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2016 reaches $3.15), offers shall be prorated such that no more than the Installed Capacity Requirement (net of HQICCs) is procured in the Forward Capacity Auction, as follows:

(i) The total payment to all listed capacity resources during the associated Capacity Commitment Period shall be equal to 0.6 times CONE (or in the case of the Forward Capacity Auction for the Capacity Commitment Period beginning June 1, 2016 shall be equal to $3.15) times the Installed Capacity Requirement (net of HQICCs) applicable in the Forward Capacity Auction.

(ii) Payments to individual listed resources shall be prorated based on the total number of MWs of capacity clearing in the Forward Capacity Auction (receiving a Capacity Supply Obligation for the associated Capacity Commitment Period).

(iii) Suppliers may instead prorate their bid MWs of participation in the Forward Capacity Market by partially de-listing one or more resources. Regardless of any such proration, the full amount of capacity that cleared in the Forward Capacity Auction will be ineligible for treatment as new capacity in subsequent Forward Capacity Auctions (except as provided under Section III.13.1.1.1.2).

(iv) Any proration shall be subject to reliability review. Where proration is rejected for reliability reasons, the resource’s payment shall not be prorated as described in subsection (ii) above, and the difference between its actual payment based on the Capacity Clearing Price and what its payment would have been had prorationing not been rejected for reliability reasons shall be allocated to Regional Network Load within the affected Reliability Region. In this case, the total payment described in subsection (i) above will increase accordingly.

(v) Any election to prorate bid MWs associated with a New Capacity Offer that clears in the Forward Capacity Auction shall also apply in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7.

**III.13.2.7.3A. Treatment of Imports.**

At the Capacity Clearing Price, if the amount of capacity offered from New Import Capacity Resources and Existing Import Capacity Resources over an interface between an external Control Area and the New England Control Area is greater than that interface’s approved capacity transfer limit (net of tie benefits, or net of HQICC in the case of the Phase I/II HVDC-TF):

(a) the full amount of capacity offered at that price from Existing Import Capacity Resources associated with contracts listed in Section III.13.1.3.3.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 and Intermittent Settlement Only Resources, the Capacity Supply Obligation for months in the winter period (as described in Section III.13.1.5) shall be adjusted based on its winter Qualified Capacity as determined pursuant to Section III.13.1.1.2.2.6 and Section III.13.1.2.2.2.

**III.13.2.7.7. Tie-Breaking Rules.**

Where the provisions in this Section III.13.2 for clearing the Forward Capacity Auction (system-wide or in a single Capacity Zone) result in a tie – that is, where two or more resources offer sufficient capacity at prices that would clear the auction at the same minimum costs – the auctioneer shall apply the following rules (in sequence, as necessary) to determine clearing:

(a) [Reserved.]

(b) If multiple projects may be rationed, they will be rationed proportionately.

(c) Where clearing either the offer associated with a resource with a higher queue priority at a Conditional Qualified New Resource’s location or the offer associated with the Conditional Qualified New Resource would result in equal costs, the offer associated with the resource with the higher queue priority shall clear.

(d) The offer associated with the Project Sponsor having the lower market share in the capacity auction (including Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Capacity Resources) shall be cleared.

**III.13.3. Critical Path Schedule Monitoring.**

**III.13.3.1. Resources Subject to Critical Path Schedule Monitoring.**

**III.13.3.1.1. New Resources Electing Critical Path Schedule Monitoring.**

A Project Sponsor that submits a critical path schedule for a New Capacity Resource in the qualification process may request that the ISO monitor that resource’s compliance with its critical path schedule in accordance with the provisions of this Section III.13.3. The ISO will monitor the New Capacity Resource’s compliance from the time the ISO approves the request until the resource achieves Commercial Operation, loses its Capacity Supply Obligation pursuant to Section III.13.3.4(c), or withdraws from critical path schedule monitoring pursuant to Section III.13.3.6.

In addition, a Lead Market Participant with a New Import Capacity Resource backed by one or more existing External Resources seeking to qualify for Capacity Commitment Period(s) prior to the Capacity Commitment Period associated with the Forward Capacity Auction for which it is qualifying must request monitoring under this Section III.13.3.1.1.

A request under this Section III.13.3.1.1 must be made in writing no later than five Business Days after the deadline for submission of the FCM Deposit pursuant to Section III.13.1.9.1.

**III.13.3.1.2. New Resources Clearing in the Forward Capacity Auction.**

For each new resource required to submit a critical path schedule in the qualification process, including but not limited to a New Generating Capacity Resource (pursuant to Section III.13.1.1.2.2), a New Import Capacity Resource backed by a new External Resource (pursuant to Section III.13.1.3.5), or a New Demand Capacity Resource (pursuant to Section III.13.1.4), if capacity from that resource clears in the Forward Capacity Auction, then the ISO shall monitor that resource’s compliance with its critical path schedule in accordance with the provisions of this Section III.13.3 (regardless of whether the Project Sponsor requested monitoring pursuant to Section III.13.3.1.1) from the time that the Forward Capacity Auction is conducted until the resource achieves Commercial Operation, loses its Capacity Supply Obligation pursuant to Section III.13.3.4(c), or withdraws from critical path schedule monitoring pursuant to Section III.13.3.6.

**III.13.3.1.3. New Resources Not Offering or Not Clearing in the Forward Capacity Auction.**

If no capacity from a new resource that was required to submit a critical path schedule in the qualification process clears in the Forward Capacity Auction, or if such a resource does not submit an offer in the Forward Capacity Auction, then the ISO shall not monitor that resource’s compliance with its critical path schedule after the Forward Capacity Auction unless the Project Sponsor previously requested pursuant to Section III.13.3.1.1 that the ISO continue to monitor that resource’s compliance with its critical path schedule. However, if a New Generating Capacity Resource participated but did not clear in the Forward Capacity Auction either as: (i) a Conditional Qualified New Resource, or (ii) a New Generating Capacity Resource with a higher priority in the queue and overlapping interconnection impacts with a Conditional Qualified New Resource, the ISO will not continue to monitor that resource’s compliance with its critical path schedule even if that resource requested critical path schedule monitoring pursuant to Section III.13.3.1.1.

**III.13.3.2. Quarterly Critical Path Schedule Reports.**

For each new resource that is being monitored for compliance with its critical path schedule, the Project Sponsor for that resource must provide a written critical path schedule report to the ISO no later than five Business Days after the end of each calendar quarter. If the Project Sponsor does not provide a written critical path schedule report to the ISO by the fifth Business Day after the end of the calendar quarter, then the ISO shall issue a notice thereof to the Project Sponsor. If the Project Sponsor fails to provide the critical path schedule report within five Business Days of issuance of that notice, then the resource will be subject to termination pursuant to Section III.13.3.4(c). Each critical path schedule report shall include the following:

**III.13.3.2.1. Updated Critical Path Schedule.**

The critical path schedule report must include a complete updated version of the critical path schedule as described in Section III.13.1.1.2.2.2, dated contemporaneously with the submission of the critical path schedule report. The updated critical path schedule should clearly indicate if the Project Sponsor is proposing to change any of the milestones or dates from the previously submitted version of the critical path schedule, and must include an explanation of any such proposed changes. In the critical path schedule report, the Project Sponsor should also explain in detail any proposed changes to the project design and the potential impact of such changes on the amount of capacity the resource will be able to provide.

**III.13.3.2.2. Documentation of Milestones Achieved.**

(a) For all new resources except for Demand Capacity Resources installed at multiple facilities and Demand Capacity Resources from a single facility with a demand reduction value of less than 5 MW (discussed in Section III.13.3.2.2(b)), for each critical path schedule milestone achieved since the submission of the previous critical path schedule report, the Project Sponsor must include in the critical path schedule report documentation demonstrating that the milestone has been achieved by the date indicated and as otherwise described in the critical path schedule, as follows:

(i) **Major Permits**. For each major permit described in the critical path schedule, the Project Sponsor shall provide documentation showing that the permit was applied for and obtained as described in the critical path schedule. For permit applications, this documentation could include a dated copy of the permit application or cover letter requesting the permit. For approved permits, this documentation could include a dated copy of the approved permit or letter granting the permit from the permitting authority.

(ii) **Project Financing Closing**. The Project Sponsor shall provide documentation showing that the sources of financing identified in the critical path schedule have committed to provide the amount of financing described in the critical path schedule. This documentation could include copies of commitment letters from the sources of financing.

(iii) **Major Equipment Orders**. For each major component described in the critical path schedule, the Project Sponsor shall provide documentation showing that the equipment was ordered as described in the critical path schedule. This documentation should include a copy of a dated confirmation of the order from the manufacturer or supplier. This documentation should confirm scheduled delivery dates consistent with milestone Section III.13.3.2.2(a)(vi).

(iv) **Substantial Site Construction.** The Project Sponsor shall provide documentation showing that the amount of money expended on construction activities occurring on the project site has exceeded 20 percent of the construction financing costs.

(v) **Major Equipment Delivery**. For each major component described in the critical path schedule, the Project Sponsor shall provide documentation showing that the equipment was delivered to the project site and received as preliminarily acceptable as described in the critical path schedule. This documentation should include a copy of a dated confirmation of delivery to the project site.

(vi) **Major Equipment Testing.** For each major component described in the critical path schedule, the Project Sponsor shall provide documentation showing that the component was tested, including major systems testing as appropriate for the specific technology as described in the critical path schedule, and that the test results demonstrate the equipment’s suitability to allow, in conjunction with other major component, subsequent Commercial Operation of the project in accordance with the amount of capacity obligated from the resource in the Capacity Commitment Period in accordance with Good Utility Practice. This documentation could include a dated copy of the satisfactory test results.

(vii) **Commissioning**. The Project Sponsor shall provide documentation showing that the resource has demonstrated a level of performance equal to or greater than the amount of capacity obligated from the resource in the Capacity Commitment Period. This documentation should include a copy of a dated letter of confirmation from the applicable manufacturer, contractor, or installer.

(viii) **Commercial Operation.** The Project Sponsor is not required to provide documentation of Commercial Operation to the ISO as part of the ISO’s critical path schedule monitoring. The ISO shall confirm that the resource has achieved Commercial Operation as described in the critical path schedule through the resource’s compliance with the other relevant requirements of the Transmission, Markets and Services Tariff and the ISO New England System Rules.

(ix) **Transmission Upgrades**. If during the qualification process it was determined that transmission upgrades (including any upgrades identified in a re-study pursuant to Section 3.2.1.3 of Schedule 22, Section 1.7.1.3 of Schedule 23, or Section 3.2.1.3 of Schedule 25 of Section II of the Transmission, Markets and Services Tariff) are needed for the new resource to complete its interconnection, then the Project Sponsor shall provide documentation showing that the transmission upgrades have been completed.

(b) For Demand Capacity Resources installed at multiple facilities and Demand Capacity Resources from a single facility with a demand reduction value of less than 5 MW, for each critical path schedule milestone achieved since the submission of the previous critical path schedule report, the Project Sponsor must include in the critical path schedule report documentation demonstrating that the milestone has been achieved by the date indicated and as otherwise described in the critical path schedule, as follows:

(i) **Substantial Project Completion**. The Project Sponsor shall provide documentation showing the total offered demand reduction value achieved as of target dates which are: (a) the cumulative percentage of total demand reduction value achieved on target date 1 occurring five weeks prior to the first Forward Capacity Auction after the Forward Capacity Auction in which the Demand Capacity Resource supplier’s capacity award was made; (b) the cumulative percentage of total demand reduction value achieved on target date 2 occurring five weeks prior to the second Forward Capacity Auction after the Forward Capacity Auction in which the Demand Capacity Resource supplier’s capacity award was made; and (c) target date 3 which is the date the resource is expected to achieve commercial operation, which must be on or before the first day of the relevant Capacity Commitment Period and by which date 100 percent of the total demand reduction value must be complete.

(ii) **Pipeline Analysis**. If the Project Sponsor proposes in its New Demand Capacity Resource Qualification Package a cumulative percentage of demand reduction value achieved that is 30 percent or less by the second critical path schedule target date, then the Project Sponsor shall provide a pipeline analysis to the ISO as specified in Section III.13.1.4.1.1.2.6 of Market Rule 1.

(iii) **Additional Requirements**. For each customer and each prospective customer the Project Sponsor shall provide: name, location, MW amount, and description of stage of negotiation. If the customer’s Asset has been registered with the ISO, then the Project Sponsor shall also provide the Asset identification number.

**III.13.3.2.3. Additional Relevant Information.**

The Project Sponsor must include in the critical path schedule report any other information regarding the status or progress of the project or any of the project milestones that might be relevant to the ISO’s evaluation of the feasibility of the project being built in accordance with the critical path schedule or the feasibility that the project will meet the requirement that the project achieve Commercial Operation no later than the start of the relevant Capacity Commitment Period.

**III.13.3.2.4. Additional Information for Resources Previously Counted As Capacity.**

For each resource participating in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Sections III.13.1.1.1.2, III.13.1.1.1.3, or III.13.1.1.1.4 or New Demand Capacity Resource pursuant to Section III.13.1.4.1 and clearing in that auction, the Project Sponsor must provide information in the critical path schedule report demonstrating: (a) the shedding of the resource’s Capacity Supply Obligation in accordance with the provisions of Section III.13.1.1.2.2.5(c); and (b) that the relevant cost threshold (described in Sections III.13.1.1.1.2, III.13.1.1.1.3, and III.13.1.1.1.4) is being met.

**III.13.3.3. Failure to Meet Critical Path Schedule.**

If the ISO determines that any critical path schedule milestone date has been missed, or if the Project Sponsor proposes a change to any milestone date in a quarterly critical path schedule report (as described in Section III.13.3.2.1), then the ISO shall consult with the Project Sponsor to determine the impact of the missed milestone or proposed revision, and shall determine a revised date for the milestone and for any other milestones affected by the change including Commercial Operation of the project. If a milestone date is revised for any reason, the ISO may require the Project Sponsor to submit a written report to the ISO on the fifth Business Day of each month until the revised milestone is achieved detailing the progress toward meeting the revised milestone. If the Project Sponsor does not provide a written critical path schedule report to the ISO on the fifth Business Day of a month, then the ISO shall issue a notice thereof to the Project Sponsor. If the Project Sponsor fails to provide the critical path schedule report within five Business Days of issuance of that notice, then the resource will be subject to termination pursuant to Section III.13.3.4(c). Such a monthly reporting requirement, if imposed, shall be in addition to the quarterly critical path schedule reports described in Section III.13.3.2.

**III.13.3.4. Covering Capacity Supply Obligation where Resource will Not Achieve Commercial Operation by the Start of the Capacity Commitment Period.**

Except as described in Section III.13.3.7, if as a result of milestone date revisions, the Commercial Operation milestone date is after the start of any Capacity Commitment Period in which the resource has a Capacity Supply Obligation, then the Project Sponsor must take actions to cover the entire Capacity Supply Obligation for the portion of the Capacity Commitment Period for which the project will not have achieved Commercial Operation, as follows:

(a) The Project Sponsor may cover its Capacity Supply Obligation through reconfiguration auctions as described in Section III.13.4 or one or more Capacity Supply Obligation Bilaterals, subject to the satisfaction of the requirements in Section III.13.5.

