October 23, 2018

BY ELECTRONIC FILING

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

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

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act,[1] ISO New England Inc. (the "ISO") and the New England Power Pool ("NEPOOL") Participants Committee (together, the "Filing Parties")[2] hereby electronically submit this transmittal letter and revisions to the ISO Tariff[3] to improve the existing rules that apply when a capacity supplier has a new or existing resource that is not expected to be able to fully satisfy its obligations during the delivery period and it may be necessary to "cover" the obligation by transferring the resource's Capacity Supply Obligation ("CSO") to another resource. The package of rule changes submitted in this filing is referred to hereafter as the "CSO Cover Changes." In support of the tariff changes, the ISO is submitting the testimony of Ryan McCarthy, Principal Analyst in the ISO's Market Development Department, which is sponsored solely by the ISO (the "McCarthy Testimony").

I. REQUESTED EFFECTIVE DATE

The ISO requests that the CSO Cover Changes become effective Monday, December 24, 2018, just over 60 days after the date of filing.

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[1] 16 U.S.C. § 824d.

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

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

II. DESCRIPTION OF THE FILING PARTIES; COMMUNICATIONS

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

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

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

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

And to NEPOOL as follows:

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III. STANDARD OF REVIEW

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

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

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

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

[8] *Id.* at 9.

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

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

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

IV. EXPLANATION OF THE CSO COVER CHANGES

The CSO Cover Changes involve the market rules that apply when a capacity supplier has a new or existing resource that has cleared in a Forward Capacity Auction, but the resource is not expected to be able to fully satisfy its obligations during all or part of the annual delivery period. When this situation occurs, a capacity supplier would typically seek to "cover" for the resource that is not able to fully perform by transferring all or part of the resource's Capacity Supply Obligation to another resource.

If a capacity supplier does not cover the obligations of a non-performing or non-commercial resource, the existing market rules provide for several consequences. First, in the case of either a new or existing capacity resource, the inability to perform can result in significant non-performance charges during a Capacity Scarcity Condition under the Forward Capacity Market's Pay-for-Performance mechanism.[12] Second, in the case of a new, non-commercial capacity resource, there are rules that require the ISO to monitor the development of the resource and to take action if it is determined that the resource is not expected to be able to perform its obligations during the annual delivery period.[13]

As discussed in greater detail in the McCarthy Testimony, the rules governing new capacity resources are set out in Section III.13.3.4 of Market Rule 1.[14] At a high level, these rules provide for the ISO to monitor the progress of a new, non-commercial resource toward meeting its critical path schedule milestones ("CPS milestones"). During the period leading up to the start of a Capacity Commitment Period, the ISO meets periodically with capacity suppliers with new resources[15] to assess progress on meeting CPS milestones.[16] The last CPS milestone meeting typically takes place in late January or early February prior to the start of the commitment period. Following the last meeting, the ISO must determine whether the new resource is expected to meet all of its CPS milestones and enter service by the start of the commitment period (on June 1). If the ISO determines that a resource is not expected to be able to fully perform during the commitment period and the capacity supplier has not taken action to cover the resource's Capacity Supply Obligation, then a "mandatory demand bid" is submitted on the capacity supplier's behalf in the third and final annual reconfiguration auction that takes place in March prior to the start of the commitment period. Under the current rules, mandatory demand bids are submitted into the annual reconfiguration auction at the Forward Capacity Auction Starting Price. In summary, the existing rules require the ISO (rather than a project developer) to determine the likelihood that a resource will be ready to meet its CSO, and subjects project developers to the risk that a resource's CSO will be transferred for the entirety of a

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[12] McCarthy Testimony at pp. 11-12.

[13] *Id.* at pp 8-10.

[14] *Id.*

[15] Under the current rules the ISO also monitors the progress of additions to existing resources.

[16] In some cases, project developers need only submit periodic reports on the progress of their new resources and status meetings are not required. *See* McCarthy Testimony at p. 8.

Capacity Commitment Period at a potentially high price (the Forward Capacity Auction Starting Price for the 2022-2023 Capacity Commitment Period is $13.05/kW-month).

The CSO Cover Changes improve the existing rules in several ways, particularly with respect to the treatment of new, non-commercial capacity resources. First, the revised rules eliminate the ISO's role in assessing whether a resource will be ready to satisfy its Capacity Supply Obligation. Instead, the capacity supplier itself retains the authority to exercise its judgment as to whether a resource will be ready to satisfy its CSO, whether to seek to cover for the obligation of a resource that may not be ready to perform, and whether and what price to submit a demand bid for a non-performing resource in the third and final annual reconfiguration auction. Second, the revised rules eliminate the risk associated with having the ISO submit a "mandatory demand bid" in an annual reconfiguration auction that can result in a resource's CSO being transferred at a high price for the entire Capacity Commitment Period. Instead, capacity suppliers themselves determine whether, at what price and for how long to seek to cover for a non-performing resource on a monthly or annual basis.

As further explained in the McCarthy Testimony, the CSO Cover Changes replace the existing risk that a CSO will be transferred for an entire year through a mandatory demand bid with a more graduated approach.[17] Specifically, the risk that the ISO will take action to transfer a new resource's CSO for the entire Capacity Commitment Period at a price up to the Forward Capacity Auction Starting Price is eliminated. Instead, the CSO Cover Changes put in place a more graduated structure that would impose a monthly "failure to cover" charge based on the amount of capacity, if any, that a new or existing resource has not demonstrated its ability to provide. The failure to cover charge is calibrated to reflect competitive auction outcomes and applies only until a resource has demonstrated its ability to perform.

In summary, the CSO Cover Changes are a significant improvement over the status quo. The revised rules appropriately allow capacity suppliers themselves (rather than the ISO) to make decisions about whether and how to cover for capacity resources that may not be able to perform. As explained in the McCarthy Testimony, capacity suppliers have the best available information about the readiness of their resources and, therefore, are in a better position than the ISO to determine what actions to take if a resource may not be ready.[18] In addition, the revised rules replace the existing risks faced by capacity suppliers with a new, more graduated incentive structure that reflects recent capacity market outcomes.[19]

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[17] *Id.* at pp. 12-14, 20-24.

[18] *Id.* at pp-13-15, 20-21.

[19] *Id.* at pp. 23-38.

Summary of the Tariff Revisions

The bulk of the substantive tariff revisions associated with the CSO Cover Changes are made in Section III.13.3.4 of Market Rule 1. The existing provisions of Section III.13.3.4 are reorganized and revised as follows:

- The provisions that require the ISO to monitor the progress of new resources toward meeting CPS milestones and to use a mandatory demand bid in the third and final annual reconfiguration auction when a resource is not expected to be able to satisfy its CSO are eliminated.

- New subsection (a) of Section III.13.3.4 sets out the options that a capacity supplier may take to "cover" for a resource that is not expected to be able to perform, such as participating in a reconfiguration auction or entering a bilateral transaction.

- New subsection (b) details all of the rules for applying the failure to cover charge, including determining whether a resource has demonstrated the ability to satisfy its full CSO and how the failure to cover charge rate will be calculated. There are specific provisions for different resource types.

- Finally, the existing provisions of Section III.13.3.4 that specify the rules by which a resource's CSO may be terminated in certain circumstances are moved into their own new subsection - Section III.13.3.4A.

In addition to the substantive revisions to Section III.13.3.4, there are a number of less significant and mainly conforming changes to other existing provisions, including the following:

- Special rules are added to cover the situation in which a capacity supplier may elect to have an existing resource cover for a new resource (re-powering rules). *See* Sections III.13.1.1.1.2, III.13.3.4(a)(iii) and III.13.3.4(b).

- The cost allocation rules in Section III.13.7.5 are revised to specify how failure to cover charges will be allocated prior to June 1, 2022 (Section III.13.7.5.1) and after June 1, 2022, when they will be allocated based on the new cost allocation methodology that was accepted by the Commission on September 26, 2018 in Docket No. ER18-2125-000 (Section III.13.7.5.1.1.10).

- Conforming changes are made to Section III.13.3.7, which governs CSO deferrals.

- Certain rules related to the monitoring of the progress of new demand resources are eliminated. *See* Sections III.13.1.4.1.1.2.6 and III.13.3.2.2(b)(ii).

- A number of cross references are updated throughout Section III.13 to reflect the reorganization of Section III.13.3.4.

V. STAKEHOLDER PROCESS

The CSO Cover Changes were considered through the complete NEPOOL Participant Processes and received the support of NEPOOL.

The Markets Committee reviewed and considered the CSO Cover Changes over the course of several meetings. At its September 12, 2018 meeting the Markets Committee approved a resolution to recommend NEPOOL Participants Committee support for the changes based on a show hands.[20]

Subsequent to NEPOOL Markets Committee review, the NEPOOL Participants Committee, at its October 4, 2018 meeting, considered and voted to support the CSO Cover Changes by a show of hands, with opposition and abstentions recorded.[21]

At the October 4 meeting, the Participants Committee also considered, but did not recommend support for, a motion to amend the CSO Cover Changes, which was offered by Public Service Electric and Gas Company ("PSEG").[22] PSEG's proposed amendment would have provided a three-month transitional grace period for the application of the new failure to cover charge for the Capacity Commitment Periods beginning in June 2019, June 2020 and June 2021.

VI. ADDITIONAL SUPPORTING INFORMATION

Section 35.13 of the Commission's regulations generally requires public utilities to file certain cost and other information related to an examination of traditional cost-of-service rates. However, the CSO Cover Changes do not modify a traditional "rate" and the ISO is not a traditional investor-owned utility. Therefore, to the extent necessary, the Filing Parties request

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[20] The following oppositions and abstentions were recorded: one opposed and two abstentions from the Generation Sector, two opposed and six abstentions for the Supplier Sector, three abstentions from the Alternative Resources Sector, and 20 opposed and 22 abstentions from the Publicly Owned Entity Sector.

[21] During the Participants Committee vote on the CSO Cover Changes, oppositions were registered by Belmont, Block Island, Braintree, Chester, CMEEC, Concord, Danvers, Georgetown, Groveland, Hingham, Littleton (MA), MA Bay Transportation, Merrimac, Middleton, NHEC, North Attleborough, Pascoag, PSEG, Reading, Rowley, Stonepeak, Stowe, Taunton, VPPSA, Village of Hyde Park, Wallingford, Wellesley and Westfield; and abstentions noted by: AR Small RG Group Member, Brookfield, ConEd, CSC, Cypress, DTE, EnerNOC, Enerwise, Entergy, Generation Group Member, Mercuria, NextEra, NRG, and Utility Services.

[22] The PSEG amendment failed with a vote of 47.77% in favor. The votes by sector were as follows: Generation Sector – 14.68%; Transmission Sector – 6.71%; Supplier Sector – 15.48%; AR Sector – 5.23%; Publicly Owned Sector – 0%; End User Sector – 5.59%; and Provisional Group Member – 0.067%.

waiver of Section 35.13 of the Commission's regulations.[23] Notwithstanding the request for waiver, the Filing Parties submit the following additional information in substantial compliance with relevant provisions of Section 35.13 of the Commission's regulations:

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

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

35.13(b)(2) – As set forth in Section I above, the Filing Parties request that the changes become effective on December 24, 2018.

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

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

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

[23] 18 C.F.R. § 35.13 (2018).

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

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

35.13(b)(8) – A form of notice and electronic media are no longer required for filings in light of the Commission's Combined Notice of Filings notice methodology.

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

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

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

VII. CONCLUSION

For the reasons discussed in this transmittal letter, the Filing Parties request that the Commission accept the CSO Cover Changes, without modification, to become effective on December 24, 2018.

Respectfully submitted,

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NEW ENGLAND POWER POOL PARTICIPANTS COMMITTEE

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III.13.1. Forward Capacity Auction Qualification.

Each resource, or portion thereof, must qualify as a New Generating Capacity Resource (Section III.13.1.1), an Existing Generating Capacity Resource (Section III.13.1.2), a New Import Capacity Resource or Existing Import Capacity Resource (Section III.13.1.3), or a New Demand Capacity Resource or Existing Demand Capacity Resource (Section III.13.1.4). Each resource must be at least 100 kW in size to participate in the Forward Capacity Auction, except for resources registered with the ISO prior to the earliest date that any portion of this Section III.13 becomes effective. An offer may be composed of separate resources, pursuant to the provisions of Section III.13.1.5. Pursuant to the provisions of this Section III.13.1, the ISO shall determine a summer Qualified Capacity and a winter Qualified Capacity for each resource, and an FCA Qualified Capacity for each Existing Generating Capacity Resource, Existing Import Capacity Resource, Existing Demand Capacity Resource, New Generating Capacity Resource, New Import Capacity Resource, and New Demand Capacity Resource.

All Project Sponsors must be Market Participants no later than 30 days prior to the deadline for submitting the FCM Deposit. The Lead Market Participant for a resource participating in a Forward Capacity Auction may not change in the 15 Business Days prior to, or during, that Forward Capacity Auction.

III.13.1.1. New Generating Capacity Resources.

To participate in a Forward Capacity Auction as a New Generating Capacity Resource, a resource or proposed resource must meet the requirements of this Section III.13.1.1.

III.13.1.1.1. Definition of New Generating Capacity Resource.

A resource or a portion of a resource that is not a New Import Capacity Resource or Existing Import Capacity Resource (as defined in Section III.13.1.3), or a New Demand Capacity Resource or Existing Demand Capacity Resource (as discussed in Section III.13.1.4) shall be considered a New Generating Capacity Resource for participation in a Forward Capacity Auction if either: (i) the resource has never previously been counted as a capacity resource as described in Section III.13.1.1.1.1; or (ii) the resource, or a portion thereof, meets one of the criteria in Section III.13.1.1.1.2.

III.13.1.1.1.1. Resources Never Previously Counted as Capacity.

(a) A resource, or a portion thereof, will be considered to have never been counted as a capacity resource if it has not cleared in any previous Forward Capacity Auction.

(b) [Reserved.]

(c) Where a New Capacity Generating Resource was accepted for participation in the qualification process for a previous Forward Capacity Auction, but cleared less than its summer Qualified Capacity in that previous Forward Capacity Auction and is having its critical path schedule monitored by the ISO in accordance with Section III.13.3, the portion of the resource that did not clear in the previous Forward Capacity Auction shall be a New Generating Capacity Resource in the subsequent Forward Capacity Auction. Such a New Generating Capacity Resource must satisfy all of the qualification process requirements applicable to a New Generating Capacity Resource as described in Section III.13.1.1.2, except that the Project Sponsor is not required to resubmit documentation demonstrating site control (Section III.13.1.1.2.2.1) or to resubmit a critical path schedule (Section III.13.1.1.2.2.2) or to provide a new Qualification Process Cost Reimbursement Deposit (Section III.13.1.1.2.1(e)).

III.13.1.1.1.2. Resources Previously Counted as Capacity.