(b) If, by the time demand bids are due for the third annual reconfiguration auction for the Capacity Commitment Period in which the resource has a Capacity Supply Obligation, the Project Sponsor has not covered its full Capacity Supply Obligation for the portion of the Capacity Commitment Period for which the project will not have achieved Commercial Operation, then the ISO shall submit a demand bid in that annual reconfiguration auction on the Project Sponsor’s behalf for a quantity equal to the largest monthly Capacity Supply Obligation for the Capacity Commitment Period that has not been covered, at the Forward Capacity Auction Starting Price (or, for any demand bid submitted by the ISO in the third annual reconfiguration auction associated with the seventh Capacity Commitment Period, at $12.11/kW-month), with all payments, charges, rights, obligations, and other results associated with such demand bid applying to the Project Sponsor as if the Project Sponsor itself had submitted the demand bid.

(c) If the Project Sponsor fails to comply with the requirements of Sections III.13.3.2 or III.13.3.3, or if the Capacity Supply Obligation is not covered as described in Sections III.13.3.4(a) and III.13.3.4(b), or if the Project Sponsor covers the Capacity Supply Obligation for two Capacity Commitment Periods, then the ISO, after consultation with the Project Sponsor, shall have the right, through a filing with the Commission, to terminate the resource’s Capacity Supply Obligation for any future Capacity Commitment Periods and the resource’s right to any payments associated with that Capacity Supply Obligation in the Capacity Commitment Period, and to adjust the resource’s qualified capacity for participation in the Forward Capacity Market; provided that, where a Project Sponsor voluntarily withdraws its resource from critical path schedule monitoring in accordance with Section III.13.3.6, no filing with the Commission shall be necessary to terminate the resource’s Capacity Supply Obligation. Upon Commission ruling, the Project Sponsor shall forfeit any financial assurance provided with respect to that Capacity Supply Obligation. If in these circumstances, however, the ISO does not take steps to terminate the resource’s Capacity Supply Obligation and instead permits the Project Sponsor to continue to cover its Capacity Supply Obligation, such continuation shall be subject to the ISO’s right to revoke that permission and to file with the Commission to terminate the resource’s Capacity Supply Obligation, and subject to continued reporting by the Project Sponsor as described in this Section III.13.3.

**III.13.3.5. Termination of Interconnection Agreement.**

If the ISO terminates, or files with the Commission to terminate, a resource’s Capacity Supply Obligation as described in Section III.13.3.4(c), the ISO shall have the right to terminate the Interconnection Agreement with that resource through a filing with the Commission and upon Commission ruling. If the Project Sponsor continues to cover all of its Capacity Supply Obligations while challenging such termination before the Commission, it shall retain its Queue Position.

**III.13.3.6. Withdrawal from Critical Path Schedule Monitoring**.

A Project Sponsor may withdraw its resource from critical path schedule monitoring by the ISO at any time by submitting a written request to the ISO. The ISO also may deem a resource withdrawn from critical path schedule monitoring if the Project Sponsor does not adhere to the requirements of this Section III.13.3. Any resource withdrawn from critical path schedule monitoring shall be subject to the provisions of Section III.13.3.4.

**III.13.3.7 Request to Defer Capacity Supply Obligation**

A resource that has not yet achieved Commercial Operation and that is subject to critical path schedule monitoring by the ISO pursuant to this Section III.13.3 may seek to defer the applicability of its entire Capacity Supply Obligation by one year pursuant to the provisions of this Section III.13.3.7.

A Project Sponsor seeking such a deferral must notify the ISO in writing no later than the first Business Day in September of the year prior to the third annual reconfiguration auction for the Capacity Commitment Period in which the resource has a Capacity Supply Obligation. If, after consultation with the Project Sponsor, the ISO determines that the absence of the capacity in the first Capacity Commitment Period in which the resource has a Capacity Supply Obligation, as well as in the subsequent Capacity Commitment Period, would result in the violation of any NERC or NPCC (or their successors) criteria or of the ISO New England System Rules, not solely that it may result in the procurement of less capacity than the Installed Capacity Requirement (net of HQICCs) or the Local Sourcing Requirement for the Capacity Zone, then the ISO will review the specific reliability need with and seek feedback from the Reliability Committee and provide the Project Sponsor with a written determination to that effect within 30 days of the Project Sponsor’s notification to the ISO.

If the ISO provides such a written determination, then the Project Sponsor may file with the Commission, no later than the first Business Day in November of the year prior to the third annual reconfiguration auction, a request to defer the applicability of its Capacity Supply Obligation by one year. Any such filing must include the ISO’s written determination, and must also demonstrate that the deferral is critical to the resource’s ability to achieve Commercial Operation and that the reasons for the deferral are beyond the control of the Project Sponsor.

If the Commission approves the request, all of the rights, obligations, payments, and charges associated with the Capacity Supply Obligation described in Section III.13.6 and Section III.13.7 shall only apply beginning one year after the start of the Capacity Commitment Period in which the resource has a Capacity Supply Obligation. Notwithstanding any other provision of this Section III.13, if the resource achieves commercial operation prior to the deferred date, it will not be eligible to receive revenue in the Forward Capacity Market until the deferred date. Beginning on the deferred date, all of the rights, obligations, payments, and charges associated with the Capacity Supply Obligation shall apply, and the Capacity Supply Obligation and Capacity Clearing Price (indexed using the Handy-Whitman Index of Public Utility Construction Costs in effect as of December 31 of the year preceding the Capacity Commitment Period) associated with the Forward Capacity Auction in which the resource cleared as a new resource shall apply for the full duration of the Capacity Supply Obligation (including multi-year elections made pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7). Neither the Project Sponsor, nor the ISO on the Project Sponsor’s behalf, will take actions to cover the resource’s Capacity Supply Obligation for the deferral period as described in Section III.13.3.4, but the other requirements of III.13.3, including all reporting requirements and the ISO’s right to seek termination, shall continue to apply during the deferral period. Upon Commission approval of the deferral, the resource may not participate in any reconfiguration auctions or Capacity Supply Obligation Bilaterals for any portion of the deferral period. Beginning at 8:00 a.m. (Eastern Time) 30 days after Commission approval of the request, the Project Sponsor shall be required to provide an additional amount of financial assurance as described in Section VII.B.2.c of the ISO New England Financial Assurance Policy.

Notwithstanding any other provision of this Section III.13, if any of the resource’s Capacity Supply Obligation in the deferral period was shed in a reconfiguration auction or Capacity Supply Obligation Bilateral prior to Commission approval of the deferral request, then the resource’s settlements shall be adjusted by the ISO to ensure that the resource does not receive any payments associated with that transaction in excess of the charges associated with that transaction; the resource will be responsible for any charges in excess of payments.

**III.13.4. Reconfiguration Auctions.**

For each Capacity Commitment Period, the ISO shall conduct annual and monthly reconfiguration auctions as described in this Section III.13.4. Reconfiguration auctions only permit the trading of Capacity Supply Obligations; load obligations are not traded in reconfiguration auctions. Each reconfiguration auction shall use a static double auction (respecting the interface limits and capacity requirements modeled as specified in Sections III.13.4.5 and III.13.4.7) to clear supply offers (i.e., offers to assume a Capacity Supply Obligation) and demand bids (i.e., bids to shed a Capacity Supply Obligation) for each Capacity Zone included in the reconfiguration auction. Supply offers and demand bids will be modeled in the Capacity Zone where the associated resources are electrically interconnected. Resources that are able to meet the requirements in other Capacity Zones shall be allowed to clear to meet such requirements, subject to the constraints modeled in the auction.

**III.13.4.1. Capacity Zones Included in Reconfiguration Auctions.**

Each reconfiguration auction associated with a Capacity Commitment Period shall include each of, and only, the final Capacity Zones and external interfaces as determined through the Forward Capacity Auction for that Capacity Commitment Period, as described in Section III.13.2.3.4.

**III.13.4.2. Participation in Reconfiguration Auctions.**

Each supply offer and demand bid in a reconfiguration auction must be associated with a specific resource, and must satisfy the requirements of this Section III.13.4.2. All resource types may submit supply offers and demand bids in reconfiguration auctions. In accordance with Section III.A.9.2 of ***Appendix A*** of this Market Rule 1, supply offers and demand bids submitted for reconfiguration auctions shall not be subject to mitigation by the Internal Market Monitor. A supply offer or demand bid submitted for a reconfiguration auction shall not be limited by the associated resource’s Economic Minimum Limit. Offers composed of separate resources may not participate in reconfiguration auctions. Participation in any reconfiguration auction is conditioned on full compliance with the applicable financial assurance requirements as provided in the ISO New England Financial Assurance Policy at the time of the offer and bid deadline. For annual reconfiguration auctions, the offer and bid deadline will be announced by the ISO no later than 30 days prior to that deadline. No later than 15 days before the offer and bid deadline for an annual reconfiguration auction, the ISO shall notify each resource of the amount of capacity that it may offer or bid in that auction, as calculated pursuant to this Section III.13.4.2. For monthly reconfiguration auctions, the offer and bid deadline will be announced by the ISO no later than 10 Business Days prior to that deadline. Upon issuance of the monthly bilateral results for the associated obligation month, the ISO shall notify each resource of the amount of capacity that it may offer or bid in that monthly auction, as calculated pursuant to this Section III.13.4.2. For monthly reconfiguration auctions in which the most recently approved Winter Seasonal Claimed Capability established as of the fifth Business Day in June of the relevant Capacity Commitment Period is greater than the Winter ARA Qualified Capacity for the third annual reconfiguration auction, the ISO shall apply the greater of these two values to offer limits starting with the first monthly reconfiguration auction in the winter delivery period for the relevant Capacity Commitment Period, limited, as applicable, by the resource’s CNR Capability.

**III.13.4.2.1. Supply Offers.**

Submission of supply offers in reconfiguration auctions shall be governed by this Section III.13.4.2.1. All supply offers in reconfiguration auctions shall be submitted by the Project Sponsor or Lead Market Participant, and shall specify the resource, the amount of capacity offered in MW, and the price, in dollars per kW/month. In no case may capacity associated with a Retirement De-List Bid or a Permanent De-List Bid that cleared in the Forward Capacity Auction for a Capacity Commitment Period be offered in a reconfiguration auction for that, or any subsequent, Capacity Commitment Period, or any portion thereof. In no case may capacity associated with an Export Bid or an Administrative Export De-List Bid that cleared in the Forward Capacity Auction for a Capacity Commitment Period be offered in a reconfiguration auction for that Capacity Commitment Period, or any portion thereof.

**III.13.4.2.1.1. Amount of Capacity That May Be Submitted in a Supply Offer in an Annual Reconfiguration Auction.**

For each month of the Capacity Commitment Period associated with the annual reconfiguration auction, the ISO shall calculate the difference between the Summer ARA Qualified Capacity or Winter ARA Qualified Capacity, as applicable, and the amount of capacity from that resource that is already subject to a Capacity Supply Obligation for the month. The minimum of these 12 values shall be the amount of capacity up to which a resource may submit a supply offer in the annual reconfiguration auction.

**III.13.4.2.1.2. Calculation of Summer ARA Qualified Capacity and Winter ARA Qualified Capacity.**

**III.13.4.2.1.2.1. First Annual Reconfiguration Auction and Second Annual Reconfiguration Auction.**

**III.13.4.2.1.2.1.1. Generating Capacity Resources Other than Intermittent Power Resources.**

**III.13.4.2.1.2.1.1.1. Summer ARA Qualified Capacity.**

For the first and second annual reconfiguration auctions associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity of a Generating Capacity Resource that is not an Intermittent Power Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below, limited, as applicable, by the resource’s CNR Capability and any relevant overlapping interconnection impacts as described in Section III.13.1.1.2.3(f):

(a) For capacity that has achieved Commercial Operation, the higher of the resource’s summer Qualified Capacity as calculated for the Forward Capacity Auction for that Capacity Commitment Period and any summer Seasonal Claimed Capability values for summer periods completed after the Existing Capacity Retirement Deadline for the Forward Capacity Auction for the Capacity Commitment Period and before the start of the Capacity Commitment Period. The amount of capacity described in this Section III.13.4.2.1.2.1.1.1(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.1.2 and where the project has not become commercial.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

**III.13.4.2.1.2.1.1.2. Winter ARA Qualified Capacity.**

For the first and second annual reconfiguration auctions associated with a Capacity Commitment Period, the Winter ARA Qualified Capacity of a Generating Capacity Resource that is not an Intermittent Power Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below, limited, as applicable, by the resource’s CNR Capability and any relevant overlapping interconnection impacts as described in Section III.13.1.1.2.3(f):

(a) For capacity that has achieved Commercial Operation, the higher of the resource’s winter Qualified Capacity as calculated for the Forward Capacity Auction for that Capacity Commitment Period and any winter Seasonal Claimed Capability values for winter periods completed after the Existing Capacity Retirement Deadline for the Forward Capacity Auction for the Capacity Commitment Period and before the start of the Capacity Commitment Period. The amount of capacity described in this Section III.13.4.2.1.2.1.1.2(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.1.2 and where the project has not become commercial.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

**III.13.4.2.1.2.1.2. Intermittent Power Resources.**

**III.13.4.2.1.2.1.2.1. Summer ARA Qualified Capacity.**

For the first and second annual reconfiguration auctions associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity of an Intermittent Power Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below, limited, as applicable, by the resource’s CNR Capability and any relevant overlapping interconnection impacts as described in Section III.13.1.1.2.3(f):

(a) For capacity that has achieved Commercial Operation, the resource’s most recently-determined summer Qualified Capacity. The amount of capacity described in this Section III.13.4.2.1.2.1.2.1(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.1.2 and the project has not become commercial.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

**III.13.4.2.1.2.1.2.2. Winter ARA Qualified Capacity.**

For the first and second annual reconfiguration auctions associated with a Capacity Commitment Period, the Winter ARA Qualified Capacity of an Intermittent Power Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below, limited, as applicable, by the resource’s CNR Capability and any relevant overlapping interconnection impacts as described in Section III.13.1.1.2.3(f):

(a) For capacity that has achieved Commercial Operation, the resource’s most recently-determined winter Qualified Capacity. The amount of capacity described in this Section III.13.4.2.1.2.1.2.2(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.1.2 and the project has not become commercial.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

**III.13.4.2.1.2.1.3. Import Capacity Resources Backed By an External Control Area.**

For the first and second annual reconfiguration auctions associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity and Winter ARA Qualified Capacity of an Import Capacity Resource shall be equal to its summer Qualified Capacity and winter Qualified Capacity, respectively, as determined for the Forward Capacity Auction for that Capacity Commitment Period.

**III.13.4.2.1.2.1.3.1. Import Capacity Resources Backed by One or More External Resources.**

For the first and second annual reconfiguration auctions associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity and Winter ARA Qualified Capacity of an Import Capacity Resource backed by one or more External Resources shall be the greater of:

(a) the summer Qualified Capacity and winter Qualified Capacity, respectively, as determined for the Forward Capacity Auction for that Capacity Commitment Period; and

(b) the amount of capacity available to back the import, if submitted by the Lead Market Participant and approved by the ISO by the fifth Business Day in October and, if submitted for a New Import Capacity Resource backed by one or more External Resources, also subject to the satisfaction of the requirements in Sections III.13.1.3.5.1(b), III.13.1.3.5.2, and III.13.3.1.1 and the relevant financial assurance requirements as described in Section III.13.1.9 and the ISO New England Financial Assurance Policy.