A resource that has previously been counted as a capacity resource, including a deactivated or retired capacity resource, may elect to participate in the Forward Capacity Auction as a New Generating Capacity Resource, as described in this Section III.13.1.1.1.2. The incremental expenditure required to reactivate a resource that previously has been deactivated or retired pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions) may be included in the calculation of the dollar per kilowatt thresholds in this Section III.13.1.1.1.2. A resource accepted for participation in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to this Section III.13.1.1.1.2 shall participate in the Forward Capacity Auction pursuant to Section III.13.2.3.2(e). A Market Participant that elects to have a resource that has previously been counted as a capacity resource participate in the Forward Capacity Auction as a New Generating Capacity Resource, must notify the ISO when the existing resource ceases to operate and the New Generating Capacity Resource commences operation. If a Market Participant with a resource that has previously been counted as a capacity resource elects, pursuant to Section III.13.3.4(a)(iii), to have the resource that has previously been counted as a capacity resource cover the Capacity Supply Obligation of a New Generating Capacity Resource and the resource that has previously been counted as a capacity resource must take an outage in order for the New Generating Capacity Resource to commence Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff), then the Market Participant must notify the ISO that the outage is for the purpose of the New Generating Capacity

Resource commencing Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff). A resource shall be accepted for participation as a new resource if it complies with one of the following three subsections:

(a) Where investment in the resource will result, by the commencement of the Capacity Commitment Period, in an increase in output by an amount exceeding the greater of: (i) 20 percent of the summer Qualified Capacity of the resource at the time of the qualification process for the Forward Capacity Auction; or (ii) 40 MW above the summer Qualified Capacity of the resource at the time of the qualification process for the Forward Capacity Auction, the whole resource shall participate in the Forward Capacity Auction as a New Generating Capacity Resource; or

(b) Where investment in the resource subsequent to January 1, 2007 and prior to the conclusion of the first Capacity Commitment Period associated with the Capacity Supply Obligation for which treatment as a new resource may be applied, for the purposes of re-powering will be equal to or greater than $200 per kilowatt of the whole resource’s summer Qualified Capacity after re-powering, the owner of the resource may elect that the whole resource participate in the Forward Capacity Auction as a New Generating Capacity Resource. The $200 threshold (in base year 2008 dollars) shall be adjusted annually in accordance with the Handy-Whitman Index of Public Utility Construction Costs reflecting data for the period ending January 1 of the year preceding the start of the qualification process for the relevant Forward Capacity Auction; or

(c) Where investment in the resource subsequent to January 1, 2007 and prior to the conclusion of the first Capacity Commitment Period associated with the Capacity Supply Obligation for which treatment as a new resource may be applied, for the purpose of compliance with environmental regulations or permits will be equal to or greater than $100 per kilowatt of the whole resource’s summer Qualified Capacity after the investment, the owner of the resource may elect that the whole resource participate in the Forward Capacity Auction as a New Generating Capacity Resource. The $100 threshold (in base year 2008 dollars) shall be adjusted annually in accordance with the Handy-Whitman Index of Public Utility Construction Costs reflecting data for the period ending January 1 of the year preceding the start of the qualification process for the relevant Forward Capacity Auction.

III.13.1.1.1.3. Incremental Capacity of Resources Previously Counted as Capacity.

The owner of a resource previously counted as a capacity resource may elect to have the incremental amount of capacity above the summer Qualified Capacity of the resource at the time of the qualification process participate in the Forward Capacity Auction as a New Generating Capacity Resource, where investment in the resource:

(a) will result, by the start of the Capacity Commitment Period, in an increase in output less than or equal to the greater of: (i) 20 percent of the summer Qualified Capacity of the resource at the time of the qualification process for the Forward Capacity Auction; or (ii) 40 MW; and

(b) will be equal to or greater than $200 per kilowatt of the amount of the increase in summer Qualified Capacity resulting from the investment. The $200 threshold (in base year 2008 dollars) shall be adjusted annually in accordance with the Handy-Whitman Index of Public Utility Construction Costs reflecting data for the period ending January 1 of the year preceding the start of the qualification process for the relevant Forward Capacity Auction. These investment costs may include the costs associated with reactivating a resource that was previously deactivated pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions) and in which investment in the resource was undertaken prior to reactivation.

(c) A Project Sponsor or Lead Market Participant making an election pursuant to this Section III.13.1.1.1.3 must submit a New Capacity Show of Interest Form pursuant to Section III.13.1.1.2.1 and a New Capacity Qualification Package pursuant to Section III.13.1.1.2 for the incremental amount.

III.13.1.1.1.3.A. Treatment of New Incremental Capacity and Existing Generating Capacity at the Same Generating Resource.

For incremental summer capacity seeking to participate in the Forward Capacity Auction pursuant to Section III.13.1.1.1.3 or incremental winter capacity that meets the investment thresholds in Section III.13.1.1.1.3 as applied to the resource's winter Qualified Capacity, if the incremental summer or winter capacity does not span the entire Capacity Commitment Period, then the ISO shall match the incremental summer or winter capacity with excess existing winter or summer Qualified Capacity at that same resource, as appropriate, not to exceed the Qualified Capacity of the existing portion of the resource, in order to cover the entire Capacity Commitment Period. This provision shall not apply to Intermittent Power Resources.

III.13.1.1.1.4. De-rated Capacity of Resources Previously Counted as Capacity. For purposes of the Forward Capacity Market, de-rated capacity of a resource shall be measured by the difference between the summer Qualified Capacity prior to the de-rating of the resource and the most recent summer demonstration of Seasonal Claimed Capability of a resource, as of the fifth Business Day of October. The owner of a resource previously counted as a capacity resource that has been de-rated by at least 2 percent of its summer Qualified Capacity (as an Existing Generating Capacity Resource) but by no more than the lesser of 20 percent of its summer Qualified Capacity (as an Existing Generating Capacity Resource) or 40 MW for three or more years at the time of the Forward Capacity Auction may elect to have the incremental amount of capacity above the capacity level established while de-rated treated as a New Generating Capacity Resource if it demonstrates that it will be reestablished prior to the start of the Capacity Commitment Period and that the investment in the resource for such purposes shall be equal to or greater than $200 per kilowatt of the amount of the increase in summer Qualified Capacity resulting from the investment. The Project Sponsor must submit a New Capacity Show of Interest Form pursuant to Section III.13.1.1.2.1 and a New Capacity Qualification Package pursuant to Section III.13.1.1.2.2 for the incremental amount of capacity for the relevant Forward Capacity Auction. The $200 threshold (in base year 2008 dollars) shall be adjusted annually in accordance with the Handy-Whitman Index of Public Utility Construction Costs reflecting data for the period ending January 1 of the year preceding the start of the qualification process for the relevant Forward Capacity Auction. The owner of a resource seeking to have the incremental amount of capacity counted as a New Generating Capacity Resource as provided in this Section, must demonstrate based on historical data that the resource previously operated at a level at least 2 percent above the de-rated amount.

III.13.1.1.1.5. Treatment of Resources that are Partially New and Partially Existing. For purposes of this Section III.13.1, where only a portion of a single resource is treated as a New Generating Capacity Resource, either as a result of partial clearing in a previous Forward Capacity Auction or pursuant to Section III.13.1.1.1.3 or Section III.13.1.1.1.4, then except as otherwise indicated in this Section III.13.1, that portion of the resource shall be treated as a New Generating Capacity Resource, and the remainder of the resource shall be treated as an Existing Generating Capacity Resource.

III.13.1.1.1.6. Treatment of Deactivated and Retired Units.

(a) [Reserved.]

(b) A resource that previously has been deactivated or retired pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions), as applicable, that submits to the ISO a reactivation plan demonstrating that the resource shall return to operation shall, subject to ISO review and acceptance of that reactivation plan, be treated as an Existing Generating Capacity Resource unless that resource satisfies the criteria under Section III.13.1.1.1.2 as a New Generating Capacity Resource. Such reactivation plans must be received by the ISO no later than 15 Business Days before the Existing Capacity Retirement Deadline. A resource that previously has been deactivated or retired pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions), as applicable, that submits to the ISO a reactivation plan demonstrating that the resource shall return to operation and having a material modification as described in Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions), as applicable, shall be subject to Section III.13.1.1.2.3 (Initial Interconnection Analysis).

III.13.1.1.1.7 Renewable Technology Resources.

To participate in the Forward Capacity Market as a Renewable Technology Resource, a Generating Capacity Resource or an On-Peak Demand Resource (including every Asset that is part of the On-Peak Demand Resource) must satisfy the following requirements:

(a) receive an out-of-market revenue source supported by a state- or federally-regulated rate, charge or other regulated cost recovery mechanism;

(b) qualify as a renewable or alternative energy generating resource under any New England state's mandated (either by statute or regulation) renewable or alternative energy portfolio standards as in effect on January 1, 2014, or, in states without a standard, qualify under that state's renewable energy goals as a renewable resource (either by statute or regulation) as in effect on January 1, 2014. The resource must qualify as a renewable or alternative energy generating resource in the state in which it is geographically located;

(c) participate in a Forward Capacity Auction for a Capacity Commitment Period beginning on or after June 1, 2018 as a New Generating Capacity Resource or New Demand Capacity Resource pursuant to Section III.13.1.1, and;

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

An Export De-List Bid or Administrative Export De-List Bid may not be submitted for Generating Capacity Resources that assumed a Capacity Supply Obligation by participating in a Forward Capacity Auction as a Renewable Technology Resource.

III.13.1.1.2. Qualification Process for New Generating Capacity Resources.

For a resource to qualify as a New Generating Capacity Resource, the resource's Project Sponsor must make two separate submissions to the ISO: First, the Project Sponsor must submit a New Capacity Show of Interest Form during the New Capacity Show of Interest Submission Window. Second, the Project Sponsor must submit a New Capacity Qualification Package no later than the New Capacity Qualification Deadline. Each of these submissions is described in more detail in this Section III.13.1.1.2. The Project Sponsor must also have, or in the case of an Import Capacity Resource seeking to qualify with an Elective Transmission Upgrade be associated with, a valid Interconnection Request under Schedules 22, 23 or 25 of Section II of the Transmission, Markets and Services Tariff prior to submitting a New Capacity Show of Interest Form during the New Capacity Show of Interest Submission Window. Both the New Capacity Show of Interest Form and the New Capacity Qualification Package are required regardless of the status of the project under the interconnection procedures described in Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff. Neither the New Capacity Show of Interest Form nor the New Capacity Qualification Package constitutes an Interconnection Request. A Project Sponsor may withdraw from the qualification process at any time prior to three Business Days before the submission of the FCM Deposit pursuant to Section III.13.1.9.1 by providing written notification of such withdrawal to the ISO. Any withdrawal, whether pursuant to this provision or as determined by the ISO (for example as described in Section III.13.1.1.2.1 or Section III.13.1.9.3), shall be irrevocable. The Project Sponsor of a withdrawn application is subject to reconciliation of its Qualification Process Cost Reimbursement Deposit described in Section III.13.1.9.3. None of the provisions of this Section III.13.1, including the initial interconnection analysis and the analysis of overlapping interconnection impacts, supersedes, replaces, or satisfies any of the requirements of Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff, except as specifically provided thereunder. Determinations by the ISO pursuant to this Section III.13.1.1.2, including the initial interconnection analysis and the analysis of overlapping interconnection impacts, are for purposes of qualification for participation in the

Forward Capacity Auction only, and do not constitute a right or approval to interconnect, and do not guarantee the ability to interconnect.

III.13.1.1.2.1. New Capacity Show of Interest Form.

Except as otherwise provided in this Section III.13.1.1.2.1, for each resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Generating Capacity Resource, the Project Sponsor must submit to the ISO a New Capacity Show of Interest Form as described in this Section III.13.1.1.2.1 during the New Capacity Show of Interest Submission Window. After submission of a New Capacity Show of Interest Form, Material Modification (as defined in Section 4.4 of Schedule 22, Section 1.5 of Schedule 23, or Section 4.4 of Schedule 25 of Section II of the Transmission, Markets and Services Tariff) may not be made to the information contained therein or the New Capacity Show of Interest Form shall be considered withdrawn. No change that may result in a reduction in capacity may be made to a project described in a New Capacity Show of Interest Form or New Capacity Qualification Package between the date that is 150 days before the start of the Forward Capacity Auction and the deadline for qualification determination notifications described in Section III.13.1.1.2.8.

(a) A completed New Capacity Show of Interest Form shall include the following information, to the extent the information is not already provided under an active Interconnection Request under Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff, and other such information necessary to evaluate a project: the project name; the Project Sponsor's contact information; the Project Sponsor's ISO customer status; the date by which the project is expected to achieve Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff); the project address or location, and if relevant, asset identification number; the status of the project under the interconnection procedures described in Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff; whether the resource has ever previously had a Capacity Supply Obligation or previously received payment as a capacity resource pursuant to the market rules in effect prior to June 1, 2010; the capacity (in MW) of the New Generating Capacity Resource; a general description of the project's equipment configuration, including a description of the resource type (such as those listed in the table in Section III.A.21 or some other type); a simple location plan and a one-line diagram of the plant and station facilities, including any known transmission facilities; the location of the proposed interconnection; and other specific project data as set forth in the New Capacity Show of Interest Form. The ISO may waive the submission of any information not required for evaluation of a project. A completed New Capacity Show of Interest Form shall also specify the Queue Position associated with the project pursuant to Section 4.1 of Schedule 22, Section 1.5 of Schedule 23 or Section 4.1 of Schedule 25 of Section II of the Transmission, Markets and Services Tariff. In the case of a resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Generating Capacity Resource that is supported by an Internal Elective Transmission Upgrade, all Queue Positions associated with the project must be submitted in the New Capacity Show of Interest Form. Submittal of the Interconnection Request may take place prior to the qualification process described here, but no later than the date on which the New Capacity Show of Interest Form is submitted to the ISO; however, the Interconnection Customer Interconnection Request must still be active and consistent with the project described in the New Capacity Show of Interest Form as well as the New Capacity Qualification Package to be submitted as described in Section III.13.1.1.2.2.

(b) The Project Sponsor must submit with the New Capacity Show of Interest Form, documentation demonstrating that the Project Sponsor has already achieved control of the project site for the duration of the relevant Capacity Commitment Period pursuant to Section III.13.1.1.2.2.1.

(c) In the New Capacity Show of Interest Form, the Project Sponsor must indicate if the New Generating Capacity Resource is incremental capacity associated with a resource that previously had a Capacity Supply Obligation or previously received payment as a capacity resource pursuant to the market rules in effect prior to June 1, 2010 as discussed in Section III.13.1.1.1.3, or if the New Generating Capacity Resource is incremental capacity associated with a resource previously listed as a capacity resource that has been de-rated for three or more years at the time of the Forward Capacity Auction, as discussed in Section III.13.1.1.1.4.

(d) [Reserved.]

(e) With the New Capacity Show of Interest Form, the Project Sponsor must submit the Qualification Process Cost Reimbursement Deposit, as described in Section III.13.1.9.3.

III.13.1.1.2.2. New Capacity Qualification Package.

For each resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Generating Capacity Resource, the Project Sponsor must submit a New Capacity Qualification Package no later than the New Capacity Qualification Deadline, described in Section III.13.1.10. Except as otherwise provided in this Section III.13.1, the New Capacity Qualification Package shall conform to the requirements of this Section III.13.1.1.2.2. The ISO may waive the submission of any information not required for evaluation of a project. No change that may result in a reduction in capacity may be made to a project described in a New Capacity Show of Interest Form or New Capacity Qualification Package between the date that is 150 days before the start of the Forward Capacity Auction and the deadline for qualification determination notifications described in Section III.13.1.1.2.8.

III.13.1.1.2.2.1. Site Control.

For all Forward Capacity Auctions and reconfiguration auctions, the Project Sponsor must achieve, prior to the close of the New Capacity Show of Interest Submission Window, control of the project site for the duration of the relevant Capacity Commitment Period, which shall be as defined in Section 4.1 of Schedule 22, Section 1.5 of Schedule 23 or Section 4.1 of Schedule 25 of Section II of the Transmission, Markets and Services Tariff.

III.13.1.1.2.2.2. Critical Path Schedule.

In the New Capacity Qualification Package, the Project Sponsor must provide a critical path schedule for the project with sufficient detail to allow the ISO to evaluate the feasibility of the project being built and the feasibility that the project will meet the requirement that the project achieve all its critical path schedule milestones no later than the start of the relevant Capacity Commitment Period. The critical path schedule shall include, at a minimum, the dates on which the following milestones have or are expected to occur:

(a) **Major Permits**. In the New Capacity Qualification Package, the Project Sponsor must list all major permits required for the project, and for each major permit, the Project Sponsor must list the agency requiring the permit, the date on which application for the permit is expected to be made, and the expected date of approval. Major permits shall include, but are not limited to: (i) all federal and state permits; and (ii) local, regional, and town permits. The permitting and installation process associated with any major ancillary infrastructure (such as new gas pipelines, new water supply systems, or large storage tanks) should be included in this portion of the New Capacity Qualification Package.

(b) **Project Financing Closing**. In the New Capacity Qualification Package, the Project Sponsor shall provide (i) the estimated dollar amount of required project financing; (ii) the expected sources of that financing; and (iii) the expected closing date(s) for the project financing.

(c) **Major Equipment Orders**. In the New Capacity Qualification Package, the Project Sponsor must provide a list of all of the major components necessary for the project, and the date or dates on which all major components necessary for the project have been or are expected to be ordered. Although the specific technology will determine the list of major components to be included, the list shall include, to the extent applicable: (i) electric generators which may include equipment such as fuel cells or solar photovoltaic equipment; (ii) turbines; (iii) step-up transformers; (iv) relay panels (v) distributed control systems; and (vi) any other single piece of equipment or system such as a cooling water system, steam generation, steam handling system, water treatment system, fuel handling system or emissions control system that is not included as a sub-component of other equipment listed in this Section III.13.1.1.2.2.2(c) and that accounts for more than five percent of the total project cost. For an Import Capacity Resource associated with an Elective Transmission Upgrade that has not yet achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff, major components shall also include, to the extent applicable, transmission facilities and associated substation equipment.

(d) **Substantial Site Construction**. In the New Capacity Qualification Package, the Project Sponsor must provide the approximate date on which the amount of money expended on construction activities occurring on the project site is expected to exceed 20 percent of construction financing costs.

(e) **Major Equipment Delivery**. In the New Capacity Qualification Package, the Project Sponsor must provide the dates on which the major equipment described in subsection (d) above has been or is scheduled to be delivered to the project site.

(f) **Major Equipment Testing**. In the New Capacity Qualification Package, the Project Sponsor must provide the date or dates on which each piece of major equipment described in subsection (c) above is scheduled to undergo testing, including major systems testing, as appropriate for the specific technology to establish its suitability to allow, in conjunction with other major equipment, subsequent operation of the project in accordance with the design capacity of the resource and in accordance with Good Utility Practice. The test(s) shall include those conducted at the point at which the operation of the major equipment will be determined to be in compliance with the requirements of the engineering or purchase specifications.

(g) **Commissioning**. In the New Capacity Qualification Package, the Project Sponsor must provide the date on which the project is expected to have demonstrated the level of performance specified in the New Capacity Show of Interest Form and in the New Capacity Qualification Package.

(h) **Commercial Operation**. In the New Capacity Qualification Package, the Project Sponsor must provide the date by which the project is expected to achieve Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff) and/or the date by which the Project Sponsor expects to be ready to demonstrate to the ISO that the Demand Capacity Resource described in the New Demand Capacity Resource Qualification Package has achieved its full demand reduction value. This date must be no later than the start of the Capacity Commitment Period associated with the Forward Capacity Auction.

III.13.1.1.2.2.3. Offer Information.

(a) All New Generating Capacity Resources that might submit offers in the Forward Capacity Auction at prices below the relevant Offer Review Trigger Price must include in the New Capacity Qualification Package the lowest price at which the resource requests to offer capacity in the Forward Capacity Auction and supporting documentation justifying that price as competitive in light of the resource's costs (as described in Section III.A.21). This price is subject to review by the Internal Market Monitor pursuant to Section III.A.21.2 and must include the additional documentation described in that Section.

(b) The Project Sponsor for a New Generating Capacity Resource must indicate in the New Capacity Qualification Package if an offer from the New Generating Capacity Resource may be rationed. A Project Sponsor may specify a Rationing Minimum Limit to which offers may be rationed. Without such indication, offers will only be accepted or rejected in whole. This rationing election shall apply for the entire Forward Capacity Auction.

(c) By submitting a New Capacity Qualification Package, the Project Sponsor certifies that an offer from the New Generating Capacity Resource will not include any anticipated revenues the resource is expected to receive for its capacity cost as a Qualified Generator Reactive Resource pursuant to Schedule 2 of Section II of the Transmission, Markets and Services Tariff.

III.13.1.1.2.2.4. Capacity Commitment Period Election.

In the New Capacity Qualification Package, the Project Sponsor must specify whether, if its New Capacity Offer clears in the Forward Capacity Auction, the associated Capacity Supply Obligation and Capacity Clearing Price (indexed for inflation) shall continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, for up to six additional and consecutive Capacity Commitment Periods, in whole Capacity Commitment Period increments only. For incremental capacity qualified pursuant to Section III.13.1.1.1.3.A, this election shall apply to both the incremental amount of capacity and the existing Qualified Capacity matched to the incremental capacity at the same generating resource. If no such election is made in the New Capacity Qualification Package, the Capacity Supply Obligation and Capacity Clearing Price associated with the New Capacity Offer shall apply only for the Capacity Commitment Period associated with the Forward Capacity Auction in which the New Capacity Offer clears. If a New Capacity Offer clears in the Forward Capacity Auction, the capacity associated with the resulting Capacity Supply Obligation may not be subject to any type of de-list or export bid in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply pursuant to this Section III.13.1.1.2.2.4.

III.13.1.1.2.2.5. Additional Requirements for Resources Previously Counted As Capacity. In addition to the information described elsewhere in this Section III.13.1.1.2.2:

(a) For each resource seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.2 (re-powering), Section III.13.1.1.1.3 (incremental capacity), or Section III.13.1.1.1.4 (de-rated capacity), the Project Sponsor must include in the New Capacity Qualification Package documentation of the costs associated with the project in sufficient detail to allow the ISO to determine that the relevant cost threshold (described in Sections III.13.1.1.1.2(b), III.13.1.1.1.3(b), and III.13.1.1.1.4) will be met.

(b) For each resource seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.2(c) (environmental compliance), the Project Sponsor must include in the New Capacity Qualification Package: (i) a detailed description of the specific regulations that it is seeking to comply with and the permits that it must obtain; and (ii) documentation of the costs associated with the project in sufficient detail to allow the ISO to determine that the relevant cost threshold (described in Section III.13.1.1.1.2(c)) will be met.

(c) For each resource seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Sections III.13.1.1.1.2, III.13.1.1.1.3, or III.13.1.1.1.4, the Project Sponsor must include in the New Capacity Qualification Package detailed information showing how and when the resource will shed its Capacity Supply Obligation to accommodate necessary work on the facility, if necessary. The Project Sponsor must also include the shedding of its Capacity Supply Obligation as an additional milestone in the critical path schedule described in Section III.13.1.1.2.2.2.

III.13.1.1.2.2.6. Additional Requirements for New Generating Capacity Resources that are Intermittent Power Resources.

In addition to the information described elsewhere in this Section III.13.1.1.2.2, for each Intermittent Power Resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Generating Capacity Resource, the Project Sponsor must include in the New Capacity Qualification Package:

(a) a claimed summer Qualified Capacity and a claimed winter Qualified Capacity based on the data described in Section III.13.1.1.2.2.6(b);

(b) measured and recorded site-specific summer and winter data relevant to the expected performance of the Intermittent Power Resource (including wind speed data for wind resources, water flow data for run-of-river hydropower resources, and irradiance data for solar resources) that, with the other information provided in the New Capacity Qualification Package, will enable the ISO to confirm the summer and winter Qualified Capacity that the Project Sponsor claims for the Intermittent Power Resource.

III.13.1.1.2.3. Initial Interconnection Analysis.

(a) For each New Generating Capacity Resource, the ISO shall perform an initial interconnection analysis, including an analysis of overlapping interconnection impacts, based on the information provided in the New Capacity Show of Interest Form and shall determine the amount of capacity that the resource could provide by the start of the associated Capacity Commitment Period. The initial interconnection analysis shall be performed consistent with the criteria and conditions described in ISO New England Planning Procedures, and will include, but will not be limited to, a power flow analysis and a short circuit analysis. No initial interconnection analysis is required where the total requested Qualified Capacity of a New Generating Capacity Resource pursuant to Sections III.13.1.1.2, III.13.1.1.3, III.13.1.1.4, or

III.13.1.1.6 can be realized without a Material Modification (as defined in Section 4.4 of Schedule 22, Section 1.5 of Schedule 23 and Section 4.4 of Schedule 25 of Section II of the Transmission, Markets and Services Tariff). The ISO will perform the initial interconnection analysis in the form of a group study that will include all the projects that have submitted a New Capacity Show of Interest Form to participate in the same Capacity Commitment Period (as described in Section 4.1 of Schedule 22 and Section 1.5 of Schedule 23 of Section II of the Transmission, Markets and Services Tariff). Participation in an initial interconnection analysis is a requirement for obtaining Capacity Network Resource Interconnection Service or Capacity Network Import Interconnection Service in a manner that meets the Capacity Capability Interconnection Standard in accordance with the provisions in Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff.

(b) If as a result of the initial interconnection analysis, the ISO determines that the interconnection facilities and upgrades identified in the qualification process that are necessary to enable the New Generating Capacity Resource to provide the entire amount of capacity indicated in the New Capacity Show of Interest Form can not be implemented before the start of the Capacity Commitment Period, the New Generating Capacity Resource's Qualified Capacity values may be adjusted accordingly, as described in Section III.13.1.1.2.5.

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

(d) If as a result of the initial interconnection analysis, the ISO determines that the New Generating Capacity Resource can provide all or some of the capacity indicated in the New Capacity Show of Interest Form by the start of the Capacity Commitment Period, and if the New Generating Capacity Resource is accepted for participation in the Forward Capacity Auction in accordance with the other provisions and requirements of this Section III.13.1, then in the qualification determination notification, discussed in Section III.13.1.1.2.8, the ISO, after consultation with the applicable Transmission Owner(s) or Elective

Transmission Upgrade Interconnection Customer as appropriate, shall include a list of the facilities that may be required to complete the interconnection and time required to construct those facilities by the start of the associated Capacity Commitment Period.

(e) Where, as a result of the initial interconnection analysis, the ISO concludes, after consultation with the Project Sponsor and the applicable Transmission Owner(s) or Elective Transmission Upgrade Interconnection Customer, as appropriate, that the capacity indicated in the New Capacity Show of Interest Form can not be interconnected by the commencement of the Capacity Commitment Period, the Forward Capacity Market qualification process for that resource shall be terminated and the ISO will notify the Project Sponsor of such termination.

(f) Where, as a result of the initial interconnection analysis, the ISO determines that because of overlapping interconnection impacts, New Generating Capacity Resources that are otherwise accepted for participation in the Forward Capacity Auction in accordance with the other provisions and requirements of this Section III.13.1 cannot provide the full amount of capacity that they each would otherwise be able to provide (in the absence of the other relevant Existing Generating Capacity Resources and New Generating Capacity Resources seeking to qualify for the Forward Capacity Auction), those New Generating Capacity Resources will be accepted for participation in the Forward Capacity Auction on the basis of their Queue Position, as described in Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff, with priority given to resources that entered the queue earlier. Resources with lower priority in the queue may be accepted partially. Starting with the fourth auction, a New Generating Capacity Resource that meets the requirements of this Section III.13.1, but that would not be accepted for participation in the Forward Capacity Auction as a result of overlapping interconnection impacts with another resource having a higher priority in the queue may be accepted for participation in the Forward Capacity Auction as a Conditional Qualified New Resource, as described in Section III.13.2.3.2(f), provided that the resource having a higher priority in the queue is not a resource offering capacity into the Forward Capacity Auction pursuant to Section III.13.2.3.2(e).

III.13.1.1.2.4. Evaluation of New Capacity Qualification Package.
The ISO shall review a New Generating Capacity Resource's New Capacity Qualification Package consistent with the dates set forth in Section III.13.1.10, and shall determine whether the package is complete and whether, based on the information provided, the New Generating Capacity Resource is

accepted for participation in the Forward Capacity Auction. In making these determinations, the ISO may consider, but is not limited to considering, the following:

(a) whether the New Capacity Qualification Package contains all of the elements required by this Section III.13.1.1.2;

(b) whether the critical path schedule includes all necessary elements and is sufficiently developed;

(c) whether the milestones in the critical path schedule are reasonable and likely to be met;

(d) whether, in the case of a resource previously counted as a capacity resource, the requirements for treatment as a New Generating Capacity Resource are satisfied; and

(e) whether, in the case of an Intermittent Power Resource, sufficient data for confirming the resource's claimed summer and winter Qualified Capacity is provided, and whether the data provided reasonably supports the claimed summer and winter Qualified Capacity.

III.13.1.1.2.5. Qualified Capacity for New Generating Capacity Resources.

III.13.1.1.2.5.1. New Generating Capacity Resources Other Than Intermittent Power Resources.

The summer Qualified Capacity and winter Qualified Capacity of a New Generating Capacity Resource that is not an Intermittent Power Resource that has cleared in the Forward Capacity Auction shall be based on the data provided to the ISO during the qualification process, subject to ISO review and verification, and possibly as modified pursuant to Section III.13.1.1.2.3(b). The FCA Qualified Capacity for such a resource shall be the lesser of the resource's summer Qualified Capacity and winter Qualified Capacity, as adjusted to account for applicable offers composed of separate resources.

III.13.1.1.2.5.2. [Reserved]

III.13.1.1.2.5.3. New Generating Capacity Resources that are Intermittent Power Resources.

The summer Qualified Capacity and winter Qualified Capacity of a New Generating Capacity Resource that is an Intermittent Power Resource shall be the summer Qualified Capacity and winter Qualified Capacity claimed by the Project Sponsor pursuant to Section III.13.1.1.2.2.6, as confirmed by the ISO pursuant to Section III.13.1.1.2.4(e). The FCA Qualified Capacity for such a resource shall be equal to the resource's summer Qualified Capacity, as adjusted to account for applicable offers composed of separate resources.

III.13.1.1.2.5.4. New Generating Capacity Resources Partially Clearing in a Previous Forward Capacity Auction.

Where, as discussed in Section III.13.1.1.1.1(c), a New Generating Capacity Resource was accepted for participation in a previous Forward Capacity Auction, but cleared less than its summer or winter Qualified Capacity in that previous Forward Capacity Auction and is having its critical path schedule monitored by the ISO as described in Section III.13.3, its summer and winter Qualified Capacity as a New Generating Capacity Resource in the instant Forward Capacity Auction shall be the summer and winter Qualified Capacity from the previous Forward Capacity Auction minus the amount of capacity clearing from the New Generating Capacity Resource in the previous Forward Capacity Auction. The FCA Qualified Capacity for such a resource shall be the lesser of the resource's summer Qualified Capacity and winter Qualified Capacity, as adjusted to account for applicable offers composed of separate resources. The amount of capacity clearing in a Forward Capacity Auction from a New Generating Capacity Resource shall be treated as an Existing Generating Capacity Resource in subsequent Forward Capacity Auctions.

III.13.1.1.2.6. [Reserved.]

III.13.1.1.2.7. Opportunity to Consult with Project Sponsor.

In its review of a New Capacity Show of Interest Form or a New Capacity Qualification Package, the ISO may consult with the Project Sponsor to seek clarification, to gather additional necessary information, or to address questions or concerns arising from the materials submitted. At the discretion of the ISO, the ISO may consider revisions or additions to the qualification materials resulting from such consultation; provided, however, that in no case shall the ISO consider revisions or additions to the qualification materials if the ISO believes that such consideration cannot be properly accomplished within the time periods established for the qualification process. In addition, the ISO or the Project Sponsor may confer to seek clarification, to gather additional necessary information, or to address questions or concerns prior to the ISO's final determination and notification of qualification.

III.13.1.1.2.8. Qualification Determination Notification for New Generating Capacity Resources.