**III.13.4.2.1.2.1.4. Demand Capacity Resources.**

**III.13.4.2.1.2.1.4.1. Summer ARA Qualified Capacity.**

For the first and second annual reconfiguration auctions associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity of a Demand Capacity Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below:

(a) For capacity that has achieved Commercial Operation, the resource’s most recently-determined summer Qualified Capacity.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

**III.13.4.2.1.2.1.4.2. Winter ARA Qualified Capacity.**

For the first and second annual reconfiguration auctions associated with a Capacity Commitment Period, the Winter ARA Qualified Capacity of a Demand Capacity Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below:

(a) For capacity that has achieved Commercial Operation, the resource’s most recently-determined winter Qualified Capacity.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

**III.13.4.2.1.2.2. Third Annual Reconfiguration Auction.**

**III.13.4.2.1.2.2.1. Generating Capacity Resources other than Intermittent Power Resources.**

**III.13.4.2.1.2.2.1.1. Summer ARA Qualified Capacity.**

For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity of a Generating Capacity Resource that is not an Intermittent Power Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below, limited, as applicable, by the resource’s CNR Capability and any relevant overlapping interconnection impacts as described in Section III.13.1.1.2.3(f):

(a) For capacity that has achieved Commercial Operation, the resource’s summer Seasonal Claimed Capability value in effect after the most recently completed summer period. The amount of capacity described in this Section III.13.4.2.1.2.2.1.1(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.1.2 and the project has not become commercial.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

**III.13.4.2.1.2.2.1.2. Winter ARA Qualified Capacity.**

For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Winter ARA Qualified Capacity of a Generating Capacity Resource that is not an Intermittent Power Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below, limited, as applicable, by the resource’s CNR Capability and any relevant overlapping interconnection impacts as described in Section III.13.1.1.2.3(f):

(a) For capacity that has achieved Commercial Operation, the resource’s winter Seasonal Claimed Capability value in effect after the most recently completed winter period. The amount of capacity described in this Section III.13.4.2.1.2.2.1.2(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.1.2 and the project has not become commercial.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

**III.13.4.2.1.2.2.2. Intermittent Power Resources.**

**III.13.4.2.1.2.2.2.1. Summer ARA Qualified Capacity.**

For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity of an Intermittent Power Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below, limited, as applicable, by the resource’s CNR Capability and any relevant overlapping interconnection impacts as described in Section III.13.1.1.2.3(f):

(a) For capacity that has achieved Commercial Operation, the lesser of its most recently-determined summer Qualified Capacity and its summer Seasonal Claimed Capability value in effect after the most recently competed summer period. The amount of capacity described in this Section III.13.4.2.1.2.2.2.1(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.1.2 and the project has not become commercial.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

**III.13.4.2.1.2.2.2.2. Winter ARA Qualified Capacity.**

For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Winter ARA Qualified Capacity of an Intermittent Power Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below, limited, as applicable, by the resource’s CNR Capability and any relevant overlapping interconnection impacts as described in Section III.13.1.1.2.3(f):

(a) For capacity that has achieved Commercial Operation, the lesser of its most recently-determined winter Qualified Capacity and its winter Seasonal Claimed Capability value in effect after the most recently completed winter period. The amount of capacity described in this Section III.13.4.2.1.2.2.2.2(a) shall be zero, however, where the resource cleared in the Forward Capacity Auction for the Capacity Commitment Period as a new resource pursuant to Section III.13.1.1.1.2 and the project has not become commercial.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

**III.13.4.2.1.2.2.3. Import Capacity Resources.**

**III.13.4.2.1.2.2.3.1 Import Capacity Resources Backed by an External Control Area.**

For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity of an Import Capacity Resource shall be equal to the lesser of its summer Qualified Capacity as determined for the Forward Capacity Auction for that Capacity Commitment Period and the amount of capacity available to back the import, if submitted by the Lead Market Participant and approved by the ISO by the fifth Business Day in October. For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Winter ARA Qualified Capacity of an Import Capacity Resource shall be equal to the lesser of its winter Qualified Capacity as determined for the Forward Capacity Auction for that Capacity Commitment Period and the amount of capacity available to back the import, if submitted by the Lead Market Participant and approved by the ISO by the fifth Business Day in October.

**III.13.4.2.1.2.2.3.2. Import Capacity Resources Backed by One or More External Resources.**

For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity and Winter ARA Qualified Capacity of an Import Capacity Resource backed by one or more External Resources shall be the lesser of:

(a) the summer Qualified Capacity and winter Qualified Capacity, respectively, as determined by the most recent Forward Capacity Auction that does not reflect a change to the Import Capacity Resource applicable to that Capacity Commitment Period; and

(b) the amount of capacity available to back the import, if submitted by the Lead Market Participant and approved by the ISO by the fifth Business Day in October and, if submitted for a New Import Capacity Resource backed by one or more External Resources, also subject to the satisfaction of the requirements in Sections III.13.1.3.5.1(b), III.13.1.3.5.2, and III.13.3.1.1 and the relevant financial assurance requirements as described in Section III.13.1.9 and the ISO New England Financial Assurance Policy.

**III.13.4.2.1.2.2.4. Demand Capacity Resources.**

**III.13.4.2.1.2.2.4.1. Summer ARA Qualified Capacity**.

For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Summer ARA Qualified Capacity of a Demand Capacity Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below:

(a) For capacity that has achieved Commercial Operation, the lesser of: (i) its most recently-determined summer Qualified Capacity and (ii) its summer Seasonal DR Audit value or summer Passive DR Audit value in effect at the time of qualification for the third annual reconfiguration auction.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

**III.13.4.2.1.2.2.4.2. Winter ARA Qualified Capacity.**

For the third annual reconfiguration auction associated with a Capacity Commitment Period, the Winter ARA Qualified Capacity of a Demand Capacity Resource shall be the sum of the values determined pursuant to subsections (a) and (b) below:

(a) For capacity that has achieved Commercial Operation, the lesser of: (i) its most recently-determined winter Qualified Capacity and (ii) its winter Seasonal DR Audit value or winter Passive DR Audit value in effect at the time of qualification for the third annual reconfiguration auction.

(b) Any amount of capacity that has not yet achieved Commercial Operation but: (i) is being monitored by the ISO pursuant to the provisions of Section III.13.3; (ii) has a Commercial Operation milestone date that is prior to the start of the relevant Capacity Commitment Period; and (iii) for which the Lead Market Participant or Project Sponsor has met all relevant financial assurance requirements as described in Section III.13.1.9 and in the ISO New England Financial Assurance Policy.

**III.13.4.2.1.3. Adjustment for Significant Decreases in Capacity.**

For each month of the Capacity Commitment Period associated with the third annual reconfiguration auction, for each resource that has achieved Commercial Operation, the ISO shall subtract the resource’s Summer ARA Qualified Capacity or Winter ARA Qualified Capacity, as applicable, from the amount of capacity from the resource that is subject to a Capacity Supply Obligation for the month. For the month associated with the greatest of these 12 values, if the resource’s Summer ARA Qualified Capacity or Winter ARA Qualified Capacity (as applicable) is below the amount of capacity from that resource that is subject to a Capacity Supply Obligation for that month by more than the lesser of 20 percent of the amount of capacity from that resource that is subject to a Capacity Supply Obligation for that month or 40 MW, then the following provisions shall apply:

(a) The Lead Market Participant may submit a written plan to the ISO with any necessary supporting documentation describing the measures that will be taken and demonstrating that the resource will be able to provide an amount of capacity consistent with its total Capacity Supply Obligation for the Capacity Commitment Period by the start of all months in that Capacity Commitment Period in which the resource has a Capacity Supply Obligation. If submitted, such a plan must be received by the ISO no later than 10 Business Days after the ISO has notified the Lead Market Participant of its Summer ARA Qualified Capacity and Winter ARA Qualified Capacity for the third annual reconfiguration auction.

(b) If no such plan as described in Section III.13.4.2.1.3(a) is timely submitted to the ISO, or if such a plan is timely submitted but the ISO determines that the plan does not demonstrate that the resource will be able to provide the necessary amount of capacity by the start of all months in the Capacity Commitment Period in which the resource has a Capacity Supply Obligation, then the ISO shall enter a demand bid at the Forward Capacity Auction Starting Price (or, in the case of a resource that cleared in the seventh Forward Capacity Auction, at $12.11/kW-month) on behalf of the resource (with all payments, charges, rights, obligations, and other results associated with such bid applying to the resource as if the resource itself had submitted the bid) in the third annual reconfiguration auction in an amount equal to the greatest of the 12 monthly values determined pursuant to this Section III.13.4.2.1.3.

(c) If the ISO determines that the resource is not able to provide the necessary amount of capacity by the start of all months in the Capacity Commitment Period in which the resource has a Capacity Supply Obligation, and if the resource was part of an offer composed of separate resources when it qualified to participate in the relevant Forward Capacity Auction, then before a demand bid is entered for the resource pursuant to subsection (b) above, the resource may submit monthly Capacity Supply Obligation Bilaterals, subject to the satisfaction of the requirements in Section III.13.5, to cover the deficiency for the months of the Capacity Commitment Period in which the Capacity Supply Obligation is associated with participation in an offer composed of separate resource prior to the third annual reconfiguration auction, but in no case may such a Capacity Supply Obligation Bilateral for a month be for an amount of capacity greater than the difference between the resource’s Capacity Supply Obligation for the month and the resource’s lowest monthly Capacity Supply Obligation during the Capacity Commitment Period.

**III.13.4.2.1.4. Amount of Capacity That May Be Submitted in a Supply Offer in a Monthly Reconfiguration Auction.**

A resource that has not achieved Commercial Operation by the offer and bid deadline for a monthly reconfiguration auction may not submit a supply offer for that reconfiguration auction, unless the resource has a negative Capacity Supply Obligation, in which case it may submit a supply offer for that reconfiguration auction in an amount up to the absolute value of its Capacity Supply Obligation. The amount of capacity up to which a resource may submit a supply offer in a monthly reconfiguration auction shall be the difference (but in no case less than zero) between (i) the resource’s Summer ARA Qualified Capacity or Winter ARA Qualified Capacity as adjusted pursuant to Section III.13.4.2, as applicable, for the auction month for the third annual reconfiguration auction for the relevant Capacity Commitment Period; and (ii) the amount of capacity from that resource that is already subject to a Capacity Supply Obligation for that month. However, a resource may not submit a supply offer for a monthly reconfiguration auction if it is on an approved outage during that month.

**III.13.4.2.1.5. ISO Review of Supply Offers.**

Supply offers in reconfiguration auctions shall be reviewed by the ISO to ensure the regional and local adequacy achieved through the Forward Capacity Auction and other reliability needs are maintained. The ISO’s reviews will consider the location and operating and rating limitations of resources associated with cleared supply offers to ensure reliability standards will remain satisfied if the offer is accepted. The ISO shall reject supply offers that would otherwise clear in a reconfiguration auction that will result in a violation of any NERC or NPCC criteria, or ISO New England System Rules during the Capacity Commitment Period associated with the reconfiguration auction. The ISO’s reliability reviews will assess such offers, beginning with the marginal resource, based on operable capacity needs while considering any approved or interim approved transmission outage information and any approved generation or Demand Response Resource outage information, and will include transmission security studies. Supply offers that cannot meet the applicable reliability needs will be rejected in their entirety and the resource will not be rejected in part. Rejected resources will not be further included in clearing the reconfiguration auction and the Lead Market Participant or Project Sponsor, as appropriate, shall be notified as soon as practicable after the reconfiguration auction of the rejection and of the reliability need prompting such rejection.

**III.13.4.2.2. Demand Bids in Reconfiguration Auctions.**

Submission of demand bids in reconfiguration auctions shall be governed by this Section III.13.4.2.2. All demand bids in reconfiguration auctions shall be submitted by the Project Sponsor or Lead Market Participant, and shall specify the amount of capacity bid in MW, and the price, in dollars per kW/month.

(a) To submit a demand bid in a reconfiguration auction, a resource must have a Capacity Supply Obligation for the Capacity Commitment Period (or portion thereof, as applicable) associated with that reconfiguration auction. Where capacity associated with a Self-Supplied FCA Resource that cleared in the Forward Capacity Auction for the Capacity Commitment Period is offered in a reconfiguration auction for that Capacity Commitment Period, or any portion thereof, a resource acquiring a Capacity Supply Obligation shall not as a result become a Self-Supplied FCA Resource.

(b) Each demand bid submitted to the ISO for reconfiguration auction shall be no greater than the amount of the resource’s capacity that is already obligated for the Capacity Commitment Period (or portion thereof, as applicable) as of the offer and bid deadline for the reconfiguration auction.

(c) All demand bids in reconfiguration auctions shall be reviewed by the ISO to ensure the regional and local adequacy achieved through the Forward Capacity Auction and other reliability needs are maintained. The ISO’s reviews will consider the location and operating and rating limitations of resources associated with cleared demand bids to ensure reliability standards will remain satisfied if the committed capacity is withdrawn. The ISO shall reject demand bids that would otherwise clear in a reconfiguration auction that will result in a violation of any NERC or NPCC criteria or ISO New England System Rules during the Capacity Commitment Period associated with the reconfiguration auction, provided that for annual reconfiguration auctions associated with a Capacity Commitment Period that begins on or after June 1, 2018, the ISO shall not reject a demand bid solely on the basis that acceptance of the demand bid may result in the procurement of less capacity than the Installed Capacity Requirement (net of HQICCs). For monthly reconfiguration auctions, the ISO shall obtain and consider information from the Local Control Center regarding whether the capacity associated with demand bids that would otherwise clear from resources with a Capacity Supply Obligation is needed for local system conditions. The ISO’s reliability reviews will assess such bids, beginning with the marginal resource, based on operable capacity needs while considering any approved or interim approved transmission outage information and any approved generation or Demand Response Resource outage information, and will include transmission security studies. Where the applicable reliability needs cannot be met if a Demand Bid is cleared, such Demand Bids will be rejected in their entirety and the resource will not be rejected in part. Demand Bids from rejected resources will not be further included in clearing the reconfiguration auction, and the Lead Market Participant or Project Sponsor, as appropriate, shall be notified as soon as practicable after the reconfiguration auction of the rejection and of the reliability need prompting such rejection.