No later than 127 days before the Forward Capacity Auction, the ISO shall send notification to Project Sponsors or Market Participants, as applicable, for each New Generating Capacity Resource indicating:

(a) whether the New Generating Capacity Resource has been accepted for participation in the Forward Capacity Auction as a result of the initial interconnection analysis made pursuant to Section III.13.1.1.2.3, and if not accepted, an explanation of the reasons the New Generating Capacity Resource was not accepted in the initial interconnection analysis;

(b) whether the New Generating Capacity Resource has been accepted for participation in the Forward Capacity Auction as a result of the New Capacity Qualification Package evaluation made pursuant to Section III.13.1.1.2.4, and if not accepted, an explanation of the reasons the New Generating Capacity Resource's New Capacity Qualification Package was not accepted;

(c) if accepted for participation in the Forward Capacity Auction, a list of the facilities that may be required to complete the interconnection for purposes of providing capacity and time required to construct those facilities by the start of the associated Capacity Commitment Period, as discussed in Section III.13.1.1.2.3(d);

(d) if accepted for participation in the Forward Capacity Auction, the New Generating Capacity Resource's summer Qualified Capacity and winter Qualified Capacity, as determined pursuant to Section III.13.1.1.2.5;

(e) if accepted for participation in the Forward Capacity Auction, but subject to the provisions of Section III.13.1.1.2.3(f) (where not all New Generating Capacity Resources can be interconnected due to their combined effects on the New England Transmission System), a description of how the New Generating Capacity Resource shall participate in the Forward Capacity Auction, including, for the fourth and future auctions: (i) whether the resource shall participate as a Conditional Qualified New Resource; (ii) for the notification to a Conditional Qualified New Resource, the Queue Position of the associated resource with higher queue priority; and (iii) for the notification to a resource with higher queue priority than a Conditional Qualified New Resource, the Queue Position of the Conditional Qualified New Resource; and

(f) if accepted for participation in the Forward Capacity Auction and requesting to submit offers at prices below the relevant Offer Review Trigger Price pursuant to Section III.13.1.1.2.2.3, the Internal Market Monitor's determination regarding whether the requested offer price is consistent with the long run average costs of that New Generating Capacity Resource.

III.13.1.1.2.9 Renewable Technology Resource Election.

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

A Project Sponsor or Market Participant electing Renewable Technology Resource treatment for the FCA Qualified Capacity of a New Generating Capacity Resource or New Demand Capacity Resource shall submit a Renewable Technology Resource election form no later than two Business Days after the date on which the ISO provides qualification determination notifications pursuant to Section III.13.1.1.2.8 or Section III.13.1.4.1.1.6. Only the portion of the FCA Qualified Capacity of the resource that meets the requirements of Section III.13.1.1.1.7 is eligible for treatment as a Renewable Technology Resource.

Renewable Technology Resource elections may not be modified or withdrawn after the deadline for submission of the Renewable Technology Resource election form.

The submission of a Renewable Technology Resource election that satisfies the requirements of Section III.13.1.1.1.7 will invalidate a prior multi-year Capacity Supply Obligation and Capacity Clearing Price election for the same resource made pursuant to Section III.13.1.4.1.1.2.7 or Section III.13.1.1.2.2.4 for a Forward Capacity Auction.

III.13.1.1.2.10 Determination of Renewable Technology Resource Qualified Capacity.

(a) If the total FCA Qualified Capacity of Renewable Technology Resources exceeds the cap specified in subsections (b), (c), (d) and (e) the qualified capacity value of each resource shall be prorated by the ratio of the cap divided by the total FCA Qualified Capacity. The ISO shall notify the Project Sponsor or Market Participant, as applicable, of the Qualified

Capacity value of its resource no more than five Business Days after the deadline for submitting Renewable Technology Resource elections.

(b) The cap for the Capacity Commitment Period beginning on June 1, 2018 is 200 MW.

(c) The cap for the Capacity Commitment Period beginning on June 1, 2019 is 400 MW minus the amount of Capacity Supply Obligations acquired by Renewable Technology Resources that are New Capacity Resources pursuant to Section III.13.2 in the prior Capacity Commitment Period.

(d) The cap for each Capacity Commitment Period beginning on June 1, 2020 or June 1, 2021 is 600 MW minus the amount of Capacity Supply Obligations acquired by Renewable Technology Resources that are New Capacity Resources pursuant to Section III.13.2 in the prior two Capacity Commitment Periods.

(e) The cap for each Capacity Commitment Period beginning on June 1, 2022 or June 1, 2023 or June 1, 2024 is 514 MW minus the cumulative amount of Capacity Supply Obligations acquired by Renewable Technology Resources that are New Capacity Resources in the first or second run of the primary auction-clearing process pursuant to Section III.13.2 for each Capacity Commitment Period that begins on or after June 1, 2021.

III.13.1.2. Existing Generating Capacity Resources.

An Existing Generating Capacity Resource, as defined in Section III.13.1.2.1, may participate in the Forward Capacity Auction pursuant to the provisions of this Section III.13.1.2.

III.13.1.2.1. Definition of Existing Generating Capacity Resource.

Any resource that does not satisfy the criteria for participating in the Forward Capacity Auction as a New Generating Capacity Resource (Section III.13.1.1), as an Existing Import Capacity Resource or New Import Capacity Resource (Section III.13.1.3), or as a New Demand Capacity Resource or Existing Demand Capacity Resource (Section III.13.1.4) shall be an Existing Generating Capacity Resource.

III.13.1.2.1.1. Attributes of Existing Generating Capacity Resources.

For purposes of Forward Capacity Auction qualification, a Market Participant may not change any Existing Generating Capacity Resource attribute (including but not limited to the resource's status as an Intermittent Power Resource) in the period beginning 25 Business Days prior to the Existing Capacity Retirement Deadline and ending with the conclusion of the Forward Capacity Auction. Outside of this period, any such change must be accompanied by documentation justifying the change.

III.13.1.2.1.2 Rationing Minimum Limit.

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

III.13.1.2.2. Qualified Capacity for Existing Generating Capacity Resources.

III.13.1.2.2.1. Existing Generating Capacity Resources Other Than Intermittent Power Resources.

III.13.1.2.2.1.1. Summer Qualified Capacity.

The summer Qualified Capacity of an Existing Generating Capacity Resource that is not an Intermittent Power Resource shall be equal to the median of that Existing Generating Capacity Resource's summer Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day in October of each year, with only positive summer ratings included in the median calculation. For the first Forward Capacity Auction, the summer Qualified Capacity of an Existing Generating Capacity Resource shall be equal to the median of that Existing Generating Capacity Resource's summer Seasonal Claimed Capability ratings from the most recent four years, as of the fifth Business Day in October of each year, with only positive summer ratings included in the median calculation. Where an Existing Generating Capacity Resource has fewer than five summer Seasonal Claimed Capability ratings, or in the case of the first Forward Capacity Auction, fewer than four summer Seasonal Claimed Capability ratings, then the summer Qualified Capacity for that Existing Generating Capacity Resource shall be equal to the median of all of that Existing Generating Capacity Resource's previous summer Seasonal Claimed Capability ratings, as of the fifth Business Day in October of each year, with only positive summer ratings included in the median calculation. If for an Existing Generating Capacity Resource there are no previous positive summer Seasonal Claimed Capability ratings because the Existing Generating Capacity Resource has not yet achieved FCM Commercial Operation, then the Existing Generating Capacity Resource's summer Qualified Capacity shall be equal to the amount of capacity clearing from the resource as a New Generating Capacity Resource in previous Forward Capacity Auctions.

III.13.1.2.2.1.2. Winter Qualified Capacity.

The winter Qualified Capacity of an Existing Generating Capacity Resource that is not an Intermittent Power Resource shall be equal to the median of that Existing Generating Capacity Resource's winter

Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day in June of each year, with only positive winter ratings included in the median calculation. For the first Forward Capacity Auction, the winter Qualified Capacity of an Existing Generating Capacity Resource shall be equal to the median of that Existing Generating Capacity Resource's winter Seasonal Claimed Capability ratings from the most recent four years, as of the fifth Business Day in June of each year, with only positive winter ratings included in the median calculation. Where an Existing Generating Capacity Resource has fewer than five winter Seasonal Claimed Capability ratings, or in the case of the first Forward Capacity Auction, fewer than four winter Seasonal Claimed Capability ratings, then the winter Qualified Capacity for that Existing Generating Capacity Resource shall be equal to the median of all of that Existing Generating Capacity Resource's previous winter Seasonal Claimed Capability ratings, as of the fifth Business Day in June of each year, with only positive winter ratings included in the median calculation. If for an Existing Generating Capacity Resource there are no previous positive winter Seasonal Claimed Capability ratings because the Existing Generating Capacity Resource has not yet achieved FCM Commercial Operation, then the Existing Generating Capacity Resource's winter Qualified Capacity shall be equal to the amount of capacity clearing from the resource as a New Generating Capacity Resource in previous Forward Capacity Auctions.

III.13.1.2.2.2. Existing Generating Capacity Resources that are Intermittent Power Resources.

The summer and winter Qualified Capacity for an Existing Generating Capacity Resource that is an Intermittent Power Resource shall be calculated as follows:

III.13.1.2.2.2.1. Summer Qualified Capacity for an Intermittent Power Resource.

(a) With regard to any Forward Capacity Auction qualification process, for each of the previous five summer periods, the ISO shall determine the median of the Intermittent Power Resource's net output in the Summer Intermittent Reliability Hours. If there are less than five full summer periods since the Intermittent Power Resource achieved FCM Commercial Operation, the ISO shall determine the median of the Intermittent Power Resource's net output in each of the previous summer periods, or portion thereof, since the Intermittent Power Resource achieved FCM Commercial Operation.

(b) The Intermittent Power Resource's summer Qualified Capacity shall be the average of the median numbers determined in Section III.13.1.2.2.2.1(a).

(c) The Summer Intermittent Reliability Hours shall be hours ending 1400 through 1800 each day of the summer period (June through September) and all summer period hours in which there was a system-wide Capacity Scarcity Condition and if the Intermittent Power Resource was in an import-constrained Capacity Zone, all Capacity Scarcity Conditions in that Capacity Zone.

(d) If for an Existing Generating Capacity Resource that is an Intermittent Power Resource there are no previous positive summer Seasonal Claimed Capability ratings because the Existing Generating Capacity Resource has not yet achieved FCM Commercial Operation, then the Existing Generating Capacity Resource's summer Qualified Capacity shall be equal to the amount of capacity clearing from the resource as a New Generating Capacity Resource in previous Forward Capacity Auctions.

III.13.1.2.2.2.2. Winter Qualified Capacity for an Intermittent Power Resource.

(a) With regard to any Forward Capacity Auction qualification process, for each of the previous five winter periods, the ISO shall determine the median of the Intermittent Power Resource's net output in the Winter Intermittent Reliability Hours. If there are less than five full winter periods since the Intermittent Power Resource achieved FCM Commercial Operation, the ISO shall determine the median of the Intermittent Power Resource's net output in each of the previous winter periods, or portion thereof, since the Intermittent Power Resource achieved FCM Commercial Operation.

(b) The Intermittent Power Resource's winter Qualified Capacity shall be the average of the median numbers determined in Section III.13.1.2.2.2.2(a).

(c) The Winter Intermittent Reliability Hours shall be hours ending 1800 and 1900 each day of the winter period (October through May) and all winter period hours in which there was a system-wide Capacity Scarcity Condition and if the Intermittent Power Resource was in an import-constrained Capacity Zone, all Capacity Scarcity Conditions in that Capacity Zone.

(d) If for an Existing Generating Capacity Resource that is an Intermittent Power Resource there are no previous positive winter Seasonal Claimed Capability ratings because the Existing Generating Capacity Resource has not yet achieved FCM Commercial Operation, then the Existing Generating Capacity Resource's winter Qualified Capacity shall be equal to the amount of capacity clearing from the resource as a New Generating Capacity Resource in previous Forward Capacity Auctions.

III.13.1.2.2.3. Qualified Capacity Adjustment for Partially New and Partially Existing Resources.

(a) Where an Existing Generating Capacity Resource is associated with a New Generating Capacity Resource that was accepted for participation in a previous Forward Capacity Auction qualification process and that cleared in a previous Forward Capacity Auction, then in each subsequent Forward Capacity Auction until the New Generating Capacity Resource achieves FCM Commercial Operation the summer Qualified Capacity of that Existing Generating Capacity Resource shall be the sum of [the median of that Existing Generating Capacity Resource's positive summer Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day of October of each year, calculated in a manner consistent with Section III.13.1.2.2.1.1] plus [the amount of the New Generating Capacity Resource's capacity clearing in previous Forward Capacity Auctions]. After the New Generating Capacity Resource achieves FCM Commercial Operation, the Existing Generating Capacity Resource's summer Qualified Capacity shall be calculated as described in Section III.13.1.2.2.1.1, except that no data from the time period prior to the New Generating Capacity Resource's FCM Commercial Operation date shall be used to determine the summer Qualified Capacity associated with the Existing Generating Capacity Resource.

(b) Where an Existing Generating Capacity Resource is associated with a New Generating Capacity Resource that was accepted for participation in a previous Forward Capacity Auction qualification process and that cleared in a previous Forward Capacity Auction, then in each subsequent Forward Capacity Auction until the New Generating Capacity Resource achieves FCM Commercial Operation the winter Qualified Capacity of that Existing Generating Capacity Resource shall be the sum of [the median of that Existing Generating Capacity Resource's positive winter Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day of June of each year, calculated in a manner consistent with Section III.13.1.2.2.1.2] plus [the amount of the New Generating Capacity Resource's capacity clearing in previous Forward Capacity Auctions]. After the New Generating Capacity Resource achieves FCM Commercial Operation, the Existing Generating Capacity Resource's winter Qualified Capacity shall be calculated as described in Section III.13.1.2.2.1.2, except that no data from the time period prior to the New Generating Capacity Resource's FCM Commercial Operation date shall be used to determine the winter Qualified Capacity associated with the Existing Generating Capacity Resource.

III.13.1.2.2.4. Adjustment for Significant Decreases in Capacity Prior to the Existing Capacity Retirement Deadline.

Where the most recent summer Seasonal Claimed Capability, as of the fifth Business Day in October, of an Existing Generating Capacity Resource (other than a Settlement Only Resource or an Intermittent Power Resource) is below its summer Qualified Capacity, as determined pursuant to Section III.13.1.2.2.1.1, by:

(1) for Capacity Commitment Periods beginning prior to June 1, 2023, more than the lesser of 20 percent of that summer Qualified Capacity or 40 MW;

(2) for Capacity Commitment Periods beginning on or after June 1, 2023, more than the lesser of:

   (i) the greater of 10 percent of the amount of capacity from that resource that is subject to a Capacity Supply Obligation for that month or two MW, or;

   (ii) 10 MW;

then the Lead Market Participant must elect one of the two treatments described in this Section III.13.1.2.2.4 by the Existing Capacity Retirement Deadline. If the Lead Market Participant makes no election, or elects treatment pursuant to Section III.13.1.2.2.4(c) and fails to meet the associated requirements, then the treatment described in Section III.13.1.2.2.4(a) shall apply.

(a) A Lead Market Participant may elect, for the purposes of the Forward Capacity Auction only, to have the Existing Generating Capacity Resource's summer Qualified Capacity set to the most recent summer Seasonal Claimed Capability as of the fifth Business Day in October, provided that the Lead Market Participant has furnished evidence regarding the cause of the de-rating.

(b) [Reserved.]

(c) A Lead Market Participant may elect: (i) to submit a critical path schedule as described in Section III.13.1.1.2.2.2, modified as appropriate, describing the measures that will be taken and showing that the Existing Generating Capacity Resource will be able to provide an amount of capacity consistent with the summer Qualified Capacity as calculated pursuant to Section III.13.1.2.2.1.1 by the start of the relevant Capacity Commitment Period; and (ii) to have the Existing Generating Capacity Resource's summer Qualified Capacity remain as calculated pursuant to Section III.13.1.2.2.1.1 for the Forward Capacity Auction. For an Existing Generating Capacity Resource subject to this election, the critical path schedule monitoring provisions of Section III.13.3 shall apply.

III.13.1.2.2.5. Adjustment for Certain Significant Increases in Capacity.

Where an Existing Generating Capacity Resource (other than a Settlement Only Resource) meets the requirements of Section III.13.1.1.1.3(a) but not the requirements of Section III.13.1.1.1.3(b), the Lead Market Participant may elect to have the Existing Generating Capacity Resource's summer Qualified Capacity be the sum of [the median of that Existing Generating Capacity Resource's positive summer Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day in October of each year, calculated in a manner consistent with Section III.13.1.2.2.1.1] plus [the amount of incremental capacity as described in Section III.13.1.1.1.3(a)]; provided, however, that the Lead Market Participant must abide by all other provisions of this Section III.13 applicable to a resource that is a New Generating Capacity Resource pursuant to Section III.13.1.1.1.3. Such an election must be made in writing and must be received by the ISO no later than the close of the New Capacity Show of Interest Submission Window. If the incremental amount of capacity seeking to participate in the Forward Capacity Auction meets the requirements of this Section, but the incremental amount of capacity does not span the entire Capacity Commitment Period, then the ISO shall match the incremental amount of capacity with excess Qualified Capacity at that same resource, not to exceed the Qualified Capacity of the existing portion of the resource, in order to cover the entire Capacity Commitment Period. This provision shall not apply to Intermittent Power Resources.

III.13.1.2.2.5.1. [Reserved.]

III.13.1.2.2.5.2. Requirements for an Existing Generating Capacity Resource, Existing Demand Capacity Resource or Existing Import Capacity Resource Having a Higher Summer Qualified Capacity than Winter Qualified Capacity.

Where an Existing Generating Capacity Resource, Existing Demand Capacity Resource, or Existing Import Capacity Resource (other than an Intermittent Power Resource) has a summer Qualified Capacity that exceeds its winter Qualified Capacity, both as calculated pursuant to this Section III.13.1.2.2, then that resource must either: (i) offer its summer Qualified Capacity as part of an offer composed of separate resources, as discussed in Section III.13.1.5; or (ii) have its FCA Qualified Capacity administratively set by the ISO to the lesser of its summer Qualified Capacity and winter Qualified Capacity.

III.13.1.2.3. Qualification Process for Existing Generating Capacity Resources.

(a) For each Existing Generating Capacity Resource, no later than 20 Business Days before the Existing Capacity Retirement Deadline, the ISO will notify the resource's Lead Market Participant of the resource's summer Qualified Capacity and winter Qualified Capacity and the Load Zone in which the Existing Generating Capacity Resource is located.

(b) If the Lead Market Participant believes that the ISO has made a mathematical error in calculating the summer Qualified Capacity or winter Qualified Capacity for an Existing Generating Capacity Resource as described in Section III.13.1.2.2, then the Lead Market Participant must notify the ISO within five Business Days of receipt of the Qualified Capacity notification.

(c) The ISO shall notify the Lead Market Participant of the outcome of any such challenge no later than 10 Business Days before the Existing Capacity Retirement Deadline. If an Existing Generating Capacity Resource does not submit a Static De-List Bid, an Export Bid, an Administrative Export De-List Bid, a Permanent De-List Bid, or a Retirement De-List Bid in the Forward Capacity Auction qualification process, then the resource shall be entered into the Forward Capacity Auction as described in Section III.13.2.3.2(c).

III.13.1.2.3.1. Existing Capacity Retirement Package and Existing Capacity Qualification Package.

A resource that previously has been deactivated pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions) and seeks to reactivate and participate in the Forward Capacity Market as an Existing Generating Capacity Resource must submit a reactivation plan no later than 15 Business Days before the Existing Capacity Retirement Deadline, as described in Section III.13.1.1.1.6(b). All Permanent De-List Bids and Retirement De-List Bids in the Forward Capacity Auction must be detailed in an Existing Capacity Retirement Package submitted to the ISO no later than the Existing Capacity Retirement Deadline. All Static De-List Bids, Export Bids and Administrative Export De-List Bids in the Forward Capacity Auction must be detailed in an Existing Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline. Permanent De-List Bids and Retirement De-List Bids may not be modified or withdrawn after the Existing Capacity Retirement Deadline, except as provided for in Section III.13.1.2.4.1. All Static De-List Bids, Export Bids, and Administrative Export De-List Bids submitted in the qualification process may not be modified or withdrawn after the Existing Capacity Qualification Deadline, except as provided for in Section III.13.1.2.3.1.1. An Existing Generating Capacity Resource may not submit a Static De-List Bid, Export Bid, Administrative Export De-List Bid, Permanent De-List Bid, or Retirement De-List Bid for an amount of capacity greater than its summer Qualified Capacity, unless the submittal is for the entire resource. Where a resource elected pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7 to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, the capacity associated with any resulting Capacity Supply Obligation may not be subject to any type of de-list or export bid in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply. For a single resource, a Lead Market Participant may combine a Static De-List Bid, an Export Bid, and an Administrative Export De-List Bid; neither a Permanent De-List Bid nor a Retirement De-List Bid may be combined with any other type of de-list or export bid.

Static De-List Bids and Export Bids may elect to be rationed (as described in Section III.13.2.6, however, an Export Bid is always subject to potential rationing where the associated external interface binds). Where a Lead Market Participant submits any combination of Static De-List Bid and Export Bid for a single resource, each of those bids must have the same rationing election. Where a Lead Market Participant submits any combination of Static De-List Bid, Export Bid, and Administrative Export De-List Bid for a single resource, none of the prices in a set of price-quantity pairs associated with a bid may be the same as any price in any other set of price-quantity pairs associated with another bid for the same resource.

III.13.1.2.3.1.A Dynamic De-List Bid Threshold.

The Dynamic De-List Bid Threshold for a Forward Capacity Auction is $4.30/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 Rationing Minimum Limit except where the resource submits de-list and export bids totaling the resource’s full summer Qualified Capacity. Each Static De-List Bid must be detailed in an Existing

Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline, and must be in the form of a curve (up to five price-quantity pairs). The curve may in no case increase the quantity offered as the price decreases. All Static De-List Bids are subject to a reliability review as described in Section III.13.2.5.2.5. Static De-List Bids are subject to review by the Internal Market Monitor pursuant to Section III.13.1.2.3.2 and must include the additional documentation described in that section. With the submission of a Static De-List Bid, the Lead Market Participant must notify the ISO if the Existing Capacity Resource will not be participating in the energy and ancillary services markets during the Capacity Commitment Period (except for necessary audits or tests).

No later than seven days after the issuance by the ISO of the qualification determination notification described in Section III.13.1.2.4(b), a Lead Market Participant that submitted a Static De-List Bid may: (a) lower the price of any price-quantity pair of a Static De-List Bid, provided that the revised price is greater than or equal to the Dynamic De-List Bid Threshold, or; (b) withdraw any price-quantity pair of a Static De-List Bid.

III.13.1.2.3.1.2. [Reserved.]

III.13.1.2.3.1.3. Export Bids.

An Existing Generating Capacity Resource within the New England Control Area, other than an Intermittent Power Resource or a Renewable Technology Resource, seeking to export all or part of its capacity during a Capacity Commitment Period may submit an Export Bid in the associated Forward Capacity Auction qualification process. An Export Bid may not result in a resource's Capacity Supply Obligation being less than its Rationing Minimum Limit except where the resource submits de-list and export bids totaling the resource's full summer Qualified Capacity. All Export Bids are subject to a reliability review as described in Section III.13.2.5.2.5. Export Bids at or above the Dynamic De-List Bid Threshold are subject to review by the Internal Market Monitor pursuant to Section III.13.1.2.3.2 and must include the additional information described in that Section. Each Export Bid must be detailed in an Existing Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline, and must be in the form of a curve (up to five price-quantity pairs) associated with a specific Existing Generating Capacity Resource. The curve may in no case increase the quantity offered as the price decreases. Each price-quantity pair must be less than the Forward Capacity Auction Starting Price. The Existing Capacity Qualification Package for each Export Bid must also specify the interface over which the capacity will be exported. Export Bids shall be entered into the Forward Capacity Auction pursuant to Section III.13.2.3.2(b).

III.13.1.2.3.1.4. Administrative Export De-List Bids.

An Existing Generating Capacity Resource other than an Intermittent Power Resource or a Renewable Technology Resource subject to a multiyear contract to sell capacity outside of the New England Control Area during the Capacity Commitment Period that either: (i) cleared as an Export Bid in a previous Forward Capacity Auction for a Capacity Commitment Period within the duration of the contract; or (ii) entered into a contract prior to April 30, 2007 to sell capacity outside of the New England Control Area during the Capacity Commitment Period, may submit an Administrative Export De-List Bid in the associated Forward Capacity Auction qualification process. An Administrative Export De-List Bid may not result in a resource's Capacity Supply Obligation being less than its Rationing Minimum Limit except where the resource submits de-list and export bids totaling the resource's full summer Qualified Capacity. Unless reviewed as an Export Bid in a previous Forward Capacity Auction, an Administrative Export De-List Bid is subject to a reliability review prior to clearing in a Forward Capacity Auction, as described in Section III.13.2.5.2.5, and is subject to review by the Internal Market Monitor in the first Forward Capacity Auction in which it participates, pursuant to Section III.13.1.7. Both the reliability review and the review by the Internal Market Monitor shall be conducted once and shall remain valid for the multiyear contract period. Each Administrative Export De-List Bid must be detailed in an Existing Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline, must be associated with a specific Existing Generating Capacity Resource, and must indicate the quantity of capacity subject to the bid. The Existing Capacity Qualification Package for each Administrative Export De-List Bid must also specify the interface over which the capacity will be exported, and must include documentation demonstrating a contractual obligation to sell capacity outside of the New England Control Area during the whole Capacity Commitment Period. Administrative Export De-List Bids shall be entered into the Forward Capacity Auction pursuant to Section III.13.2.5.2.4.

III.13.1.2.3.1.5. Permanent De-List Bids and Retirement De-List Bids.

(a) A Lead Market Participant with an Existing Capacity Resource seeking to specify a price at or below which it would not accept a Capacity Supply Obligation permanently for all or part of a Generating Capacity Resource beginning at the start of a particular Capacity Commitment Period may submit a Permanent De-List Bid in the associated Forward Capacity Auction qualification process.

(b) A Lead Market Participant with an Existing Capacity Resource seeking to specify a price at or below which it would retire all or part of a Generating Capacity Resource from all New England Markets beginning at the start of a particular Capacity Commitment Period may submit a Retirement De-List Bid in the associated Forward Capacity Auction qualification process.

(c) No Permanent De-List Bid or Retirement De-List Bid may result in a resource's Capacity Supply Obligation being less than its Rationing Minimum Limit unless the Permanent De-List Bid or Retirement De-List Bid is for the entire resource. Each Permanent De-List Bid and Retirement De-List Bid must be detailed in an Existing Capacity Retirement Package submitted to the ISO no later than the Existing Capacity Retirement Deadline, and must be in the form of a curve (up to five price-quantity pairs) associated with a specific Existing Capacity Resource. The curve may in no case increase the quantity offered as the price decreases. Permanent De-List Bids and Retirement De-List Bids are subject to review by the Internal Market Monitor pursuant to Section III.13.1.2.3.2.1 and must include the additional documentation described in that section. Once submitted, no Permanent De-List Bid or Retirement De-List Bid may be withdrawn, except as provided in Section III.13.1.2.4.1.

III.13.1.2.3.1.5.1. Reliability Review of Permanent De-List Bids and Retirement De-List Bids During the Qualification Process.

During the qualification process, the ISO will review the following de-list bids to determine if the resource is needed for reliability: (1) Internal Market Monitor-accepted Permanent De-List Bids and Internal Market Monitor-accepted Retirement De-List Bids that are at or above the Forward Capacity Auction Starting Price; and (2) Permanent De-List Bids and Retirement De-List Bids for which the Lead Market Participant has opted to have the resource reviewed for reliability as described in Section III.13.1.2.4.1(a) or Section III.13.1.2.4.1(b). The reliability review will be conducted according to Section III.13.2.5.2.5, except as follows:

(a) Permanent De-List Bids and Retirement De-List Bids that cannot be priced (for example, due to the expiration of an operating license) will be reviewed first.

(b) System needs associated with Permanent De-List Bids and Retirement De-List Bids for resources found needed for reliability reasons pursuant to this Section III.13.1.2.3.1.5.1 will be reviewed with the Reliability Committee 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:

(i) For a Retirement De-List Bid at or above the Forward Capacity Auction Starting Price, or a Permanent De-List Bid or Retirement De-List Bid for which a Lead Market Participant has elected to retire the resource pursuant to Section III.13.1.2.4.1(a), the portion of the resource subject to the de-list bid will be retired as permitted by applicable law coincident with the commencement of the Capacity Commitment Period for which the de-list bid was submitted, as described in Section III.13.2.5.2.5.3(a).

(ii) For a Permanent De-List Bid at or above the Forward Capacity Auction Starting Price for which a Lead Market Participant has not elected to retire the resource pursuant to Section III.13.1.2.4.1(a), the portion of the resource subject to the de-list bid will be permanently de-listed coincident with the commencement of the Capacity Commitment Period for which the de-list bid was submitted, as described in Section III.13.2.5.2.5.3(b).

(iii) For a Permanent De-List Bid or Retirement De-List Bid for which a Lead Market Participant has elected conditional treatment pursuant to Section III.13.1.2.4.1(b), the de-list bid will continue to receive conditional treatment as described in Section III.13.1.2.4.1(b), Section III.13.2.3.2(b)(ii), and Section III.13.2.5.2.1.

III.13.1.2.3.1.6. Static De-List Bids, Permanent De-List Bids and Retirement De-List Bids for Existing Generating Capacity Resources at Stations having Common Costs.

Where Existing Generating Capacity Resources at a Station having Common Costs elect to submit Static De-List Bids, Permanent De-List Bids, or Retirement De-List Bids, the provisions of this Section III.13.1.2.3.1.6 shall apply.

III.13.1.2.3.1.6.1. Submission of Cost Data.

In addition to the information required elsewhere in this Section III.13.1.2.3, Static De-List Bids, Permanent De-List Bids, or Retirement De-List Bids submitted by an Existing Generating Capacity Resource that is associated with a Station having Common Costs and seeking to delist must include detailed cost data to allow the ISO to determine the Asset-Specific Going Forward Costs for each asset associated with the Station and the Station Going Forward Common Costs.

III.13.1.2.3.1.6.2. [Reserved.]

III.13.1.2.3.1.6.3. Internal Market Monitor Review of Stations having Common Costs.

The Internal Market Monitor will review each Static De-List Bid, Permanent De-List Bid and Retirement De-List Bids from an Existing Generating Capacity Resource that is associated with a Station having Common Costs pursuant to the following methodology:

(i) Calculate the average Asset-Specific Going Forward Costs of each asset at the Station.

(ii) Order the assets from highest average Asset-Specific Going Forward Costs to lowest average Asset-Specific Going Forward Costs; this is the preferred de-list order.

(iii) Calculate and assign to each asset a station cost that is equal to the average cost of the assets remaining at the Station, including Station Going Forward Common Costs, assuming the successive de-listing of each individual asset in preferred de-list order.

(iv) Calculate a set of composite costs that is equal to the maximum of the cost associated with each asset as calculated in (i) and (iii) above.

The Internal Market Monitor will adjust the set of composite costs to ensure a monotonically non-increasing set of bids as follows: any asset with a composite cost that is greater than the composite cost of the asset with the lowest composite cost and that has average Asset-Specific Going Forward Costs that are less than its composite costs will have its composite cost set equal to that of the asset with the lowest composite cost. The bids of the asset with the lowest composite cost and of any assets whose composite costs are so adjusted will be considered a single non-rationable bid for use in the Forward Capacity Auction.

The Internal Market Monitor will compare a de-list bid developed using the adjusted composite costs to the de-list bid submitted by the Existing Generating Capacity Resource that is associated with a Station having Common Costs. If the Internal Market Monitor determines that the submitted de-list bid is less than or equal to the bid developed using the adjusted composite costs, then the bid shall be entered into the Forward Capacity Auction as described in Section III.13.2.3.2(b). If the Internal Market Monitor determines that the submitted de-list bid is greater than the bid developed using the adjusted composite costs or is not consistent with the submitted supporting cost data, then the Internal Market Monitor will establish an Internal Market Monitor-determined or Internal Market Monitor– accepted price for the bid as described in Section III.13.1.2.3.2.1.

III.13.1.2.3.2. Review by Internal Market Monitor of Bids from Existing Capacity Resources.