**III.13.4.3. ISO Participation in Reconfiguration Auctions.**

The ISO shall not submit supply offers or demand bids in monthly reconfiguration auctions. The ISO shall submit supply offers and demand bids in annual reconfiguration auctions as appropriate to address year-to-year changes in the Installed Capacity Requirement (net of HQICCs), Local Sourcing Requirements and Maximum Capacity Limits for the associated Capacity Commitment Period, to procure capacity not purchased in the Forward Capacity Auction as a result of the “Inadequate Supply” rule for Forward Capacity Auctions conducted prior to June 2015, to procure any shortfall in capacity resulting from a resource’s achieving Commercial Operation at a level less than that resource’s Capacity Supply Obligation or other significant decreases in capacity, and to address any changes in external interface limits, as follows:

(a) For each Capacity Commitment Period that begins on or before June 1, 2017, the ISO shall submit supply offers and demand bids in annual reconfiguration auctions as appropriate to ensure that the applicable Installed Capacity Requirement (net of HQICCs), Local Sourcing Requirements, Maximum Capacity Limits, and external interface limits are respected. Where less capacity than needed is obligated, the ISO shall submit demand bids as appropriate to procure the additional needed capacity in each subsequent annual reconfiguration auction until the need is met. Where more capacity than needed is obligated, the ISO may in its discretion submit supply offers in subsequent annual reconfiguration auctions to release the excess capacity, but in any case the ISO shall be required to submit supply offers as appropriate in the third annual reconfiguration auction for a Capacity Commitment Period to release the excess capacity.

(b) For each Capacity Commitment Period that begins on or after June 1, 2018, the ISO shall submit demand bids for the amount of additional capacity needed to meet the Local Sourcing Requirements and shall submit supply offers in the third annual reconfiguration auction for a Capacity Commitment Period to release capacity exceeding the Maximum Capacity Limits or external interface limits.

(c) No later than 15 days before the offer and bid deadline for an annual reconfiguration auction, the ISO shall provide notice regarding whether the ISO will be submitting supply offers or demand bids in that auction.

(d) Any demand bid submitted by the ISO in an annual reconfiguration auction shall be at the Forward Capacity Auction Starting Price, except for any demand bids submitted by the ISO in annual reconfiguration auctions associated with the seventh Capacity Commitment Period, which shall be at $12.11/kW-month.

(e) Any supply offer submitted by the ISO in an annual reconfiguration auction shall be in the form of a supply curve having the following characteristics:

(i) at prices equal to or greater than 0.75 times the Capacity Clearing Price, as adjusted pursuant to Section III.13.2.7.3(b), from the Forward Capacity Auction for the Capacity Commitment Period covered by the annual reconfiguration auction, the ISO shall offer the full amount of the surplus;

(ii) at prices between 0.75 times such Capacity Clearing Price and 0.25 times such Capacity Clearing Price, the amount of the surplus offered by the ISO shall decrease linearly (for example, at 0.5 times such Capacity Clearing Price, the ISO shall offer half of the amount of the surplus); and

(iii) At prices equal to or below 0.25 times such Capacity Clearing Price, the ISO shall offer no capacity.

(f) For purposes of this Section III.13.4.3, the Forward Capacity Auction Starting Price shall be the Forward Capacity Auction Starting Price associated with the Forward Capacity Auction for the same Capacity Commitment Period addressed by the reconfiguration auction, as determined pursuant to Section III.13.2.4.

(g) Supply offers and demand bids submitted by the ISO in annual reconfiguration auctions are not subject to the requirements and limitations described in Section III.13.4.2.

(h) Supply offers and demand bids submitted by the ISO in annual reconfiguration auctions are not associated with a resource.

**III.13.4.4. Clearing Offers and Bids in Reconfiguration Auctions.**

All supply offers and demand bids may be cleared in whole or in part in all reconfiguration auctions. If after clearing, a resource has a Capacity Supply Obligation below its Economic Minimum Limit, it must meet the requirements of Section III.13.6.1.1.1.

**III.13.4.5. Annual Reconfiguration Auctions.**

Except as provided below, after the Forward Capacity Auction for a Capacity Commitment Period, and before the start of that Capacity Commitment Period, the ISO shall conduct three annual reconfiguration auctions for capacity commitments covering the whole of that Capacity Commitment Period. For each annual reconfiguration auction, the capacity demand curves, New England Control Area and Capacity Zone capacity requirements and external interface limits, as updated pursuant to Section III.12, shall be modeled in the auction consistent with the Forward Capacity Auction for the associated Capacity Commitment Period. For purposes of the annual reconfiguration auctions, the Forward Capacity Auction Starting Price used to define the System-Wide Capacity Demand Curve shall be the Forward Capacity Auction Starting Price associated with the Forward Capacity Auction for the same Capacity Commitment Period addressed by the reconfiguration auction.

**III.13.4.5.1. Timing of Annual Reconfiguration Auctions.**

Except for the first five Capacity Commitment Periods, the first annual reconfiguration auction for the Capacity Commitment Period shall be held in the month of June that is approximately 24 months before the start of the Capacity Commitment Period. The second annual reconfiguration auction for the Capacity Commitment Period shall be held in the month of August that is approximately 10 months before the start of the Capacity Commitment Period. The third annual reconfiguration auction for the Capacity Commitment Period shall be held in the month of March that is approximately 3 months before the start of the Capacity Commitment Period. There shall be no first annual reconfiguration auction for the first five Capacity Commitment Periods. The table below illustrates the annual reconfiguration auction timing provisions stated above, providing the schedule of annual reconfiguration auctions for the first eight Capacity Commitment Periods.

|  |  |  |  |
| --- | --- | --- | --- |
| **First Annual Reconfiguration Auction** | **Second Annual Reconfiguration Auction** | **Third Annual Reconfiguration Auction** | **Capacity Commitment Period Begins** |
| N/A | May 2009 | March 2010 | June 1, 2010 |
| N/A | May 2010 | March 2011 | June 1, 2011 |
| N/A | May 2011 | March 2012 | June 1, 2012 |
| N/A | May 2012 | March 2013 | June 1, 2013 |
| N/A | August 2013 | March 2014 | June 1, 2014 |
| June 2013 | August 2014 | March 2015 | June 1, 2015 |
| June 2014 | August 2015 | March 2016 | June 1, 2016 |
| June 2015 | August 2016 | March 2017 | June 1, 2017 |

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

If the difference between the forecasted Installed Capacity Requirement (net of HQICCs) for a Capacity Commitment Period and the amount of capacity obligated for that Capacity Commitment Period is sufficiently large, then the ISO may, upon reasonable notice to Market Participants, conduct an annual reconfiguration auction as much as six months earlier than its normally-scheduled time.

**III.13.4.6. [Reserved.]**

**III.13.4.7. Monthly Reconfiguration Auctions.**

Prior to each month in the Capacity Commitment Period, the ISO shall conduct a monthly reconfiguration auction for whole-month capacity commitments during that month. For each monthly reconfiguration auction, the Local Sourcing Requirement and Maximum Capacity Limit applicable for each Capacity Zone and external interface limits, as updated pursuant to Section III.12, shall be modeled as constraints in the auction. The System-Wide Capacity Demand Curve is not modeled in monthly reconfiguration auctions.

**III.13.4.8. Adjustment to Capacity Supply Obligations**.

For each supply offer that clears in a reconfiguration auction, the resource’s Capacity Supply Obligation for the relevant Capacity Commitment Period (or portion thereof, as applicable) shall be increased by the amount of capacity that clears. For each demand bid that clears in a reconfiguration auction, the resource’s Capacity Supply Obligation for the relevant Capacity Commitment Period (or portion thereof, as applicable) shall be decreased by the amount of capacity that clears.

**III.13.5. Bilateral Contracts in the Forward Capacity Market.**

Market Participants shall be permitted to enter into Capacity Supply Obligation Bilaterals, Capacity Load Obligation Bilaterals and Capacity Performance Bilaterals in accordance with this Section III.13.5, with the ISO serving as Counterparty in each such transaction. Market Participants may not offset a Capacity Load Obligation with a Capacity Supply Obligation.

**III.13.5.1. Capacity Supply Obligation Bilaterals.**

A resource having a Capacity Supply Obligation seeking to shed that obligation (“Capacity Transferring Resource”) may enter into a bilateral transaction to transfer its Capacity Supply Obligation, in whole or in part (“Capacity Supply Obligation Bilateral”), to a resource, or portion thereof, having Qualified Capacity for that Capacity Commitment Period that is not already obligated (“Capacity Acquiring Resource”), subject to the following limitations

(a) A monthly Capacity Supply Obligation Bilateral must be coterminous with a calendar month, and an annual Capacity Supply Obligation Bilateral must be coterminous with a Capacity Commitment Period. A seasonal Capacity Supply Obligation Bilateral can be entered into only during the Capacity Supply Obligation Bilateral window associated with the third Annual Reconfiguration Auction, must be contained within a single Capacity Commitment Period, and must contain all the months in the summer or winter season identified by the Capacity Transferring Resource and only those months. For the purposes of this Section III.13.5, the summer season of a Demand Capacity Resource is all of the months from June through November and April through May of the same Capacity Commitment Period and the winter season of a Demand Capacity Resource is all of the months from December through March; for all other resource types, the summer season is all of the months from June through September and the winter season is all of the months October through May. Prior to January 1, 2017, a seasonal Capacity Supply Obligation Bilateral can only be entered into if the Capacity Transferring Resource has been identified by the ISO as a resource having a significant decrease pursuant to Section III.13.4.2.1.3.

(b) A Capacity Supply Obligation Bilateral may not transfer a Capacity Supply Obligation amount that is greater than the lowest monthly Capacity Supply Obligation of the Capacity Transferring Resource during the month, season or Capacity Commitment Period covered by the Capacity Supply Obligation Bilateral. A Capacity Supply Obligation Bilateral may not transfer a Capacity Supply Obligation amount that is greater than the lowest monthly amount of unobligated Qualified Capacity (that is, Qualified Capacity as determined in the most recent Forward Capacity Auction or reconfiguration auction qualification process that is not subject to a Capacity Supply Obligation for the relevant time period) of the Capacity Acquiring Resource during the month, season or Capacity Commitment Period covered by the Capacity Supply Obligation Bilateral, as determined in the qualification process for the most recent Forward Capacity Auction or annual reconfiguration auction prior to the submission of the Capacity Supply Obligation Bilateral to the ISO. If the season of the Capacity Transferring Resource is not aligned with the season of the Capacity Acquiring Resource and the seasonal Capacity Supply Obligation Bilateral spans more than one season of the Capacity Acquiring Resource, the lowest monthly amount of unobligated Qualified Capacity of the Capacity Acquiring Resource will be used.

(c) A Capacity Supply Obligation Bilateral may not transfer a Capacity Supply Obligation to a Capacity Acquiring Resource where that Capacity Acquiring Resource’s unobligated Qualified Capacity is unobligated as a result of an Export Bid or Administrative Export De-List Bid that cleared in the Forward Capacity Auction.

(d) [Reserved.]

(e) [Reserved.]

(f) [Reserved.]

(g) [Reserved.]

(h) A resource, or a portion thereof, that has been designated as a Self-Supplied FCA Resource may transfer the self-supplied portion of its Capacity Supply Obligation by means of Capacity Supply Obligation Bilateral. In such a case, however, the Capacity Acquiring Resource shall not become a Self-Supplied FCA Resource as a result of the transaction.

(i) A monthly Capacity Supply Obligation may not be acquired by any resource on an approved outage for the relevant Capacity Commitment Period month.

(j) A resource that has not achieved Commercial Operation by the submission deadline for a monthly Capacity Supply Obligation Bilateral may not submit a transaction as a Capacity Acquiring Resource for that Capacity Commitment Period month, unless the resource has a negative Capacity Supply Obligation, in which case it may submit a Capacity Supply Obligation Bilateral in an amount up to the absolute value of its Capacity Supply Obligation.

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

**III.13.5.1.1.1. Timing of Submission and Prior Notification to the ISO.**

The Lead Market Participant or Project Sponsor for either the Capacity Transferring Resource or the Capacity Acquiring Resource may submit a Capacity Supply Obligation Bilateral to the ISO in accordance with posted schedules. The ISO will issue a schedule of the submittal windows for Capacity Supply Obligation Bilaterals as soon as practicable after the issuance of Forward Capacity Auction results. A Capacity Supply Obligation Bilateral must be confirmed by the party other than the party submitting the Capacity Supply Obligation Bilateral to the ISO no later than the end of the relevant submittal window.

A Lead Market Participant or Project Sponsor seeking to submit a monthly Capacity Supply Obligation Bilateral pursuant to Section III.13.3.4 (covering where resource will not achieve commercial operation by start of Capacity Commitment Period) or a monthly Capacity Supply Obligation bilateral pursuant to Section III.13.4.2.1.3(c) (significant decrease of offers composed of separate resources) must notify the ISO in writing of its intention to do so no later than four Business Days prior to the start of the relevant annual Capacity Supply Obligation Bilateral submittal window.

Prior to January 1, 2017, a Lead Market Participant or Project Sponsor seeking to submit a seasonal Capacity Supply Obligation Bilateral must notify the ISO of its intention to do so no later than four Business Days prior to the start of the Capacity Supply Obligation Bilateral window associated with the third annual reconfiguration auction.

**III.13.5.1.1.2. Application.**

The submission of a Capacity Supply Obligation Bilateral to the ISO shall include the following: (i) the resource identification number of the Capacity Transferring Resource; (ii) the amount of the Capacity Supply Obligation being transferred in MW amounts up to three decimal places; (iii) the term of the transaction; and (iv) the resource identification number of the Capacity Acquiring Resource. If the parties to a Capacity Supply Obligation Bilateral so choose, they may also submit a price, in $/kW-month, to be used by the ISO in settling the Capacity Supply Obligation Bilateral. If no price is submitted, the ISO shall use a default price of $0.00/kW-month.

**III.13.5.1.1.3. ISO Review.**

(a) The ISO shall review the information provided in support of the Capacity Supply Obligation Bilateral, and shall reject the Capacity Supply Obligation Bilateral if any of the provisions of this Section III.13.5.1 are not met. For a Capacity Supply Obligation Bilateral submitted before the relevant submittal window opens, this review shall occur once the submittal window opens. For a Capacity Supply Obligation Bilateral submitted after the submittal window opens, this review shall occur upon submission.

(b) After the close of the relevant submittal window, each Capacity Supply Obligation Bilateral shall be subject to a reliability review by the ISO to determine whether the transaction would result in a violation of any NERC or NPCC (or their successors) criteria, or ISO New England System Rules, during the Capacity Commitment Period associated with the transaction. Capacity Supply Obligation Bilaterals shall be reviewed by the ISO to ensure the regional and local adequacy achieved through the Forward Capacity Auction and other reliability needs are maintained. The ISO’s review will consider the location and operating and rating limitations of resources associated with the Capacity Supply Obligation Bilateral to ensure reliability standards will remain satisfied if the capacity associated with the Capacity Transferring Resource is withdrawn and the capacity associated with the Capacity Acquiring Resource is accepted. The ISO’s reliability reviews will assess transactions based on operable capacity needs while considering any approved or interim approved transmission outage information and any approved generation or Demand Response Resource outage information, and will include transmission security studies. The ISO will review all confirmed monthly Capacity Supply Obligation Bilaterals for each upcoming Obligation Month for reliability needs immediately preceding the monthly reconfiguration auction. For a monthly Capacity Supply Obligation Bilateral, the ISO shall obtain and consider information from the Local Control Center regarding whether the Capacity Supply Obligation of the Capacity Transferring Resource is needed for local system conditions and whether it is adequately replaced by the Acquiring Resource.