The Internal Market Monitor shall review bids for Existing Capacity Resources as follows.

III.13.1.2.3.2.1. Static De-List Bids and Export Bids, Permanent De-List Bids, and Retirement De-List Bids at or Above the Dynamic De-List Bid Threshold.

The Internal Market Monitor shall review each Static De-List Bid and each Export Bid at or above the Dynamic De-List Bid Threshold to determine whether the bid is consistent with: (1) the Existing Capacity

Resource’s net going forward costs (as determined pursuant to Section III.13.1.2.3.2.1.2.A); (2) reasonable expectations about the resource’s Capacity Performance Payments (as determined pursuant to Section III.13.1.2.3.2.1.3); (3) reasonable risk premium assumptions (as determined pursuant to Section III.13.1.2.3.2.1.4); and (4) the resource’s reasonable opportunity costs (as determined pursuant to Section III.13.1.2.3.2.1.5).

The Internal Market Monitor shall review each Permanent De-List Bid greater than 20 MW that is at or above the Dynamic De-List Bid Threshold and each Retirement De-List Bid greater than 20 MW that is at or above the Dynamic De-List Bid Threshold to determine whether the bid is consistent with: (1) the net present value of the resource’s expected cash flows (as determined pursuant to Section III.13.1.2.3.2.1.2.B); (2) reasonable expectations about the resource’s Capacity Performance Payments (as determined pursuant to Section III.13.1.2.3.2.1.3); and (3) the resource’s reasonable opportunity costs (as determined pursuant to Section III.13.1.2.3.2.1.5). If more than one Permanent De-List Bid or Retirement De-List Bid is submitted by a single Lead Market Participant or its Affiliates (as used in Section III.A.24), the Internal Market Monitor shall review each such bid at or above the Dynamic De-List Bid Threshold if the sum of all such bids at or above the Dynamic De-List Bid Threshold is greater than 20 MW. The Internal Market Monitor shall review each Permanent De-List Bid and each Retirement De-List Bid submitted at any price pursuant to Section III.13.2.5.2.1(b) if the sum of the Permanent De-List Bids and Retirement De-List Bids submitted by the Lead Market Participant or its Affiliates (as used in Section III.A.24) is greater than 20 MW. Permanent De-List Bids and Retirement De-List Bids that are not reviewed by the Internal Market Monitor shall be included in the retirement determination notification described in Section III.13.1.2.4(a) and in the filing made to the Commission as described in Section III.13.8.1(a).

Sufficient documentation and information about each bid component must be included in the Existing Capacity Retirement Package or the Existing Capacity Qualification Package to allow the Internal Market Monitor to make the requisite determinations. If a Permanent De-List Bid or Retirement De-List Bid is submitted pursuant to Section III.13.2.5.2.1(b), all relevant updates to previously submitted documentation and information must be provided to support the newly submitted price and allow the Internal Market Monitor to make updated determinations. The updated information may include a request to discontinue the Permanent De-List Bid or Retirement De-List Bid such that it will not be entered into the Forward Capacity Auction, in which case the update must include sufficient supporting information on the nature of resource investments that were undertaken, or other materially changed circumstances, to allow the Internal Market Monitor to determine whether discontinuation is appropriate.

The entire de-list submittal shall be accompanied by an affidavit executed by a corporate officer attesting to the accuracy of its content, including reported costs, the reasonableness of the estimates and adjustments of costs that would otherwise be avoided if the resource were not required to meet the obligations of a listed resource, and the reasonableness of the expectations and assumptions regarding Capacity Performance Payments, cash flows, opportunity costs, and risk premiums, and shall be subject to audit upon request by the ISO.

III.13.1.2.3.2.1.1. Internal Market Monitor Review of De-List Bids.

The Internal Market Monitor may seek additional information from the Lead Market Participant (including information about the other existing or potential new resources controlled by the Lead Market Participant) after the qualification deadline to address any questions or concerns regarding the data submitted, as appropriate. The Internal Market Monitor shall review all relevant information (including data, studies, and assumptions) to determine whether the bid is consistent with the resource's net going forward costs, reasonable expectations about the resource's Capacity Performance Payments, reasonable risk premium assumptions, and reasonable opportunity costs. In making this determination, the Internal Market Monitor shall consider, among other things, industry standards, market conditions (including published indices and projections), resource-specific characteristics and conditions, portfolio size, and consistency of assumptions across that portfolio.

III.13.1.2.3.2.1.1.1. Review of Static De-List Bids and Export Bids.

If the Internal Market Monitor determines, after due consideration and consultation with the Lead Market Participant, as appropriate, that a Static De-List Bid or an Export Bid is not consistent with the sum of the resource's net going forward costs plus reasonable expectations about the resource's Capacity Performance Payments plus reasonable risk premium assumptions plus reasonable opportunity costs, then the Internal Market Monitor will establish an Internal Market Monitor-determined price for the bid that is consistent with its determination of the foregoing. If an Internal Market Monitor-determined price is established for a Static De-List Bid or an Export Bid, both the qualification determination notification described in Section III.13.1.2.4 and the informational filing made to the Commission as described in Section III.13.8.1(c) shall include an explanation of the Internal Market Monitor-determined price based on the Internal Market Monitor review and the resource's net going forward costs, reasonable expectations about the resource's Capacity Performance Payments, reasonable risk premium assumptions, and reasonable opportunity costs as determined by the Internal Market Monitor.

III.13.1.2.3.2.1.1.2. Review of Permanent De-List Bids and Retirement De-List Bids.

The Internal Market Monitor shall review those Permanent De-List Bids and Retirement De-List Bids identified in Section III.13.1.2.3.2.1 and, after due consideration and consultation with the Lead Market Participant, as appropriate, shall develop an Internal Market Monitor-accepted Permanent De-List Bid or an Internal Market Monitor-accepted Retirement De-List Bid. The Internal Market Monitor-accepted Permanent De-List Bid and Internal Market Monitor-accepted Retirement De-List Bid shall be equal to the Permanent De-List Bid or Retirement De-List Bid submitted by the Lead Market Participant unless the de-list bid price(s) submitted by the Lead Market Participant are more than 10% greater than the Internal Market Monitor-accepted de-list bid price(s) for the same de-list bid. If the de-list bid price(s) submitted by the Lead Market Participant are more than 10% greater than the Internal Market Monitor-accepted de-list bid price(s), the Internal Market Monitor shall calculate an Internal Market Monitor-accepted Permanent De-List Bid or Internal Market-Monitor-accepted Retirement De-List Bid that is consistent with the sum of the net present value of the resource's expected cash flows plus reasonable expectations about the resource's Capacity Performance Payments plus reasonable opportunity costs.

The retirement determination notification described in Section III.13.1.2.4(a) and the filing made to the Commission as described in Section III.13.8.1(a) shall include an explanation of the Internal Market Monitor-accepted price and the Internal Market Monitor determination on any request to discontinue the Permanent De-List Bid or Retirement De-List Bid.

III.13.1.2.3.2.1.2.A. Static De-List Bid and Export Bid Net Going Forward Costs.

The Lead Market Participant for an Existing Capacity Resource that submits a Static De-List Bid or an Export Bid at or above the Dynamic De-List Bid Threshold that is to be reviewed by the Internal Market Monitor shall report 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.

$$\frac{[GFC - (IMR - PER)] \times InfIndex}{(CQ_{Summer,}\, kw) \times (12, months)}$$

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.

> $CQ_{Summer}kW$ = 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 evaluation period in which a resource's net present value is maximized.

III.13.1.2.3.2.1.3. Expected Capacity Performance Payments.

The Lead Market Participant for an Existing Capacity Resource that submits a Static De-List Bid or an Export Bid, Permanent De-List Bid, or Retirement De-List Bid at or above the Dynamic De-List Bid Threshold that is to be reviewed by the Internal Market Monitor shall also provide documentation separately detailing the expected Capacity Performance Payments for the resource. This documentation must include expectations regarding the applicable Capacity Balancing Ratio, the number of hours of reserve deficiency, and the resource's performance during reserve deficiencies.

III.13.1.2.3.2.1.4. Risk Premium.

The Lead Market Participant for an Existing Capacity Resource that submits a Static De-List Bid, or an Export Bid at or above the Dynamic De-List Bid Threshold that is to be reviewed by the Internal Market Monitor shall also provide documentation separately detailing any risk premium included in the bid. This documentation should address all components of physical and financial risk reflected in the bid, including, for example, catastrophic events, a higher than expected amount of reserve deficiencies, and performing scheduled maintenance during reserve deficiencies. Any risk that can be quantified and analytically supported and that is not already reflected in the formula for net going forward costs described in Section III.13.1.2.3.2.1.2.A may be included in this risk premium component. In support of the resource's risk premium, the Lead Market Participant may also submit an affidavit from a corporate officer attesting that the risk premium submitted is the minimum necessary to ensure that the overall level of risk associated with the resource's participation in the Forward Capacity Market is consistent with the participant's corporate risk management practices.

III.13.1.2.3.2.1.5. Opportunity Costs.

To the extent that an Existing Capacity Resource submitting a Static De-List Bid or an Export Bid, Permanent De-List Bid or Retirement De-List Bid at or above the Dynamic De-List Bid Threshold has additional opportunity costs that are not reflected in the net going forward costs, net present value of expected cash flows, expected Capacity Performance Payments, discount rate, or risk premium components of the bid, the Lead Market Participant must include in the Existing Capacity Qualification Package evidence supporting such costs. Opportunity costs associated with major repairs necessary to restore decreases in capacity as described in Section III.13.1.2.2.4, capital projects required to operate the plant as a capacity resource or other uses of the resource shall be considered, provided such costs are substantiated by evidence of a repair plan, documented business plan and fundamental market analysis, or other independent and transparent trading index or indices as applicable. Substantiation of opportunity costs relying on sales in reconfiguration auctions or risk aversion premiums shall not be considered sufficient justification.

III.13.1.2.3.2.2. [Reserved.]

III.13.1.2.3.2.3. Administrative Export De-List Bids.

The Internal Market Monitor shall review each Administrative Export De-List Bid associated with a multi-year contract entered into prior to April 30, 2007 in the first Forward Capacity Auction in which it clears. An Administrative Export De-List Bid shall be rejected if the Internal Market Monitor determines that the bid may be an attempt to manipulate the Forward Capacity Auction, and the matter will be referred to the Commission in accordance with the protocols set forth in Appendix A to the Commission's Market Monitoring Policy Statement (111 FERC ¶ 61,267 (2005)).

III.13.1.2.3.2.4. Static De-List Bids for Reductions in Ratings Due to Ambient Air Conditions.

A Lead Market Participant may submit a Static De-List Bid for up to the megawatt amount that the Lead Market Participant expects will not be physically available due to the difference between the summer Qualified Capacity at 90 degrees and the expected rating of the resource at 100 degrees. The ISO shall verify during the qualification process that the rating is accurate. Such Static De-List Bids may be entered into the Forward Capacity Market at prices up to and including the Forward Capacity Auction Starting Price, subject to validation of the physical limit. Static De-List Bids for reductions in ratings due to ambient air conditions shall not be subject to the review described in Section III.13.1.2.3.2 and need not include documentation for that purpose.

III.13.1.2.3.2.5. Static De-List Bid Incremental Capital Expenditure Recovery Schedule. Except as described below, the Internal Market Monitor shall review all Static De-List Bids using the following cost recovery schedule for incremental capital expenditures, which assumes an annual pre-tax weighted average cost of capital of 10 percent.

Age of Existing Resource (years)	Remaining Life (years)	Annual Rate of Capital Cost Recovery
1 to 5	30	0.106
6 to 10	25	0.110
11 to 15	20	0.117
16 to 20	15	0.131
21 to 25	10	0.163
25 plus	5	0.264

A Market Participant may request that a different pre-tax weighted average cost of capital be used to determine the resource's annual rate of capital cost recovery by submitting the request, along with supporting documentation, in the Existing Capacity Qualification Package. The Internal Market Monitor shall review the request and supporting documentation and may, at its sole discretion, replace the annual rate of capital cost recovery from the table above with a resource-specific value based on an adjusted pre-tax weighted average cost of capital. If the Internal Market Monitor uses an adjusted pre-tax weighted average cost of capital for the resource, then the resource's annual rate of capital cost recovery will be determined according to the following formula:

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

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 Facility treatment pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff. An external node for such an Elective Transmission Upgrade will be modeled for participation in the Forward Capacity Market after the Import Capacity Resource meets the requirements to participate in the FCA. The Qualified Capacity of an Import Capacity Resource associated with an Elective Transmission Upgrade shall not exceed the Capacity Network Import Interconnection Service Interconnection Request. In order for an Elective Transmission Upgrade to maintain its Capacity Network Import Interconnection Service, an associated Import Capacity Resource must meet the Forward Capacity Market qualification requirements and offer into each Forward Capacity Auction. Otherwise, the Capacity Network Import Interconnection Service will revert to Network Import Interconnection Service for the portion of the Capacity Network Import Interconnection Service for which no Import Capacity Resource is offered into the Forward Capacity Auction and the Elective Transmission Upgrade's Interconnection Agreement will be revised. The provisions in Sections III.13.1.3.5.4, permitting a Capacity Commitment Period Election, and in Section III.13.1.3.5.8, permitting a rationing election, shall apply to a New Import Capacity Resource associated with an Elective Transmission Upgrade seeking to reestablish Capacity Network Import Interconnection Service if the threshold to be treated as a new resource in Section III.13.1.1.1.4 is met. If the threshold to be treated as a new increment in Section III.13.1.1.1.3 is met, only the increment will be eligible for the provisions in Sections III.13.1.3.5.4, permitting a Capacity Commitment Period Election, and in Section III.13.1.3.5.8, permitting a rationing election.

III.13.1.3.1. Definition of Existing Import Capacity Resource.

Capacity associated with a multi-year contract entered into before the Existing Capacity Retirement Deadline to provide capacity in the New England Control Area from outside of the New England Control Area for a period including the whole Capacity Commitment Period, or capacity from an External Resource that is owned or directly controlled by the Lead Market Participant and which is committed for at least two whole consecutive Capacity Commitment Periods by the Lead Market Participant in the New Capacity Qualification Package, shall participate in the Forward Capacity Auction as an Existing Import Capacity Resource, except that if that Existing Import Capacity Resource has not cleared in a previous Forward Capacity Auction, then the import capacity shall participate in the Forward Capacity Auction as a New Import Capacity Resource.

III.13.1.3.2. Qualified Capacity for Existing Import Capacity Resources.

The summer Qualified Capacity and winter Qualified Capacity of an Existing Import Capacity Resource shall be based on the data provided to the ISO during the qualification process, subject to ISO review and verification.

The qualified capacity for the Existing Import Capacity Resources associated with the VJO and NYPA contracts listed in Section III.13.1.3.3.A(c) as of the Capacity Commitment Period beginning June 1, 2014 shall be equal to the lesser of the stated amount in Section III.13.1.3.3.A(c) or the median amount of the energy delivered from the Existing Import Capacity Resource during the New England system coincident peak over the previous five Capacity Commitment Periods at the time of qualification.

III.13.1.3.3.A Qualification Process for Existing Import Capacity Resources that are not associated with an Elective Transmission Upgrade with Capacity Network Import Interconnection Service.

Existing Import Capacity Resources shall be subject to the same qualification process as Existing Generating Capacity Resources, as described in Section III.13.1.2.3, except as follows:

(a) The Qualified Capacity shall be the lesser of the multi-year contract values as documented in the new resource qualification determination notification and the capacity clearing in the Forward Capacity Auction to which the new resource qualification determination notification applied.

(b) The rationing election described in Section III.13.1.2.3.1 shall not apply.

(c) The Existing Import Capacity Resources associated with contracts listed in the table below may qualify to receive the treatment described in Section III.13.2.7.3A for the duration of the contracts as listed. For each Forward Capacity Auction after the first Forward Capacity Auction, in order for an Existing Import Capacity Resource associated with a contract listed below to qualify for the treatment described in Section III.13.2.7.3A, no later than 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.13.2.7.3A.