The ISO will review the net impact of all annual and seasonal Capacity Supply Obligation Bilaterals to ensure that the regional and local adequacy and other reliability needs achieved through the Forward Capacity Auction are maintained in the Capacity Transferring Resource’s Capacity Zone and the Capacity Acquiring Resource’s Capacity Zone or across the external interface.

If after its review of the net impact of all annual and seasonal Capacity Supply Obligation Bilaterals the ISO determines that the regional and local adequacy and other reliability needs achieved through the Forward Capacity Auction are not maintained, and for all monthly Capacity Supply Obligation Bilaterals, the ISO will approve or reject Capacity Supply Obligation Bilaterals based on the order in which they are confirmed. If multiple Capacity Supply Obligation Bilaterals are submitted between the same resources, they may be reviewed together as one transaction and the most recent confirmation time among the related transactions will be used to determine the review order of the grouped transaction. Transactions that cannot meet the applicable reliability needs will only be accepted or rejected in their entirety and the resources will not be accepted or rejected in part for purposes of that transaction. Where the ISO has determined that a Capacity Supply Obligation Bilateral must be rejected for reliability reasons the Lead Market Participant or Project Sponsor, as appropriate, for the Capacity Transferring Resource and the Capacity Acquiring Resource shall be notified as soon as practicable of the rejection and of the reliability need prompting such rejection.

(c) Each Capacity Supply Obligation Bilateral shall be subject to a financial assurance review by the ISO. If the Capacity Transferring Resource and the Capacity Acquiring Resource are not both in compliance with all applicable provisions of the ISO New England Financial Assurance Policy, including those regarding Capacity Supply Obligation Bilaterals, the ISO shall reject the Capacity Supply Obligation Bilateral.

**III.13.5.1.1.4. Approval.**

Upon approval of a Capacity Supply Obligation Bilateral, the Capacity Supply Obligation of the Capacity Transferring Resource shall be reduced by the amount set forth in the Capacity Supply Obligation Bilateral, and the Capacity Supply Obligation of the Capacity Acquiring Resource shall be increased by the amount set forth in the Capacity Supply Obligation Bilateral.

**III.13.5.2. Capacity Load Obligations Bilaterals.**

A Market Participant having a Capacity Load Obligation seeking to shed that obligation (“Capacity Load Obligation Transferring Participant”) may enter into a bilateral transaction to transfer all or a portion of its Capacity Load Obligation in a Capacity Zone (“Capacity Load Obligation Bilateral”) to any Market Participant seeking to acquire a Capacity Load Obligation (“Capacity Load Obligation Acquiring Participant”). A Capacity Load Obligation Bilateral must be in whole calendar month increments, may not exceed one year in duration, and must begin and end within the same Capacity Commitment Period. A Capacity Load Obligation Transferring Participant will be permitted to transfer, and a Capacity Load Obligation Acquiring Participant will be permitted to acquire, a Capacity Load Obligation if after entering into a Capacity Load Obligation Bilateral and submitting related information to the ISO within the specified submittal time period, the ISO approves such Capacity Load Obligation Bilateral.

**III.13.5.2.1. Process for Approval of Capacity Load Obligation Bilaterals.**

**III.13.5.2.1.1. Timing.**

Either the Capacity Load Obligation Transferring Participant or the Capacity Load Obligation Acquiring Participant may submit a Capacity Load Obligation Bilateral to the ISO. All Capacity Load Obligation Bilaterals must be submitted to the ISO in accordance with resettlement provisions as described in ISO New England Manuals. However, to be included in the initial settlement of payments and charges associated with the Forward Capacity Market for the first month of the term of the Capacity Load Obligation Bilateral, a Capacity Load Obligation Bilateral must be submitted to the ISO no later than 12:00 pm on the second Business Day after the end of that month (though a Capacity Load Obligation Bilateral submitted at that time may be revised by the parties to the transaction throughout the resettlement process). A Capacity Load Obligation Bilateral must be confirmed by the party other than the party submitting the Capacity Load Obligation Bilateral to the ISO no later than the same deadline that applies to submission of the Capacity Load Obligation Bilateral.

**III.13.5.2.1.2. Application.**

The submission of a Capacity Load Obligation Bilateral to the ISO shall include the following : (i) the amount of the Capacity Load Obligation being transferred in MW amounts up to three decimal places; (ii) the term of the transaction; (iii) identification of the Capacity Load Obligation Transferring Participant and the Capacity Load Obligation Acquiring Participant; and (iv) the Capacity Zone in which the Capacity Load Obligation is being transferred is located.

**III.13.5.2.1.3. ISO Review.**

The ISO shall review the information provided in support of the Capacity Load Obligation Bilateral and shall reject the Capacity Load Obligation Bilateral if any of the provisions of this Section II.13.5.2 are not met.

**III.13.5.2.1.4. Approval.**

Upon approval of a Capacity Load Obligation Bilateral, the Capacity Load Obligation of the Capacity Load Obligation Transferring Participant in the Capacity Zone specified in the submission to the ISO shall be reduced by the amount set forth in the Capacity Load Obligation Bilateral and the Capacity Load Obligation of the Capacity Load Obligation Acquiring Participant in the specified Capacity Zone shall be increased by the amount set forth in the Capacity Load Obligation Bilateral.

**III.13.5.3. Capacity Performance** **Bilaterals.**

A resource’s Capacity Performance Score during a Capacity Scarcity Condition may be adjusted by entering into a Capacity Performance Bilateral as described in this Section III.13.5.3.

**III.13.5.3.1.**  **Eligibility**.

If a resource has a Capacity Performance Score that is greater than zero in a five-minute interval that is subject to a Capacity Scarcity Condition, that resource may transfer all or some of that Capacity Performance Score to another resource for that same five-minute interval so long as both resources were subject to the same Capacity Scarcity Condition.

**III.13.5.3.2. Submission of Capacity Performance Bilaterals.**

The Lead Market Participant for a resource having a Capacity Performance Score that is greater than zero in a five-minute interval that is subject to a Capacity Scarcity Condition may submit a Capacity Performance Bilateral to the ISO assigning all or a portion of its Capacity Performance Score for that interval to another resource, subject to the eligibility requirements specified in Section III.13.5.3.1. The Capacity Performance Bilateral must be confirmed by the Lead Market Participant for the resource receiving the Capacity Performance Score.

**III.13.5.3.2.1. Timing.**

A Capacity Performance Bilateral must be submitted in accordance with resettlement provisions as described in ISO New England Manuals. However, to be included in the initial settlement of payments and charges associated with the Forward Capacity Market for the month associated with the Capacity Performance Bilateral, a Capacity Performance Bilateral must be submitted to the ISO no later than 12:00 pm on the second Business Day after the end of that month, or at such later deadline as specified by the ISO upon notice to Market Participants (though a Capacity Performance Bilateral may be revised by the parties to the transaction throughout the resettlement process).

**III.13.5.3.2.2. Application.**

The submission of a Capacity Performance Bilateral to the ISO shall include the following: (i) the resource identification number for the resource transferring its Capacity Performance Score; (ii) the resource identification number for the resource receiving the Capacity Performance Score; (iii) the MW amount of Capacity Performance Score being transferred; (iv) the specific five-minute interval or intervals for which the Capacity Performance Bilateral applies.

**III.13.5.3.2.3. ISO Review.**

The ISO shall review the information provided in submission of the Capacity Performance Bilateral, and shall reject the Capacity Performance Bilateral if any of the provisions of this Section III.13.5.3 are not met.

**III.13.5.3.3. Effect of Capacity Performance Bilateral.**

A Capacity Performance Bilateral does not affect in any way either party’s Capacity Supply Obligation or the rights and obligations associated therewith. The sole effect of a Capacity Performance Bilateral is to modify the Capacity Performance Scores of the transferring and receiving resources for the Capacity Scarcity Conditions subject to the Capacity Performance Bilateral for purposes of calculating Capacity Performance Payments as described in Section III.13.7.2.

**III.13.6. Rights and Obligations.**

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

**III.13.6.1. Resources with Capacity Supply Obligations.**

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

**III.13.6.1.1. Generating Capacity Resources with Capacity Supply Obligations.**

**III.13.6.1.1.1. Energy Market Offer Requirements**.

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

(a) the sum of the Generating Capacity Resource’s Notification Time plus Start-Up Time plus Minimum Run Time plus Minimum Down Time is less than or equal to 72 hours; or

(b) if the Generating Capacity Resource cannot meet the offer requirements in Section III.13.6.1.1.1(a) due to physical design limits, then the resource shall be offered into the Day-Ahead Energy Market at a MW amount equal to or greater than its Economic Minimum Limit at a price of zero or shall be self-scheduled in the Day-Ahead Energy Market at a MW amount equal to or greater than the resource’s Economic Minimum Limit.

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

For each day, Day-Ahead Energy Market and Real-Time Energy Market offers for the listed portion of a resource must reflect the then-known unit-specific operating characteristics (taking into account, among other things, the physical design characteristics of the unit) consistent with Good Utility Practice. Resources must re-declare to the ISO any changes to the offer parameters that occur in real time to reflect the known capability of the resource. A resource failing to comply with this requirement shall be subject to economic penalties described in Appendix B.

**III.13.6.1.1.3. [Reserved.]**

**III.13.6.1.1.4. [Reserved.]**

**III.13.6.1.1.5. Additional Requirements for Generating Capacity Resources.**

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

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

(b) Operating Data collection requirements as detailed in the ISO New England Manuals and Market Rule 1 and the requirement to provide to the ISO, upon request and as soon as practicable, confirmation of gas volume schedules sufficient to deliver the energy scheduled for each Generating Capacity Resource using natural gas;

(c) outage requirements in accordance with the ISO New England Manuals and ISO New England Operating Procedures, provided, however, that the portion of a resource having no Capacity Supply Obligation is not subject to the forced re-scheduling provisions for outages in accordance with the ISO New England Manuals and ISO New England Operating Procedures.

**III.13.6.1.2. Import Capacity Resources with Capacity Supply Obligations.**

**III.13.6.1.2.1. Energy Market Offer Requirements.**

The Real-Time Energy Market offer requirements in this Section III.13.6.1.2.1 do not apply to Import Capacity Resources with Capacity Supply Obligations at an external interface for which the enhanced scheduling provisions in Section III.1.10.7.A are implemented unless the Import Capacity Resource qualified for participation in the Forward Capacity Market under Section III.13.1.3.5.3.1.

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

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

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

(c) A Market Participant submitting a priced External Transaction supporting an Import Capacity Resource with a Capacity Supply Obligation to the Real-Time Energy Market on an external interface where advance transmission reservations are required must link the transaction to the associated transmission reservation and NERC E-Tag no later than one hour before the operating hour in order to be eligible for scheduling in the Real-Time Energy Market.

**III.13.6.1.2.2. Additional Requirements for Certain Import Capacity Resources.**

The additional requirements for Import Capacity Resources in this Section III.13.6.1.2.2 do not apply to Import Capacity Resources with Capacity Supply Obligations at an external interface for which the enhanced scheduling provisions in Section III.1.10.7.A are implemented unless the Import Capacity Resource qualified for participation in the Forward Capacity Market under Section III.13.1.3.5.3.1.

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

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

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

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

**III.13.6.1.2.3. Additional Requirements for Import Capacity Resources at External Interfaces with Enhanced Scheduling.**

Import Capacity Resources with Capacity Supply Obligations at an external interface for which the enhanced scheduling provisions in Section III.1.10.7.A are implemented are subject to the following additional requirements unless the Import Capacity Resource qualified for participation in the Forward Capacity Market under Section III.13.1.3.5.3.1. In all cases the Import Capacity Resource is subject to the provisions in Section III.13.7 for the entire Capacity Supply Obligation of the Import Capacity Resource. A Market Participant with an Import Capacity Resource that fails to comply with the requirements in this Section III.13.6.1.2.3 may be subject to sanctions pursuant to Appendix B, in addition to any applicable availability penalties pursuant to Section III.13.7.2.7.2 for failing to deliver the External Transaction or External Transactions in the energy market as described in the ISO New England System Rules.

(a) The resource must comply with all information submittal requirements for Day-Ahead Energy Market Coordinated External Transactions associated with resource or Control Area backed Import Capacity Resources as detailed in the ISO New England Manuals.

(b) Where the Import Capacity Resource is physically located in a Control Area with which the New England Control Area has implemented the enhanced scheduling procedures in Section III.1.10.7.A, the resource must comply with all offer, outage scheduling and operating requirements applicable to capacity resources in the native Control Area.

(c) The resource must notify the ISO of all outages impacting the Capacity Supply Obligation of the resource in accordance with the outage notification requirements in ISO New England Operating Procedures.

(d) At the time of submittal, each Coordinated External Transaction submitted to the Day-Ahead Energy Market must reference the associated Import Capacity Resource.

**III.13.6.1.3. Intermittent Power Resources with Capacity Supply Obligations.**

**III.13.6.1.3.1. Energy Market Offer Requirements**.

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

**III.13.6.1.3.2. [Reserved.]**

**III.13.6.1.3.3. Additional Requirements for Intermittent Power Resources**.

Intermittent Power Resources are subject to the following additional requirements:

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

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

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

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

**III.13.6.1.4.1. Energy Market Offer Requirements.**

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

**III.13.6.1.4.2. Additional Requirements for Settlement Only Resources**.

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

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

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

(c) such resources are not subject to outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals.

**III.13.6.1.5. Demand Capacity Resources with Capacity Supply Obligations.**

**III.13.6.1.5.1. Energy Market Offer Requirements.**

(a) A Market Participant with an Active Demand Capacity Resource having a Capacity Supply Obligation shall submit Demand Reduction Offers for its Demand Response Resources into the Day-Ahead Energy Market and Real-Time Energy Market. The sum of the Demand Reduction Offers must be equal to or greater than the Active Demand Capacity Resource’s Capacity Supply Obligation whenever the Demand Response Resources are physically available. If the Demand Response Resources are physically available at a level less than the Active Demand Capacity Resource’s Capacity Supply Obligation, the sum of the Demand Reduction Offers will equal that level and shall be offered into both the Day-Ahead Energy Market and Real-Time Energy Market. Each Demand Reduction Offer from a Demand Response Resource made into the Day-Ahead Energy Market shall also meet the following requirement:

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

(b) Seasonal Peak Demand Resources and On-Peak Demand Resources may not submit Demand Reduction Offers into the Day-Ahead Energy Market or Real-Time Energy Market.

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

For each day, Demand Reduction Offers submitted into the Day-Ahead Energy Market and Real-Time Energy Market for a Demand Response Resource associated with an Active Demand Capacity Resource must reflect the then-known operating characteristics of the resource. Consistent with Section III.1.10.9(d), Demand Response Resources must re-declare to the ISO any changes to offer parameters that occur in real time to reflect the operating characteristics of the resource. A resource failing to comply with this requirement shall be subject to economic penalties described in Appendix B.

**III.13.6.1.5.3. Additional Requirements for Demand Capacity Resources.**

(a) A Market Participant may not associate an Asset with a non-commercial Demand Capacity Resource during a Capacity Commitment Period if the Asset can be associated with a commercial Demand Capacity Resource whose capability is less than its Capacity Supply Obligation during that Capacity Commitment Period.

(b) If a Demand Capacity Resource has summer Qualified Capacity, a summer Seasonal DR Audit value or summer Passive DR Audit value may be used to verify the commercial capacity of the resource. A winter Seasonal DR Audit value or winter Passive DR Audit value may only be used to verify the winter commercial capacity of the resource.

(c) For Active Demand Capacity Resources, a summer Seasonal DR Audit value shall be established for use from April 1 through November 30 and a winter Seasonal DR Audit value shall be established for use from December 1 through March 31. The summer or winter Seasonal DR Audit value of an Active Demand Capacity Resource is equal to the sum of the like-season Seasonal DR Audit values of its constituent Demand Response Resources as determined pursuant to Section III.1.5.1.3.1. The Seasonal DR Audit value of an Active Demand Capacity Resource shall automatically update whenever a new Seasonal DR Audit value is approved for a constituent Demand Response Resource or with changes to the makeup of the constituent Demand Response Resources.

(d) On-Peak Demand Resources and Seasonal Peak Demand Resources shall in addition: (i) comply with the ISO’s measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals; and (ii) comply with the auditing and rating requirements as detailed in Sections III.13.6.1.5.4 and III.13.6.1.5.5 and the ISO New England Manuals.

(e) Active Demand Capacity Resources shall in addition: (i) comply with the measurement and verification requirements and the Operating Data collection requirements as detailed in the ISO New England Manuals and Market Rule 1, and with outage requirements in accordance with the ISO New England Manuals and ISO New England Operating Procedures, provided, however, that the portion of a resource having no Capacity Supply Obligation is not subject to the forced re-scheduling provisions for outages in accordance with the ISO New England Manuals and ISO New England Operating Procedures; and (ii) comply with the auditing and rating requirements as detailed in Section III.13.6.1.5.5 and the ISO New England Manuals.

**III.13.6.1.5.4. On-Peak Demand Resource and Seasonal Peak Demand Resource Auditing Requirements.**

1. A summer Passive DR Audit and a winter Passive DR Audit must be performed by each On-Peak Demand Resource and Seasonal Peak Demand Resource in every Capacity Commitment Period during which the On-Peak Demand Resource or Seasonal Peak Demand Resource has an annual or monthly Capacity Supply Obligation.
2. Summer Passive DR Audits shall be performed during the summer Passive DR Auditing Period (June 1 through August 31). Winter Passive DR Audits shall be performed during the winter Passive DR Auditing Period (December 1 through January 31).
3. Passive DR Audits are performed following the request of the Market Participant. Audits will be performed within 20 Business Days of the date requested by the Market Participant.
4. Audits of an On-Peak Demand Resource are conducted by evaluating the Average Hourly Output or Average Hourly Load Reduction of each Asset associated with the On-Peak Demand Resource during the Demand Resource On-Peak Hours.
5. Audits of a Seasonal Peak Demand Resource are conducted by evaluating the Average Hourly Output or Average Hourly Load Reduction of each Asset associated with the Seasonal Peak Demand Resource during the Demand Resource Seasonal Peak Hours. If there are no Demand Resource Seasonal Peak Hours in a month during the Passive DR Auditing Period, performance during Demand Resource On-Peak Hours in that month may be used,
6. The Passive DR Audit value of an On-Peak Demand Resource or Seasonal Peak Demand Resource is valid beginning with the month for which performance data is submitted and remains valid until the earlier of: (i) the next like-season Passive DR Audit or (ii) the end of the next like-season Passive DR Auditing Period.
7. At the request of a Market Participant, an audit may be performed outside of the summer Passive DR Auditing Period or winter Passive DR Auditing Period. Such an audit shall not satisfy the Passive DR Audit requirement, however the results of such an audit conducted during the months of September, October, November, April, or May shall be used in the calculation of the Demand Capacity Resource’s summer Passive DR Audit value and the results of such an audit conducted during the months of February or March shall be used in the calculation of the Demand Capacity Resource’s winter Passive DR Audit value.
8. If by August 1 for the summer Passive DR Auditing Period or by January 1 for the winter Passive DR Auditing Period a Market Participant has not requested a Passive DR Audit, the Market Participant shall be deemed to have requested a Passive DR Audit on those respective dates. An On-Peak Demand Resource or Seasonal Peak Demand Resource that does not successfully perform a Passive DR Audit for a Passive DR Auditing Period shall have its audit results set to zero.

**III.13.6.1.5.5. Additional Demand Capacity Resource Audits.**

The ISO may perform additional audits for a Demand Capacity Resource to establish or verify the capability of the Demand Capacity Resource and its underlying assets and measures. This additional auditing may consist of two levels.

(a) Level 1 Audit: the ISO will establish the audit results by conducting a review of records of the Assets and measures to verify that the reported Assets and measures have been installed and are operational. The audit shall include, but is not limited to, reviewing project or program databases, invoices, installation reports, work orders, and field inspection reports. In addition, the audit may involve reviewing any independent inspections or evaluations conducted as part of program implementation and program evaluation.

(b) Level 2 Audit: the ISO will establish the audit results by initiating or conducting an on-site field audit to verify the installation and performance of the Assets and measures. Such an audit may include a random or select sample of facilities and measures.

A level 1 audit is not required to precede a level 2 audit. If the results of the audit indicate that the demand reduction capability of the Demand Capacity Resource is less than or greater than its most recent like-season Passive DR Audit value or Seasonal DR Audit value, then the Demand Capacity Resource’s audit value shall be adjusted accordingly.

**III.13.6.1.6. DNE Dispatchable Generator.**

**III.13.6.1.6.1. Energy Market Offer Requirements**.

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

**III.13.6.2. Resources without a Capacity Supply Obligation.**

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

**III.13.6.2.1. Generating Capacity Resources without a Capacity Supply Obligation.**

**III.13.6.2.1.1. Energy Market Offer Requirements.**

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

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

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

**III.13.6.2.1.1.2. Real-Time Energy Market Participation.**

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

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

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

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

(b) complying with the Operating Data collection requirements detailed in the ISO New England Manuals; and

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

**III.13.6.2.2. [Reserved.]**

**III.13.6.2.3. Intermittent Power Resources without a Capacity Supply Obligation.**

**III.13.6.2.3.1. Energy Market Offer Requirements**.

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

**III.13.6.2.3.2. Additional Requirements for Intermittent Power Resources.**

Intermittent Power Resources are subject to the following additional requirements:

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

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

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

**III.13.6.2.4.1. Energy Market Offer Requirements.**

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

**III.13.6.2.4.2. Additional Requirements for Settlement Only Resources.**

Settlement Only Resources are subject to the following additional requirements:

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

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

(c) such resources are not subject to outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals.

**III.13.6.2.5. Demand Capacity Resources without a Capacity Supply Obligation.**

**III.13.6.2.5.1. Energy Market Offer Requirements.**

A Market Participant with a Demand Response Resource associated with an Active Demand Capacity Resource without a Capacity Supply Obligation is not required to offer Demand Reduction Offers for the Demand Response Resource into the Day-Ahead Energy Market or Real-Time Energy Market.

Seasonal Peak Demand Resources and On-Peak Demand Resources may not submit Demand Reduction Offers into the Day-Ahead Energy Market or Real-Time Energy Market.

**III.13.6.2.5.1.1. Day-Ahead Energy Market Participation.**

A Market Participant with a Demand Response Resource associated with an Active Demand Capacity Resource without a Capacity Supply Obligation may submit a Demand Reduction Offer into the Day-Ahead Energy Market. If any portion of the Demand Reduction Offer clears in the Day-Ahead Energy Market, the entire Demand Reduction Offer, up to the Maximum Reduction offered into the Day-Ahead Energy Market, will be subject to all of the rules and requirements applicable to that market for the Operating Day, including the obligation to follow Dispatch Instructions. Such a resource that clears shall be eligible for dispatch in the Real-Time Energy Market.

**III.13.6.2.5.1.2. Real-Time Energy Market Participation**.

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

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

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

(a) complying with Section III.13.6.1.5.3(a) and (b) and with the auditing and rating requirements described in Section III.13.6.1.5.5 and the ISO New England Manuals; and

(b) for Active Demand Capacity Resources, complying with the Operating Data collection requirements detailed in the ISO New England Manuals; and

(c) for Active Demand Capacity Resources, complying with outage requirements as outlined in the ISO New England Operating Procedures and ISO New England Manuals. Active Demand Capacity Resources having no Capacity Supply Obligation are not subject to the forced re-scheduling provisions for outages in accordance with the ISO New England Manuals and ISO New England Operating Procedures.

**III.13.6.3. Exporting Resources.**

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

**III.13.6.4. ISO Requests for Energy.**

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

**III.13.6.4.1. Real-Time High Operating Limit.**

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

**III.13.7. Performance, Payments and Charges in the FCM.**

Revenue in the Forward Capacity Market for resources providing capacity shall be composed of Capacity Base Payments as described in Section III.13.7.1 and Capacity Performance Payments as described in Section III.13.7.2, adjusted as described in Section III.13.7.3 and Section III.13.7.4. Market Participants with a Capacity Load Obligation will be subject to charges as described in Section III.13.7.5.

In the event of a change in the Lead Market Participant for a resource that has a Capacity Supply Obligation, the Capacity Supply Obligation shall remain associated with the resource and the new Lead Market Participant for the resource shall be bound by all provisions of this Section III.13 arising from such Capacity Supply Obligation. The Lead Market Participant for the resource at the start of an Obligation Month shall be responsible for all payments and charges associated with that resource in that Obligation Month.

**III.13.7.1. Capacity Base Payments**.

Resources acquiring or shedding a Capacity Supply Obligation for the Obligation Month shall receive a Capacity Base Payment for the Obligation Month reflecting the payments and charges described in Section III.13.7.1.1, as adjusted to account for peak energy rents as described in Section III.13.7.1.2.

**III.13.7.1.1. Monthly Payments and Charges Reflecting Capacity Supply Obligations.**

Each resource that has: (i) cleared in a Forward Capacity Auction, except for the portion of resources designated as Self-Supplied FCA Resources; (ii) cleared in a reconfiguration auction; or (iii) entered into a Capacity Supply Obligation Bilateral shall be entitled to a monthly payment or charge during the Capacity Commitment Period based on the following amounts:

(a) **Forward Capacity Auction**. For a resource whose offer has cleared in a Forward Capacity Auction, the monthly capacity payment shall equal the product of its cleared capacity and the Capacity Clearing Price in the appropriate Capacity Zone in the New England Control Area as adjusted by applicable indexing for resources with additional Capacity Commitment Period elections pursuant to Section III.13.1.1.2.2.4 in the manner described below. For a resource that has elected to have the Capacity Clearing Price and the Capacity Supply Obligation apply for more than one Capacity Commitment Period, payments associated with the Capacity Supply Obligation and Capacity Clearing Price (indexed using the Handy-Whitman Index of Public Utility Construction Costs in effect as of December 31 of the year preceding the Capacity Commitment Period) shall continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, for up to four additional and consecutive Capacity Commitment Periods, in whole Capacity Commitment Period increments only.

(b) **Reconfiguration Auctions**. For a resource whose offer or bid has cleared in an annual or monthly reconfiguration auction, the monthly capacity payment or charge shall be equal to the product of its cleared capacity and the appropriate reconfiguration auction clearing price in the Capacity Zone in which the resource cleared.

(c)  **Capacity Supply Obligation Bilaterals**. For resources that have acquired or shed a Capacity Supply Obligation through a Capacity Supply Obligation Bilateral, the monthly capacity payment or charge shall be equal to the product of the Capacity Supply Obligation being assumed or shed and price associated with the Capacity Supply Obligation Bilateral.

**III.13.7.1.2 Peak Energy Rents.**

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 Commercial Operation, shall be decreased by Peak Energy Rents (“PER”) calculated in each Capacity Zone, as determined pursuant to Section III.13.2.3.4 in the Forward Capacity Auction, as provided below. The PER calculation shall utilize hourly integrated Real-Time LMPs. For each Capacity Zone in the Forward Capacity Auction, as determined pursuant to Section III.13.2.3.4, PER shall be computed based on the load-weighted Real-Time LMPs for each Capacity Zone, using the Real-Time Hub Price for the Rest-of-Pool Capacity Zone. Self-Supplied FCA Resources shall not be subject to a PER adjustment on the portion of the resource that is self-supplied.

**III.13.7.1.2.1 Hourly PER Calculations**.

(a) For hours with a positive difference between the hourly Real-Time energy price and a strike price, the ISO shall compute PER for each hour ("Hourly PER") equal to this positive difference in accordance with the following formula, which includes scaling adjustments for system load and availability:

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

Where:

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

Scaling Factor = the ratio of actual hourly integrated system load (calculated as the sum of Real-Time Load Obligations for the system as calculated in the settlement of the Real-Time Energy Market and adjusted for losses and including imports delivered in the Real-Time Energy Market) and the 50/50 predicted peak system load reduced appropriately for Demand Capacity Resources, used in the most recent calculation of the Installed Capacity Requirement for that Capacity Commitment Period, capped at an hourly ratio of 1.0.

Availability Factor = 0.95.

(b) PER Proxy Unit characteristics shall be as follows:

 (i) The PER Proxy Unit shall be indexed to the marginal fuel, which shall be the higher of ultra low-sulfur No. 2 oil measured at New York Harbor plus a seven percent mark­up for transportation or day-ahead gas measured at the Algonquin City Gate, as determined on a daily basis;

(ii) The PER Proxy Unit shall be assumed to have no start-up, ramp rate or minimum run time constraints;

(iii) The PER Proxy Unit shall have a 22,000 Btu/kWh heat rate. This assumption shall be periodically reviewed after the first Capacity Commitment Period by the ISO to ensure that the heat rate continues to reflect a level slightly higher than the marginal generating unit in the region that would be dispatched as the system enters a scarcity condition. Any changes to the heat rate of the PER Proxy Unit shall be considered in the stakeholder process in consultation with the state utility regulatory agencies, shall be filed pursuant to Section 205 of the Federal Power Act, and shall be applied prospectively to the settlement of future Forward Capacity Auctions.

**III.13.7.1.2.2. Monthly PER Application.**

The Hourly PER shall be summed for each calendar month to determine the total PER for that month ("Monthly PER"). The ISO shall then calculate the Average Monthly PER earned by the proxy unit. The Average Monthly PER shall be equal to the average of the Monthly PER values for the 12 months prior to the Obligation Month. The PER deduction for each resource shall be calculated as the Average Monthly PER multiplied by the resource’s Capacity Supply Obligation for the Obligation Month (less any Capacity Supply Obligation MW from any portion of a Self-Supplied FCA Resource); provided, however, that in no case shall a resource’s PER deduction for an Obligation Month be less than zero or greater than the product of the resource’s Capacity Supply Obligation and the relevant Forward Capacity Auction Capacity Clearing Price.