Contract Description	**MW**	**Contract End Date**
NYPA: NY ─ NE: CMEEC	13.2	8/31/2025
NYPA: NY ─ NE: MMWEC	53.3	8/31/2025
NYPA: NY ─ NE: Pascoag	2.3	8/31/2025
NYPA: NY─ NE: VELCO	15.3	8/31/2025
	84.1	
VJO: Highgate ─ NE	Up to 225	10/31/2016
VJO: Highgate ─ NE (extension) (beginning 11/01/2016)	Up to 6	October 2020
VJO: Phase I/II ─ NE	Up to 110	10/31/2016

(d) In addition to the review described in Section III.13.1.2.3.2, the Internal Market Monitor shall review each bid from Existing Import Capacity Resources. A bid from an Existing Import Capacity Resource shall be rejected if the Internal Market Monitor determines that the bid may be an attempt to manipulate the Forward Capacity Auction, and the matter will be referred to the Commission in accordance with the protocols set forth in Appendix A to the Commission's Market Monitoring Policy Statement (111 FERC ¶ 61,267 (2005)).

III.13.1.3.3.B. Qualification Process for Existing Import Capacity Resources that are associated with an Elective Transmission Upgrade with Capacity Import Interconnection Service. Existing Import Capacity Resources associated with an Elective Transmission Upgrade with Capacity Import Interconnection Service pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff shall be subject to the same qualification process as Existing Generating Capacity Resources as described in Section III.13.1.2.3, except the Qualified Capacity shall be the lesser of the multi-year contract values as documented in the new resource qualification determination notification and the capacity clearing in the Forward Capacity Auction to which the new resource qualification determination notification applied.

III.13.1.3.4. Definition of New Import Capacity Resource.

Capacity not associated with a multi-year contract entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside the New England Control Area for the whole Capacity Commitment Period, but that meets the requirements of Section III.13.1.3.5.1, shall participate in the Forward Capacity Auction as a New Import Capacity Resource. For capacity associated with a multi-year contract entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside the New England Control Area for a period including the whole Capacity Commitment Period, or capacity from an External Resource that is owned or directly controlled by the Lead Market Participant and which is committed for at least two whole consecutive Capacity Commitment Periods by the Lead Market Participant in the New Capacity Qualification Package, if the import capacity has not cleared in a previous Forward Capacity Auction, then the import capacity shall participate in the Forward Capacity Auction as a New Import Capacity Resource.

III.13.1.3.5. Qualification Process for New Import Capacity Resources.

The qualification process for a New Import Capacity Resource, whether backed by a new External Resource, by one or more existing External Resources, or by an external Control Area, shall be the same as the qualification process for a New Generating Capacity Resource, as described in Section III.13.1.1.2, except as follows:

III.13.1.3.5.1. Documentation of Import.

(a) For each New Import Capacity Resource, the Project Sponsor submitting the import capacity must also submit: (i) documentation of a one-year contract entered into before the New Capacity

Qualification Deadline to provide capacity in the New England Control Area from outside of the New England Control Area for the entire Capacity Commitment Period, including documentation of the MW value of the contract; (ii) documentation of a multi-year contract entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside of the New England Control Area for the contract period including the entire Capacity Commitment Period, including documentation of the MW value of the contract; (iii) proof of ownership or direct control over one or more External Resources that will be used to back the New Import Capacity Resource during the Capacity Commitment Period, including information to establish the summer and winter ratings of the resource(s) backing the import; or (iv) documentation for system-backed import capacity that the import capacity will be supported by the Control Area and that the energy associated with that system-backed import capacity will be afforded the same curtailment priority as that Control Area's native load. For each New Import Capacity Resource, the Project Sponsor must specify the interface over which the capacity will be imported. The Project Sponsor must indicate whether the import is associated with any investment in transmission that increases New England's import capability or is associated with an Elective Transmission Upgrade with an Interconnection Request for Capacity Network Import Interconnection Service pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff that has not yet achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff. The Project Sponsor must submit a contract confirming its association with the Elective Transmission Upgrade Interconnection Customer and the ISO will confirm that relationship. If the import will be backed by a single new External Resource, the Project Sponsor submitting the import capacity must also submit a general description of the project's equipment configuration, including a description of the resource type (such as those listed in the table in Section III.A.21.1 or some other type).

(b) To qualify for Capacity Commitment Periods prior to the Capacity Commitment Period associated with the Forward Capacity Auction for which the import capacity is qualifying, the Project Sponsor must submit documentation of one or more one-year contracts for each prior Capacity Commitment Period, entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside of the New England Control Area for the entire Capacity Commitment Period, including documentation of the MW value of the contract(s); the Project Sponsor must also satisfy the relevant requirements of Sections III.13.1.3.5.1(a) , III.13.1.3.5.2, III.13.1.9, and III.13.3.1.1.

III.13.1.3.5.2. Import Backed by Existing External Resources.

If the New Import Capacity Resource will be backed by one or more External Resources existing at the time of the Forward Capacity Auction and the capacity will be imported over an interface that has achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff, the provisions regarding site control (Section III.13.1.1.2.2.1) and critical path schedule (Section III.13.1.1.2.2.2) shall not apply, and the Project Sponsor shall instead submit a description of how the New Import Capacity Resource will meet its Capacity Supply Obligation in the Capacity Commitment Period(s) for which it seeks to qualify.

If the New Import Capacity Resource will be backed by one or more External Resources existing at the time of the Forward Capacity Auction and the capacity will be imported over an interface that has not achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets, the provisions regarding site control (Section III.13.1.1.2.2.1) and critical path schedule (Section III.13.1.1.2.2.2) shall apply in addition to the requirement that the Project Sponsor submit a description of how the New Import Capacity Resource will meet its Capacity Supply Obligation in the Capacity Commitment Period(s) for which it seeks to qualify.

The description must indicate specifically which External Resources will back the New Import Capacity Resource during the Capacity Commitment Period, and if those External Resources are not owned or controlled directly by the Project Sponsor, the description must include a commitment that the External Resources will have sufficient capacity that is not obligated outside the New England Control Area to fully satisfy the New Import Capacity Resource's potential Capacity Supply Obligation during the Capacity Commitment Period and demonstrate how that commitment will be met.

III.13.1.3.5.3. Imports Backed by an External Control Area.

If the New Import Capacity Resource will be backed by an external Control Area and the capacity will be imported over an interface that has achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff, the provisions regarding site control (Section III.13.1.1.2.2.1) and critical path schedule (Section III.13.1.1.2.2.2) shall not apply, and the Project Sponsor shall instead submit system load and capacity projections for the external Control Area showing sufficient excess capacity during the Capacity Commitment Period to back the New Import Capacity Resource.

If the New Import Capacity Resource will be backed by an external Control Area and the capacity will be imported over an Elective Transmission Upgrade and the capacity will be imported over an interface that has not achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff, the provisions regarding site control (Section III.13.1.1.2.2.1) and critical path schedule (Section III.13.1.1.2.2.2) shall apply in addition to the requirement that the Project Sponsor submit system load and capacity projections for the external Control Area showing sufficient excess capacity during the Capacity Commitment Period to back the New Import Capacity Resource for the length of the multi-year contract.

III.13.1.3.5.3.1. Imports Crossing Intervening Control Areas.

The preceding rules define requirements associated with the import of capacity from a Control Area, or resources located in a Control Area, directly adjacent to the New England Control Area. Imports of capacity from a Control Area or resources located in a Control Area where such import crosses an intervening Control Area or Control Areas shall comply with the following additional requirements: (1) For imports crossing a single intervening Control Area, the Project Sponsor entering the import contract shall demonstrate, as detailed in the ISO New England Manuals, that the remote Control Area will afford the energy export to the adjacent intervening Control Area the same curtailment priority as its native load, that the adjacent intervening Control Area has procedures in place to explicitly recognize the linkage between the import and re-export of energy in support of the import contract, and that the energy export to the ISO will not be curtailed (except pro-rata with a curtailment of native load) so long as the linked import is flowing. (2) For imports crossing more than one intervening Control Area, in addition to the requirements above, the Project Sponsor entering the import contract shall demonstrate, as detailed in the ISO New England Manuals, by the New Capacity Qualification Deadline, that explicit market and operating procedures exist among the intervening Control Areas to ensure that the energy required to be delivered to the New England Control Area will be guaranteed the same curtailment priority as the intervening native loads, and that none of the intervening Control Areas will curtail the transaction except in conjunction with a curtailment of native load. (3) The Project Sponsor entering the import contract shall demonstrate that capacity it supplies to the New England Control Area will not be recalled or curtailed to satisfy the load of the external Control Area, or that the external Control Area in which it is located will afford New England Control Area load the same curtailment priority that it affords its own Control Area native load.

III.13.1.3.5.4. Capacity Commitment Period Election.

The provisions regarding Capacity Commitment Period election (Section III.13.1.1.2.2.4) shall only apply to a New Import Capacity Resource associated with an Elective Transmission Upgrade with a Capacity Network Import Interconnection Service Interconnection Request. All other New Import Capacity Resources clearing in the Forward Capacity Auction shall have a Capacity Supply Obligation and shall receive payments only for the one-year Capacity Commitment Period associated with that Forward Capacity Auction.

III.13.1.3.5.5. Initial Interconnection Analysis.

The provisions regarding initial interconnection analysis (Section III.13.1.1.2.3) shall not apply unless the capacity will be imported over an Elective Transmission Upgrade pursuing Capacity Network Import Interconnection Service pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff that has not achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff.

III.13.1.3.5.5.A. Cost Information.

The offer information described in Section III.13.1.1.2.2.3 and Section III.A.21.2 may be submitted in the form of a curve (up to five price-quantity pairs) associated with a specific New Import Capacity Resource. The curve may in no case increase the quantity offered as the price decreases. Each price is subject to review by the Internal Market Monitor pursuant to Section III.A.21.2 and must include the additional documentation described in that Section.

III.13.1.3.5.6. Review by Internal Market Monitor of Offers from New Import Capacity Resources.

In addition to the review described in Section III.13.1.1.2.2.3 and Section III.A.21, the Internal Market Monitor shall review each offer from New Import Capacity Resources. An offer from a New Import Capacity Resource shall be rejected if the Internal Market Monitor determines that the bid may be an attempt to manipulate the Forward Capacity Auction, and the matter will be referred to the Commission in accordance with the protocols set forth in Appendix A to the Commission's Market Monitoring Policy Statement (111 FERC ¶ 61,267 (2005)).

III.13.1.3.5.7. Qualification Determination Notification for New Import Capacity Resources.

For New Import Capacity Resources, the qualification determination notification described in Section III.13.1.1.2.8 shall be modified to reflect the differences in the qualification process described in this Section III.13.1.3.5.

No later than seven days after the issuance by the ISO of the qualification determination notification described in Section III.13.1.1.2.8, a Lead Market Participant with a New Import Capacity Resource (other than a New Import Capacity Resource that is (i) backed by a single new External Resource and associated with an investment in transmission that increases New England's import capability, or (ii) associated with an Elective Transmission Upgrade) that submitted a request to submit offers in the Forward Capacity Auction at prices that are below the relevant Offer Review Trigger Price as described in Sections III.13.1.1.2.2.3 and III.13.1.3.5 may: (a) lower the requested offer price of any price-quantity pair submitted to the ISO pursuant to Section III.13.1.1.2.2.3, provided that the revised price is greater than or equal to the Dynamic De-List Bid Threshold, or (b) withdraw any price-quantity pair of a requested offer price.

III.13.1.3.5.8. Rationing Election.

New Import Capacity Resources are subject to rationing except New Import Capacity Resource associated with an Elective Transmission Upgrade with a Capacity Network Import Interconnection Service Interconnection Request, which are eligible for the rationing election described in Section III.13.1.1.2.2.3(b).

III.13.1.4. Demand Capacity Resources.

To participate in a Forward Capacity Auction as a Demand Capacity Resource, a resource must meet the requirements of this Section III.13.1.4. Each Demand Capacity Resource shall be a minimum of 100 kW. An Active Demand Capacity Resource comprises one or more Demand Response Resources located in a single Dispatch Zone. An On-Peak Demand Resource or Seasonal Peak Demand Resource comprises one or more Assets located in a single Load Zone. Demand Capacity Resources must comply with all applicable federal, state, and local regulatory, siting, and tariff requirements, including interconnection tariff requirements related to siting, interconnection, and operation of the Demand Capacity Resource. Demand Capacity Resources are not permitted to submit import or export bids or Administrative Export De-list Bids.

III.13.1.4.1. Definition of New Demand Capacity Resource.

A New Demand Capacity Resource is an Active Demand Capacity Resource that has not cleared in a previous Forward Capacity Auction, and On-Peak Demand Resource consisting of measures that have not been in service prior to the Existing Capacity Qualification Deadline of the applicable Forward Capacity Auction, or a Seasonal Peak Demand Resource consisting of measures that have not been in service prior to the Existing Capacity Qualification Deadline of the applicable Forward Capacity Auction. A Demand Capacity Resource that has previously been defined as an Existing Demand Capacity Resource shall be considered a New Demand Capacity Resource if it meets one of the conditions listed in Section III.13.1.1.1.2.

III.13.1.4.1.1. Qualification Process for New Demand Capacity Resources.

For Forward Capacity Auctions a New Demand Capacity Resource shall have a summer Qualified Capacity and winter Qualified Capacity based on the resource's estimated demand reduction value as submitted and reviewed pursuant to this Section III.13.1.4. The FCA Qualified Capacity for a New Demand Capacity Resource shall be the lesser of the resource's summer Qualified Capacity and winter Qualified Capacity, as adjusted to account for applicable offers composed of separate resources.

(a) For a resource to qualify as a New Demand Capacity Resource, the resource's Project Sponsor must make two separate submissions to the ISO: First, the Project Sponsor must submit estimated demand reduction values and supporting information in the New Demand Capacity Resource Show of Interest Form as described in Section III.13.1.4.1.1.1. Second, the Project Sponsor must submit a New Demand Capacity Resource Qualification Package as described in Section III.13.1.4.1.1.2.

(b) For a resource to qualify as a New Demand Capacity Resource that is an On-Peak Demand Resource or a Seasonal Peak Demand Resource, the Project Sponsor must in addition submit, as part of the New Demand Capacity Resource Qualification Package, a Measurement and Verification Plan providing the documentation, analysis, studies and methodologies used to support the estimates described in this Section III.13.1.4.1.1, which shall be reviewed by the ISO to ensure consistency with the measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals.

III.13.1.4.1.1.1. New Demand Capacity Resource Show of Interest Form.

For each resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Demand Capacity Resource, the Project Sponsor must submit to the ISO a New Demand Capacity

Resource Show of Interest Form as described in this Section III.13.1.4.1.1.1 during the New Capacity Show of Interest Submission Window, as described in Section III.13.1.10. The ISO may waive the submission of any information not required for evaluation of a project.

A completed New Demand Capacity Resource Show of Interest Form shall include, but is not limited to, the following information: project name; Load Zone within which the Demand Capacity Resource will be located; the Dispatch Zone within which an Active Demand Capacity Resource will be located; estimated summer and winter demand reduction values (MW) per measure and/or per customer facility (measured at the customer meter and not including losses); estimated total summer and winter demand reduction value of the Demand Capacity Resource (for an Active Demand Capacity Resource, this estimate must be consistent with the baseline calculation methodology in Section III.8.2); supporting documentation (e.g., engineering estimates or documentation of verified savings from comparable projects) to substantiate the reasonableness of the estimated demand reduction values; Demand Capacity Resource type (Active Demand Capacity Resource, On-Peak Demand Resource, or Seasonal Peak Demand Resource); brief Demand Capacity Resource project description including measure type (i.e., Energy Efficiency, Load Management, and/or Distributed Generation); types of facilities at which the measures will be implemented; customer classes and end-uses served; the date by which the Project Sponsor expects to be ready to demonstrate to the ISO that the Demand Capacity Resource described in the Project Sponsor's New Demand Capacity Resource Qualification Package has achieved its full demand reduction value; ISO Market Participant status and ISO customer identification (if applicable); status under Schedules 22 or 23 of the Transmission, Markets and Services Tariff (if applicable); project/technical and credit/financial contacts; and for individual Distributed Generation projects and Demand Capacity Resource projects from a single facility with a demand reduction value equal to or greater than 5 MW, the Pnode and service address at which the end-use facility is located; capability and experience of the Project Sponsor.