**III.13.7.1.3. Export Capacity.**

If there are any Export Bids or Administrative Export De-list Bids from resources located in an export-constrained Capacity Zone or in the Rest-of-Pool Capacity Zone that have cleared in the Forward Capacity Auction and if the resource is exporting capacity at an export interface that is connected to an import-constrained Capacity Zone or the Rest-of-Pool Capacity Zone that is different than the Capacity Zone in which the resource is located, then charges and credits are applied as follows (for the following calculation, the Capacity Clearing Price will be the value prior to PER adjustments).

Charge Amount to Resource Exporting = [Capacity Clearing Price location of the interface - Capacity Clearing Price location of the resource ] x Cleared MWs of Export Bid or Administrative Export De-List Bid]

Credit Amount to Capacity Load Obligations in the Capacity Zone where the export interface is located= [Capacity Clearing Price location of the interface - Capacity Clearing Price location of the resource ] x Cleared MWs of Export Bid or Administrative Export De-list Bid]

Credits and charges to load in the applicable Capacity Zones, as set forth above, shall be allocated in proportion to each LSE’s Capacity Load Obligation as calculated in Section III.13.7.5.1.

**III.13.7.1.4. [Reserved.]**

**III.13.7.2 Capacity Performance Payments.**

**III.13.7.2.1 Definition of Capacity Scarcity Condition.**

A Capacity Scarcity Condition shall exist in a Capacity Zone for any five-minute interval in which the Real-Time Reserve Clearing Price for that entire Capacity Zone is set based on the Reserve Constraint Penalty Factor pricing for: (i) the Minimum 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 MWhs of reduction, other than MWhs 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 Acutal Capacity Provided as described in this Section III.13.7.2.2(c), the Actual Capacity Provided shall be zero.

(d) (i) 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.

(ii) 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 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.

(iii) 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:

(Load + Reserve Requirement) / 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, 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:

MaxCSO x [3 months x (FCAcp – FCAsp) – (12 months x FCAcp)]

Where:

MaxCSO = the resource’s highest monthly Capacity Supply Obligation in the Capacity Commitment Period to date.

FCAcp = the Capacity Clearing Price for the relevant Forward Capacity Auction.

FCAsp = the Forward Capacity Auction Starting Price for the relevant Forward Capacity Auction.

(b) For each Obligation Month, the ISO shall calculate each resource’s cumulative Capacity Performance Payments as the sum of the resource’s Capacity Performance Payments for all months in the Capacity Commitment Period to date, with those monthly amounts limited as described in Section III.13.7.3.1.

(c) If the sum of the resource’s Capacity Performance Payments (excluding any Capacity Performance Payments associated with Actual Capacity Provided above the resource’s Capacity Supply Obligation in any interval) for all five-minute intervals in the Obligation Month is negative, the amount subtracted from the resource’s Capacity Base Payment for the Obligation Month will be limited to an amount equal to the difference between the stop-loss amount calculated as described in Section III.13.7.3.2(a) and the resource’s cumulative Capacity Performance Payments as described in Section III.13.7.3.2(b).

**III.13.7.4 Allocation of Deficient or Excess Capacity Performance Payments.**

For each type of Capacity Scarcity Condition as described in Section III.13.7.2.1 and for each Capacity Zone, the ISO shall allocate deficient or excess Capacity Performance Payments as described in subsections (a) and (b) below. Where more than one type of Capacity Scarcity Condition applies, then the provisions below shall be applied in proportion to the duration of each type of Capacity Scarcity Condition.

(a) If the sum of all Capacity Performance Payments to all resources subject to the Capacity Scarcity Condition in the Capacity Zone in an Obligation Month is positive, the deficiency will be charged to resources in proportion to each such resource’s Capacity Supply Obligation for the Obligation Month, excluding any resources subject to the stop-loss mechanism described in Section III.13.7.3 for the Obligation Month. If the charge described in this Section III.13.7.4(a) causes a resource to reach the stop-loss limit described in Section III.13.7.3, then the stop-loss cap described in Section III.13.7.3 will be applied to that resource, and the remaining deficiency will be further allocated to other resources in the same manner as described in this Section III.13.7.4(a).

 (b) If the sum of all Capacity Performance Payments to all resources subject to the Capacity Scarcity Condition in the Capacity Zone in an Obligation Month is negative, the excess will be credited to all such resources in proportion to each resource’s Capacity Supply Obligation for the Obligation Month. For a resource subject to the stop-loss mechanism described in Section III.13.7.3 for the Obligation Month, any such credit shall be reduced (though not to less than zero) by the amount not charged to the resource as a result of the application of the stop-loss mechanism described in Section III.13.7.3, and the remaining excess will be further allocated to other resources in the same manner as described in this Section III.13.7.4(b)

**III.13.7.5. Charges to Market Participants with Capacity Load Obligations.**

A load serving entity with a Capacity Load Obligation as of the end of the Obligation Month shall be subject to a charge equal to the product of: (a) its Capacity Load Obligation in the Capacity Zone; and (b) the applicable Net Regional Clearing Price. The Net Regional Clearing Price is defined as the sum of the total payments as defined in Section III.13.7 paid to resources with Capacity Supply Obligations in the Capacity Zone (excluding any capacity payments and charges made for Capacity Supply Obligation Bilaterals and excluding any Capacity Performance Payments), less PER adjustments for resources in the zone as defined in Section III.13.7.1.2, and including any applicable export charges or credits as determined pursuant to Section III.13.7.1.3 divided by the sum of all Capacity Supply Obligations (excluding (i) the quantity of capacity subject to Capacity Supply Obligation Bilaterals and (ii) the quantity of capacity clearing as Self-Supplied FCA Resources) assumed by resources in the zone. A load serving entity satisfying its Capacity Load Obligation by a Self-Supplied FCA Resource shall not receive a credit for any PER payment for its Capacity Load Obligation so satisfied.

**III.13.7.5.1. Calculation of Capacity Requirement and Capacity Load Obligation.**

The ISO shall assign each load serving entity a Capacity Requirement prior to the commencement of each Obligation Month for each Capacity Zone established in the Forward Capacity Auction pursuant to Section III.13.2.3.4. The Capacity Requirement for each month and Capacity Zone shall equal the product of: (i) the total of the system-wide Capacity Supply Obligations (excluding the quantity of capacity subject to Capacity Supply Obligation Bilaterals) plus HQICCs; and (ii) the ratio of the sum of all load serving entities’ annual coincident contributions to the system-wide annual peak load in that Capacity Zone from the calendar year two years prior to the start of the Capacity Commitment Period to the system-wide sum of all load serving entities’ annual coincident contributions to the system-wide annual peak load from the calendar year two years prior to the start of the Capacity Commitment Period. The following loads are assigned a peak contribution of zero for the purposes of assigning obligations and tracking load shifts: load associated with pumping of pumped hydro generators, if the resource was pumping; Station service load that is modeled as a discrete Load Asset and the Resource is complying with the maintenance scheduling procedures of the ISO; load that is modeled as an Asset Related Demand or discrete load asset and is exclusively related to an Alternative Technology Regulation Resource following AGC dispatch instructions; and transmission losses associated with delivery of energy over the Control Area tie lines.

A load serving entity’s Capacity Requirement for each month and Capacity Zone shall equal the product of: (i) the Capacity Zone’s Capacity Requirement as calculated above and (ii) the ratio of the sum of the load serving entity’s annual coincident contributions to the system-wide annual peak load in that Capacity Zone from the calendar year prior to the start of the Capacity Commitment Period to the sum of all load serving entities’ annual coincident contributions to the system-wide annual peak load in that Capacity Zone from the calendar year prior to the start of the Capacity Commitment Period.

A load serving entity’s Capacity Load Obligation shall be its Capacity Requirement, adjusted as appropriate to account for any relevant Capacity Load Obligation Bilaterals, HQICCs, and Self-Supply FCA Resource designations. A Capacity Load Obligation can be a positive or negative value. A Market Participant that is not a load serving entity shall have a Capacity Load Obligation equal to the net obligation resulting from Capacity Load Obligation Bilaterals, HQICC, and Self-Supply FCA Resource designations.

A load serving entity’s Capacity Requirement will not be reconstituted to include the demand reduction of a Demand Capacity Resource or Demand Response Resource.

**III.13.7.5.1.1. HQICC Used in the Calculation of Capacity Requirements.**

In order to treat HQICCs as a load reduction, each holder of HQICCs shall have its Capacity Requirement in the Capacity Zone in which the HQ Phase I/II external node is located as specified in Section III.13.1.3 adjusted by its share of the total monthly HQICC amount.

**III.13.7.5.1.2. Charges Associated with Self-Supplied FCA Resources.**

The capacity associated with a Self-Supplied FCA Resource shall be treated as a credit toward the Capacity Load Obligation of the load serving entity so designated by such resources as described in Section III.13.1.6. The amount of Self-Supplied FCA Resources shall be determined pursuant to Section III.13.1.6.

**III.13.7.5.1.3. Charges Associated with Dispatchable Asset Related Demands.**

Dispatchable Asset Related Demand resources will not receive Forward Capacity Market payments, but instead each Dispatchable Asset Related Demand resource will receive an adjustment to its share of the associated Coincident Peak Contribution based on the ability of the Dispatchable Asset Related Demand resource to reduce consumption. The adjustment to a load serving entity’s Coincident Peak Contribution resulting from Dispatchable Asset Related Demand resource reduction in consumption shall be based on the Nominated Consumption Limit submitted for the Dispatchable Asset Related Demand resource.

The Nominated Consumption Limit value of each Dispatchable Asset Related Demand resource is subject to adjustment as further described in the ISO New England Manuals, including adjustments based on the results of Nominated Consumption Limit audits performed in accordance with the ISO New England Manuals.

**III.13.7.5.2. Excess Revenues**.

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.

**III.13.7.5.3. Capacity Transfer Rights.**

**III.13.7.5.3.1. Definition and Payments to Holders of Capacity Transfer Rights.**

The ISO shall create Capacity Transfer Rights (“CTRs”) for each internal interface associated with a Capacity Zone established in the Forward Capacity Auction (as determined pursuant to Section III.13.2.3.4). Based upon results of the Forward Capacity Auction and reconfiguration auctions, the total CTR fund will be calculated as the difference between the charges to load serving entities with Capacity Load Obligations and the payments to Capacity Resources as follows: The system-wide sum of the product of each Capacity Zone’s Net Regional Clearing Price and absolute value of each Capacity Zone’s Capacity Load Obligations, as calculated in Section III.13.7.5.1, minus the sum of the monthly capacity payments to Capacity Resources within each zone, as adjusted for PER.

Each Capacity Zone established in the Forward Capacity Auction (as determined pursuant to Section III.13.2.3.4) will be assigned its portion of the CTR fund.

For CTRs resulting from an export constrained zone, the assignment will be calculated as the product of: (i) the Net Regional Clearing Price for the Capacity Zone to which the applicable interface limits the transfer of capacity minus the Net Regional Clearing Price for the Capacity Zone from which the applicable interface limits the transfer of capacity; and (ii) the difference between the absolute value of the total Capacity Supply Obligations obtained in the exporting Capacity Zone, adjusted for Capacity Supply Obligations associated with Self-Supply 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-Supply FCA Resources.

The value of CTRs specifically allocated pursuant to Sections III.13.7.5.3.2(c), III.13.7.5.3.4, and III.13.7.5.3.6 shall be calculated as the product of: (i) the Capacity Clearing Price (as adjusted pursuant to Section III.13.2.7.3(b)), or, if applicable, the lower of (1) the Capacity Clearing Price and (2) the administratively-determined payment rate (due to “Inadequate Supply” or “Insufficient Competition”) that applies to certain resources for Forward Capacity Auctions conducted prior to June 2015 for the Capacity Zone to which the applicable interface limits the transfer of capacity minus the Capacity Clearing Price (as adjusted pursuant to Section III.13.2.7.3(b)), or, if applicable, minus the lower of (1) the Capacity Clearing Price and (2) the administratively-determined payment rate (due to “Inadequate Supply” or “Insufficient Competition”) that applies to certain resources for Forward Capacity Auctions conducted prior to June 2015 for the Capacity Zone from which the applicable interface limits the transfer of capacity; and (ii) the MW quantity of the specifically allocated CTRs across the applicable interface. The value of the specifically allocated CTRs will be deducted from the associated Capacity Zone’s portion of the CTR fund. The balance of the CTR fund will then be allocated to the load serving entities as set forth in Section III.13.7.5.3.2.

**III.13.7.5.3.2. Allocation of Capacity Transfer Rights.**

For Capacity Zones established in the Forward Capacity Auction as determined pursuant to Section III.13.2.3.4, the CTR fund shall be allocated among load serving entities using their Capacity Load Obligation (net of HQICCs) described in Section III.13.7.5.1. Market Participants with CTRs specifically allocated under Section III.13.7.5.3.6 will have their specifically allocated CTR MWs netted from their Capacity Load Obligation used to establish their share of the CTR fund.

(a) **Connecticut Import Interface**. The allocation of the CTR fund associated with the Connecticut Import Interface shall be made to load serving entities based on their Capacity Load Obligation in the Connecticut Capacity Zone.

(b) **NEMA/Boston Import Interface**. Except as provided in Section III.13.7.5.3.6 of Market Rule 1, the allocation of the CTR fund associated with the NEMA/Boston Import Interface shall be made to load serving entities based on their Capacity Load Obligation in the NEMA/Boston Capacity Zone.

(c) **Maine Export Interface**. Casco Bay shall receive specifically allocated CTRs of 325 MW across the Maine Export Interface for as long as Casco Bay continues to pay to support the transmission upgrades. Each municipal utility entitlement holder of a resource constructed as a Pool-Planned Unit in Maine shall receive specifically allocated CTRs across the Maine Export Interface equal to the applicable seasonal claimed capability of its ownership entitlements in such unit as described in Section III.13.7.5.3.6. The balance of the CTR fund associated with the Maine Export Interface shall be allocated to load serving entities with a Capacity Load Obligation on the import-constrained side of the Maine Export Interface.

**III.13.7.5.3.3. Allocations of CTRs Resulting From Revised Capacity Zones.**

The portion of the CTR fund associated with revised definitions of Capacity Zones shall be fully allocated to load serving entities after deducting the value of applicable CTRs that have been specifically allocated. Allocations of the CTR fund among load serving entities will be made using their Capacity Load Obligations (net of HQICCs) as described in Section III.13.7.5.3.1. Market Participants with CTRs specifically allocated under Section III.13.7.5.3.6 will have their specifically allocated CTR MWs netted from the Capacity Load Obligation used to establish their share of the CTR fund.

(a) **Import Constraints.** The allocation of the CTR fund associated with newly defined import-constrained Capacity Zones restricting the transfer of capacity into a single adjacent import-constrained Capacity Zone shall be allocated to load serving entities with Capacity Load Obligations in that import-constrained Capacity Zone.

(b) **Export Constraints.** The allocation of the CTR fund associated with newly defined export-constrained Capacity Zones shall be allocated to load serving entities with Capacity Load Obligations on the import-constrained side of the interface.

**III.13.7.5.3.4. Specifically Allocated CTRs Associated with Transmission Upgrades.**

(a) A Market Participant that pays for transmission upgrades not funded through the Pool PTF Rate and which increase transfer capability across existing or potential Capacity Zone interfaces may request a specifically allocated CTR in an amount equal to the number of CTRs supported by that increase in transfer capability.

(b) The allocation of additional CTRs created through generator interconnections completed after February 1, 2009 shall be made in accordance with the provisions of the ISO generator interconnection or planning standards. In the event the ISO interconnection or planning standards do not address this issue, the CTRs created shall be allocated in the same manner as described in Section III.13.7.5.3.2.

(c) Specifically allocated CTRs shall expire when the Market Participant ceases to pay to support the transmission upgrades.

(d) CTRs resulting from transmission upgrades funded through the Pool PTF Rate shall not be specifically allocated but shall be allocated in the same manner as described in Section III.13.7.5.3.2.

**III.13.7.5.3.5. [Reserved.]**

**III.13.7.5.3.6. Specifically Allocated CTRs for Pool Planned Units.**

In import-constrained Capacity Zones, in recognition of longstanding life of unit contracts, the municipal utility entitlement holder of a resource constructed as Pool-Planned Units shall receive an initial allocation of CTRs equal to the applicable seasonal claimed capability of the ownership entitlements in such unit. Municipal utility entitlements are set as shown in the table below and are not transferrable.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Millstone 3**  | **Seabrook**  | **Stonybrook GT 1A**  | **Stonybrook GT 1B**  | **Stonybrook GT 1C**  | **Stonybrook 2A**  | **Stonybrook 2B**  | **Wyman 4** | **Summer**  | **Winter**  |
| **(MW)** | **(MW)**  |
| Nominal Summer (MW)  | 1155.001  | 1244.275  | 104.000  | 100.000  | 104.000  | 67.400  | 65.300  | 586.725  |  |  |
| Nominal Winter (MW)  | 1155.481  | 1244.275  | 119.000  | 116.000  | 119.000  | 87.400  | 85.300  | 608.575  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| Danvers  | 0.2627%  | 1.1124%  | 8.4569%  | 8.4569%  | 8.4569%  | 11.5551%  | 11.5551%  | 0.0000%  | 58.26  | 63.73  |
| Georgetown  | 0.0208%  | 0.0956%  | 0.7356%  | 0.7356%  | 0.7356%  | 1.0144%  | 1.0144%  | 0.0000%  | 5.04  | 5.55  |
| Ipswich  | 0.0608%  | 0.1066%  | 0.2934%  | 0.2934%  | 0.2934%  | 0.0000%  | 0.0000%  | 0.0000%  | 2.93  | 2.37  |
| Marblehead  | 0.1544%  | 0.1351%  | 2.6840%  | 2.6840%  | 2.6840%  | 1.5980%  | 1.5980%  | 0.2793%  | 15.49  | 15.64  |
| Middleton  | 0.0440%  | 0.3282%  | 0.8776%  | 0.8776%  | 0.8776%  | 1.8916%  | 1.8916%  | 0.1012%  | 10.40  | 11.07  |
| Peabody  | 0.2969%  | 1.1300%  | 13.0520%  | 13.0520%  | 13.0520%  | 0.0000%  | 0.0000%  | 0.0000%  | 57.69  | 60.26  |
| Reading  | 0.4041%  | 0.6351%  | 14.4530%  | 14.4530%  | 14.4530%  | 19.5163%  | 19.5163%  | 0.0000%  | 82.98  | 92.77  |
| Wakefield  | 0.2055%  | 0.3870%  | 3.9929%  | 3.9929%  | 3.9929%  | 6.3791%  | 6.3791%  | 0.4398%  | 30.53  | 32.64  |
| Ashburnham | 0.0307% | 0.0652% | 0.6922% | 0.6922% | 0.6922% | 0.9285% | 0.9285% | 0.0000% | 4.53 | 5.22 |
| Boylston | 0.0264% | 0.0849% | 0.5933% | 0.5933% | 0.5933% | 0.9120% | 0.9120% | 0.0522% | 4.71 | 5.35 |
| Braintree | 0.0000% | 0.6134% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 7.63 | 7.63 |
| Groton | 0.0254% | 0.1288% | 0.8034% | 0.8034% | 0.8034% | 1.0832% | 1.0832% | 0.0000% | 5.81 | 6.61 |
| Hingham | 0.1007% | 0.4740% | 3.9815% | 3.9815% | 3.9815% | 5.3307% | 5.3307% | 0.0000% | 26.40 | 30.36 |
| Holden | 0.0726% | 0.3971% | 2.2670% | 2.2670% | 2.2670% | 3.1984% | 3.1984% | 0.0000% | 17.01 | 19.33 |
| Holyoke | 0.3194% | 0.3096% | 0.0000% | 0.0000% | 0.0000% | 2.8342% | 2.8342% | 0.6882% | 15.34 | 16.63 |
| Hudson | 0.1056% | 1.6745% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.3395% | 24.05 | 24.12 |
| Hull | 0.0380% | 0.1650% | 1.4848% | 1.4848% | 1.4848% | 2.1793% | 2.1793% | 0.1262% | 10.70 | 12.28 |
| Littleton | 0.0536% | 0.1093% | 1.5115% | 1.5115% | 1.5115% | 3.0607% | 3.0607% | 0.1666% | 11.67 | 13.63 |
| Mansfield | 0.1581% | 0.7902% | 5.0951% | 5.0951% | 5.0951% | 7.2217% | 7.2217% | 0.0000% | 36.93 | 42.17 |
| Middleborough | 0.1128% | 0.5034% | 2.0657% | 2.0657% | 2.0657% | 4.9518% | 4.9518% | 0.1667% | 21.48 | 24.45 |
| North Attleborough | 0.1744% | 0.3781% | 3.2277% | 3.2277% | 3.2277% | 5.9838% | 5.9838% | 0.1666% | 25.58 | 29.49 |
| Pascoag | 0.0000% | 0.1068% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 1.33 | 1.33 |
| Paxton | 0.0326% | 0.0808% | 0.6860% | 0.6860% | 0.6860% | 0.9979% | 0.9979% | 0.0000% | 4.82 | 5.53 |
| Shrewsbury | 0.2323% | 0.5756% | 3.9105% | 3.9105% | 3.9105% | 0.0000% | 0.0000% | 0.4168% | 24.33 | 26.23 |
| South Hadley | 0.5755% | 0.3412% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 10.89 | 10.90 |
| Sterling | 0.0294% | 0.2044% | 0.7336% | 0.7336% | 0.7336% | 1.1014% | 1.1014% | 0.0000% | 6.60 | 7.38 |
| Taunton | 0.0000% | 0.1003% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 1.25 | 1.25 |
| Templeton | 0.0700% | 0.1926% | 1.3941% | 1.3941% | 1.3941% | 2.3894% | 2.3894% | 0.0000% | 10.67 | 12.27 |
| Vermont Public Power Supply Authority | 0.0000% | 0.0000% | 2.2008% | 2.2008% | 2.2008% | 0.0000% | 0.0000% | 0.0330% | 6.97 | 7.99 |
| West Boylston | 0.0792% | 0.1814% | 1.2829% | 1.2829% | 1.2829% | 2.3041% | 2.3041% | 0.0000% | 10.18 | 11.69 |
| Westfield | 1.1131% | 0.3645% | 9.0452% | 9.0452% | 9.0452% | 13.5684% | 13.5684% | 0.7257% | 67.51 | 77.27 |

This allocation of CTRs shall expire on December 31, 2040. If a resource listed in the table above retires prior to December 31, 2040, however, its allocation of CTRs shall expire upon retirement. In the event that the NEMA zone either becomes or is forecast to become a separate zone for Forward Capacity Auction purposes, National Grid agrees to discuss with Massachusetts Municipal Wholesale Electric Company (“MMWEC”) and Wellesley Municipal Light Plant, Reading Municipal Light Plant and Concord Municipal Light Plant ("WRC") any proposal by National Grid to develop cost effective transmission improvements that would mitigate or alleviate the import constraints and to work cooperatively and in good faith with MMWEC and WRC regarding any such proposal. MMWEC and WRC agree to support any proposals advanced by National Grid in the regional system planning process to construct any such transmission improvements, provided that MMWEC and WRC determine that the proposed improvements are cost effective (without regard to CTRs) and will mitigate or alleviate the import constraints.

**III.13.7.5.4. Forward Capacity Market Net Charge Amount.**

The Forward Capacity Market net charge amount for each Market Participant as of the end of the Obligation Month shall be equal to the sum of: (a) its Capacity Load Obligation charge; (b) its revenues from any applicable specifically allocated CTRs; (c) its share of the CTR fund; and (d) any applicable export charges.

**III.13.8. Reporting and Price Finality**

**III.13.8.1. Filing of Certain Determinations Made By the ISO Prior to the Forward Capacity Auction and Challenges Thereto.**

(a) For each Forward Capacity Auction, no later than 20 Business Days after the issuance of retirement determination notifications described in Section III.13.1.2.4(a), the ISO shall make a filing with the Commission pursuant to Section 205 of the Federal Power Act describing the Permanent De-List Bids and Retirement De-List Bids. The ISO will file the following information confidentially: the determinations made by the Internal Market Monitor with respect to each Permanent De-List Bid and Retirement De-List Bid, and supporting documentation for each such determination. The confidential filing shall indicate those resources that will permanently de-list or retire prior to the Forward Capacity Auction and those Permanent De-List Bids and Retirement De-List Bids for which a Lead Market Participant has made an election pursuant to Section III.13.1.2.4.1.

(b) The Forward Capacity Auction shall be conducted using the determinations as approved by the Commission (unless the Commission directs otherwise), and challenges to Capacity Clearing Prices resulting from the Forward Capacity Auction shall be reviewed in accordance with the provisions of Section III.13.8.2(c).

(c) For each Forward Capacity Auction, no later than 90 days prior to the first day of the auction, the ISO shall make an informational filing with the Commission detailing the following determinations made by the ISO with respect to that Forward Capacity Auction, and providing supporting documentation for each such determination, provided, however, that the determinations in subsections (vi), (vii), and (viii) below shall be filed confidentially with the Commission in the informational filing, except determinations on which new resources have been rejected due to overlapping interconnection impacts (the determinations in subsections (vi), (vii), and (viii) shall be published by the ISO no later than 15 days after the Forward Capacity Auction) , with the exception of de-list bid price information, which shall remain confidential):

(i) which Capacity Zones shall be modeled in the Forward Capacity Auction;

(ii) the transmission interface limits as determined pursuant to Section III.12.5;

(iii) which existing and proposed transmission lines the ISO determines will be in service by the start of the Capacity Commitment Period associated with the Forward Capacity Auction;

(iv) the expected amount of installed capacity in each modeled Capacity Zone during the Capacity Commitment Period associated with the Forward Capacity Auction, and the Local Sourcing Requirement for each modeled import-constrained Capacity Zone and the Maximum Capacity Limit for each modeled export-constrained Capacity Zone;

(v) [reserved];

(vi) which new resources are accepted and rejected in the qualification process to participate in the Forward Capacity Auction;

(vii) the Internal Market Monitor’s determinations regarding each requested offer price from a new resource submitted pursuant to Section III.13.1.1.2.2.3 or Section III.13.1.4.1.1.2.8, including information regarding each of the elements considered in the Internal Market Monitor’s determination of expected net revenues (other than revenues from ISO-administered markets) and whether that element was included or excluded in the determination of whether the offer is consistent with the resource’s long run average costs net of expected net revenues other than capacity revenues;

(viii) the Internal Market Monitor’s determinations regarding offers or Static De-List Bids, Export Bids, and Administrative De-List Bids submitted during the qualification process made according to the provisions of this Section III.13, including an explanation of the Internal Market Monitor-determined prices established for any Static De-List Bids, Export Bids, and Administrative De-List Bids as described in Section III.13.1.2.3.2 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. The filing shall identify to the extent possible the components of the bid which were accepted as justified, and shall also identify to the extent possible the components of the bid which were not justified and which resulted in the Internal Market Monitor establishing an Internal Market Monitor-determined price for the bid;

(ix) which existing resources are qualified to participate in the Forward Capacity Auction (this information will include resource type, capacity zone, and qualified MW); and

(x) aggregate MW from new resources qualified to participate in the Forward Capacity Auction and aggregate de-list bid amounts.

(d) Any comments or challenges to the determinations contained in the informational filing described in Section III.13.8.1(c) or in 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 must be filed with the Commission no later than 15 days after the ISO’s submission of the informational filing. If the Commission does not issue an order within 75 days after the ISO’s submission of the informational filing that directs otherwise, the determinations contained in the informational filing shall be used in conducting the Forward Capacity Auction, and challenges to Capacity Clearing Prices resulting from the Forward Capacity Auction shall be reviewed in accordance with the provisions of Section III.13.8.2(c). If within 75 days after the ISO’s submission of the informational filing, the Commission does issue an order modifying one or more of the ISO’s determinations, then the Forward Capacity Auction shall be conducted no earlier than 15 days following that order using the determinations as modified by the Commission (unless the Commission directs otherwise), and challenges to Capacity Clearing Prices resulting from the Forward Capacity Auction shall be reviewed in accordance with the provisions of Section III.13.8.2(c).

**III.13.8.2. Filing of Forward Capacity Auction Results and Challenges Thereto.**

(a) As soon as practicable after the Forward Capacity Auction is complete, the ISO shall file the results of that Forward Capacity Auction with the Commission pursuant to Section 205 of the Federal Power Act, including the final set of Capacity Zones resulting from the auction, the Capacity Clearing Price in each of those Capacity Zones (and the Capacity Clearing Price associated with certain imports pursuant to Section III.13.2.3.3(d), if applicable), and a list of which resources received Capacity Supply Obligations in each Capacity Zone and the amount of those Capacity Supply Obligations. Upon completion of the fourth and future auctions, such list of resources that receive Capacity Supply Obligation shall also specify which resources cleared as Conditional Qualified New Resources. Upon completion of the fourth and future auctions, the filing shall also list each Long Lead Time Facility, as defined in Schedule 22 or Schedule 25 of Section II of the Transmission, Markets and Services Tariff, that secured a Queue Position to participate as a New Generating Capacity Resource in the Forward Capacity Auction and each resource with lower queue priority that was selected in the Forward Capacity Auction subject to a Long Lead Time Facility with the higher queue priority. The filing shall also enumerate bids rejected for reliability reasons pursuant to Section III.13.2.5.2.5, and the reasons for those rejections.

(b) The filing of Forward Capacity Auction results made pursuant to this Section III.13.8.2 shall also include documentation regarding the competitiveness of the Forward Capacity Auction, which may include a certification from the auctioneer and the ISO that: (i) all entities offering and bidding in the Forward Capacity Auction were properly qualified in accordance with the provisions of Section III.13.1; and (ii) the Forward Capacity Auction was conducted in accordance with the provisions of Section III.13.

(c) Any objection to the Forward Capacity Auction results must be filed with the Commission within 45 days after the ISO’s filing of the Forward Capacity Auction results. The filing of a timely objection with the Commission will be the exclusive means of challenging the Forward Capacity Auction results.

(d) Any change to the Transmission, Markets and Services Tariff affecting the Forward Capacity Market or the Forward Capacity Auction that is filed after the results of a Forward Capacity Auction have been accepted or approved by the Commission shall not affect those Forward Capacity Auction results.