III.13.1.4.1.1.2. New Demand Capacity Resource Qualification Package.

For each resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Demand Capacity Resource, the Project Sponsor must submit a New Demand Capacity Resource Qualification Package no later than the New Capacity Qualification Deadline. The New Demand Capacity Resource Qualification Package shall conform to the requirements of this Section III.13.1.4.1.1.2. The ISO may waive the submission of any information not required for evaluation of a project.

III.13.1.4.1.1.2.1. Source of Funding.

The Project Sponsor must provide in the New Demand Capacity Resource Qualification Package the source of funding, which includes, but is not limited to, the following: the source(s) of public benefits funding or private financing, or a funding plan supplemented by information on how previous projects were funded; and a completed ISO credit application.

III.13.1.4.1.1.2.2. Measurement and Verification Plan.

For On-Peak Demand Resources and Seasonal Peak Demand Resources, the Project Sponsor must provide in the New Demand Capacity Resource Qualification Package a Measurement and Verification Plan that complies with the ISO's measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals.

III.13.1.4.1.1.2.3. Customer Acquisition Plan.

A Project Sponsor with more than a single customer must include in the New Demand Capacity Resource Qualification Package a description of its plan to acquire customers that includes, but is not limited to, the following information: a description of proposed customer market; the estimated size of target market and supporting documentation; a marketing plan with supporting documentation describing the manner in which customers will be recruited; and evidence supporting the viability of the marketing plan.

III.13.1.4.1.1.2.4. Critical Path Schedule for a Demand Capacity Resource with a Demand Reduction Value of at Least 5 MW at a Single Retail Delivery Point.

The Project Sponsor of a Demand Capacity Resource with a demand reduction value of at least 5 MW at a single Retail Delivery Point shall provide in the New Demand Capacity Resource Qualification Package a critical path schedule as set forth in Section III.13.1.1.2.2.2.

III.13.1.4.1.1.2.5. Critical Path Schedule for a Demand Capacity Resource with All Retail Delivery Points Having a Demand Reduction Value of Less Than 5 MW.

The Project Sponsor of a Demand Capacity Resource with all Retail Delivery Points having a demand reduction value of less than 5 MW shall provide in the New Demand Capacity Resource Qualification Package a critical path schedule comprised of a delivery schedule of the share of total offered demand reduction value achieved as of target dates, as follows: (i) the cumulative percentage of total demand reduction value achieved on target date 1 occurring five weeks prior to the first annual Forward Capacity

Auction after the Forward Capacity Auction in which the Project Sponsor's capacity award was made; (ii) the cumulative percentage of total demand reduction value achieved on target date 2 occurring five weeks prior to the second annual Forward Capacity Auction after the Forward Capacity Auction in which the Project Sponsor's capacity award was made; and (iii) target date 3 which is the date by which the Project Sponsor expects to be ready to demonstrate to the ISO that the Demand Capacity Resource described in the Project Sponsor's New Demand Capacity Resource Qualification Package has achieved its full demand reduction value, which must be on or before the first day of the relevant Capacity Commitment Period and by which date 100% of total demand reduction value must be complete.

III.13.1.4.1.1.2.6. **[Reserved.]~~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.~~

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III.13.1.4.1.1.2.7. **Capacity Commitment Period Election**.

In the New Demand Capacity Resource Qualification Package, the Project Sponsor must specify whether, if its New Demand Capacity Resource offer clears in the Forward Capacity Auction, the associated

Capacity Supply Obligation and Capacity Clearing Price (indexed for inflation) shall continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, for up to six additional and consecutive Capacity Commitment Periods, in whole Capacity Commitment Period increments only. If no such election is made in the New Demand Capacity Resource Qualification Package, the Capacity Supply Obligation and Capacity Clearing Price associated with the New Demand Capacity Resource offer shall apply only for the Capacity Commitment Period associated with the Forward Capacity Auction in which the New Demand Capacity Resource offer clears. If the Project Sponsor elects to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, then the Project Sponsor may not change the Demand Capacity Resource type as long as that Capacity Supply Obligation and Capacity Clearing Price continue to apply. If an offer from a New Demand Capacity Resource clears in the Forward Capacity Auction, the capacity associated with the resulting Capacity Supply Obligation may not be subject to any type of de-list or export bid in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply pursuant to this Section III.13.1.4.1.1.2.7.

III.13.1.4.1.1.2.8. Offer Information From New Demand Capacity Resources.

(a) All New Demand Capacity Resources that might submit offers in the Forward Capacity Auction at prices below the relevant Offer Review Trigger Price must include in the New Demand Capacity Resource Qualification Package the lowest price at which the resource requests to offer capacity in the Forward Capacity Auction and supporting documentation justifying that price as competitive in light of the resource's costs (as described in Section III.A.21). This price is subject to review by the Internal Market Monitor pursuant to Section III.A.21.2 and must include the additional documentation described in that section.

(b) The Project Sponsor for a New Demand Capacity Resource must indicate in the New Demand Capacity Resource Qualification Package if an offer from the New Demand Capacity Resource may be rationed. A Project Sponsor may specify a single MW quantity to which offers may be rationed. Without such indication, offers will only be accepted or rejected in whole. This rationing election shall apply for the entire Forward Capacity Auction.

III.13.1.4.1.1.3. Initial Analysis for Active Demand Capacity Resources.

For each New Demand Capacity Resource that is an Active Demand Capacity Resource, the ISO shall perform an analysis based on the information provided in the New Demand Capacity Resource Show of Interest Form to determine the amount of capacity that the resource could provide by the start of the associated Capacity Commitment Period. This analysis shall be performed consistent with the criteria and conditions described in ISO New England Planning Procedures. Where, as a result of this analysis, the ISO determines that because of overlapping interconnection impacts, such a New Demand Capacity Resource that is otherwise accepted for participation in the Forward Capacity Auction in accordance with the other provisions and requirements of this Section III.13.1 cannot deliver any of the capacity that it would otherwise be able to provide (in the absence of the other relevant Existing Capacity Resources), then that New Demand Capacity Resource will not be accepted for participation in the Forward Capacity Auction.

III.13.1.4.1.1.4. Consistency of the New Demand Capacity Resource Qualification Package and New Demand Capacity Resource Show of Interest Form.

The ISO shall review the Project Sponsor's New Demand Capacity Resource Qualification Package for consistency with its New Demand Capacity Resource Show of Interest Form. The New Demand Capacity Resource Qualification Package may not contain material changes relative to the New Demand Capacity Resource Show of Interest Form. A material change may include, but is not limited to the following: (i) a change in the designation of the Demand Capacity Resource type; (ii) a change in the Project Sponsor, subject to review by the ISO of the capability and experience of the new Project Sponsor; (iii) a change in the Load Zone within which the project is located, and a change in the Dispatch Zone within which the Active Demand Capacity Resource is located; (iv) a change in the total summer or winter demand reduction value of the project by more than 30 percent; (v) a change in the general type of measure being implemented (e.g., Energy Efficiency, Load Management, Distributed Generation); or (vi) a misrepresentation of the interconnection status of a Distributed Generation project.

III.13.1.4.1.1.5. Evaluation of New Demand Capacity Resource Qualification Materials.

The ISO shall review the information submitted by New Demand Capacity Resources and shall determine whether the information submitted complies with the requirements set forth in this Section III.13.1.4 and whether, based on the information provided, the Demand Capacity Resource is accepted for participation in the Forward Capacity Auction. In making these determinations, the ISO may consider, but is not limited to consideration of, the following:

(a) whether the information submitted by New Demand Capacity Resources is accurate and contains all of the elements required by this Section III.13.1.4;

(b) whether the critical path schedule submitted by New Demand Capacity Resources includes all necessary elements and is sufficiently developed;

(c) whether the milestones in the critical path schedule submitted by New Demand Capacity Resources are reasonable and likely to be met;

(d) whether, in the case of a resource previously counted as a capacity resource, the requirements for treatment as a New Demand Capacity Resource are satisfied; and

(e) whether, in the case of a New Demand Capacity Resource that is an On-Peak Demand Resource or Seasonal Peak Demand Resource, the Measurement and Verification Plan complies with the ISO's measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals.

III.13.1.4.1.1.6. Qualification Determination Notification for New Demand Capacity Resources.

No later than 127 days prior to the relevant Forward Capacity Auction, the ISO shall send notification to Project Sponsors for each New Demand Capacity Resource indicating whether the New Demand Capacity Resource has been accepted for participation in the Forward Capacity Auction.

(a) For a New Demand Capacity Resource accepted for participation in the Forward Capacity Auction, the notification will specify the Demand Capacity Resource type and the Demand Capacity Resource's summer and winter Qualified Capacity, which shall be the ISO-determined summer and winter demand reduction value increased by average avoided peak transmission and distribution losses (that is, eight percent).

(b) For a New Demand Capacity Resource not accepted for participation in the Forward Capacity Auction, the notification will provide an explanation as to why the resource did not meet the requirements set forth in this Section III.13.1.4 and was not accepted.

III.13.1.4.2. Definition of Existing Demand Capacity Resources.
Demand Capacity Resources that previously have been in service and registered with the ISO, and which are not otherwise New Demand Capacity Resources, shall be Existing Demand Capacity Resources. Existing Demand Capacity Resources shall include and are limited to Demand Capacity Resources that have been in service and registered with the ISO to fulfill a Capacity Supply Obligation created by clearing in a past Forward Capacity Auction before the Existing Capacity Qualification Deadline of the applicable Forward Capacity Auction. Except as specified in this Section III.13.1.4, Existing Demand Capacity Resources shall be subject to the same qualification process as Existing Generating Capacity Resources, as described in Section III.13.1.2.3. Existing Demand Capacity Resources shall be subject to Section III.13.1.2.2.5.2. An On-Peak Demand Resource or Seasonal Peak Demand Resource may not include in its demand reduction value a measure whose Measure Life will expire before the beginning of the associated Capacity Commitment Period.

III.13.1.4.2.1. Qualified Capacity Notification for Existing Demand Capacity Resources.
(a) For each Existing Demand Capacity Resource, the ISO will notify the Resource's Lead Market Participant no later than 20 Business Days before the Existing Capacity Retirement Deadline of: the Demand Capacity Resource type; summer and winter Qualified Capacity (which shall be the summer and winter demand reduction value increased by average avoided peak transmission and distribution losses); the Load Zone in which the Demand Capacity Resource is located; and, for Active Demand Capacity Resources, the Dispatch Zone in which the resource is located.

(b) If the Lead Market Participant believes that the ISO's assessment of the Qualified Capacity is inaccurate, the Market Participant must notify the ISO within five Business Days of receipt of the Qualified Capacity notification.

(c) If a Market Participant with an Existing On-Peak Demand Resource or Existing Seasonal Peak Demand Resource wishes to change its Demand Capacity Resource type, the Market Participant must submit an Updated Measurement and Verification Plan to reflect the change in its resource type. Updated Measurement and Verification Plans must be received by the ISO no later than five Business Days after receipt of the Qualified Capacity notification. Designation of the Demand Capacity Resource type may not be changed during the Capacity Commitment Period.

(d) A Market Participant with an Existing On-Peak Demand Resource or Existing Seasonal Peak Demand Resource may provide an Updated Measurement and Verification Plan as described in Section III.13.1.4.3.1.2 that complies with the ISO's measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals. Updated Measurement and Verification Plans must be received by the ISO no later than five Business Days after receipt of the Qualified Capacity notification.

(e) If an Existing Demand Capacity Resource is not submitting a Static De-List Bid, Permanent De-List Bid, or Retirement De-List Bid for the Forward Capacity Auction, then no further submissions or actions for that resource are necessary, and the resource shall participate in the Forward Capacity Auction as described in Section III.13.2.3.2(c) with Qualified Capacity as indicated in the ISO's notification.

III.13.1.4.2.2. Existing Demand Capacity Resource De-List Bids.

An Existing Demand Capacity Resource may submit a Permanent De-List Bid or Retirement De-List Bid pursuant to the provisions of Section III.13.1.2.3.1.5 no later than the Existing Capacity Retirement Deadline or a Static De-List Bid pursuant to the provisions of Section III.13.1.2.3.1.1 no later than the Existing Capacity Qualification Deadline, provided, however, that no de-list bid shall be used as a mechanism to inappropriately qualify Assets associated with Existing Demand Capacity Resources as New Demand Capacity Resources.

III.13.1.4.3. Measurement and Verification Applicable to On-Peak Demand Resources and Seasonal Peak Demand Resources.

To demonstrate the demand reduction value of an On-Peak Demand Resource or Seasonal Peak Demand Resource, the Project Sponsor or Market Participant of such a resource participating in the Forward Capacity Auction, Capacity Supply Obligation Bilaterals, or reconfiguration auctions shall submit to the ISO the Measurement and Verification Documents in accordance with this Section III.13.1.4.3 and the ISO New England Manuals. The ISO shall review such Measurement and Verification Documents to determine whether they are consistent with the measurement and verification requirements set forth in this Section III.13.1.4.3 and the ISO New England Manuals.

III.13.1.4.3.1. Measurement and Verification Documents.

Measurement and Verification Documents must demonstrate both availability and performance of an On-Peak Demand Resource or Seasonal Peak Demand Resource in reducing demand coincident with Demand

Resource On-Peak Hours or Demand Resource Seasonal Peak Hours such that the reported monthly demand reduction value shall achieve at least a ten percent relative precision and an eighty percent confidence interval as described and applied in the ISO New England Manuals and ISO New England Operating Procedures. The Measurement and Verification Documents shall serve as the basis for the claimed demand reduction value of an On-Peak Demand Resource or Seasonal Peak Demand Resource. The Measurement and Verification Documents shall document the measurement and verification performed to verify the achieved demand reduction value of the On-Peak Demand Resource or Seasonal Peak Demand Resource. The Measurement and Verification Documents shall contain a projection of the On-Peak Demand Resource's or Seasonal Peak Demand Resource's demand reduction value for each month of the Capacity Commitment Period and over the expected Measure Lives associated with the Demand Capacity Resources. An On-Peak Demand Resource's or Seasonal Peak Demand Resource's Measurement and Verification Documents must describe the methodology used to calculate electrical energy load reduction or output during Demand Resource On-Peak Hours, or Demand Resource Seasonal Peak Hours. If an On-Peak Demand Resource or Seasonal Peak Demand Resource includes Distributed Generation, the Measurement and Verification Documents must describe the individual metering or metering protocol used to monitor and verify the output of the Distributed Generation, consistent with the measurement and verification requirements set forth in Market Rule 1 and the ISO New England Manuals.

The Measurement and Verification Documents shall include a Measurement and Verification Plan submitted in the Forward Capacity Auction Qualification, as described in Section III.13.1.4.3 and a monthly Measurement and Verification Summary Report during the Capacity Commitment Period. The monthly Measurement and Verification Summary Reports shall reference the measurement and verification protocols and performance data documented in the Measurement and Verification Plan or the Measurement and Verification Reference Report(s). Such monthly Measurement and Verification Summary Reports will document the Project Sponsor's total demand reduction value from eligible pre-existing measures and new measures, and the Project Sponsor's total demand reduction value from both eligible pre-existing measures and new measures, for all measures it had in operation as of the end of the previous month. The monthly Measurement and Verification Summary Reports shall be based on Measurement and Verification Documents determined in accordance with Market Rule 1 and the ISO New England Manuals, and shall be the basis for monthly settlement with Project Sponsors. All Measurement and Verification Documents shall conform to the ISO's specifications with respect to content, format and delivery methodology, and shall be submitted in accordance with the timelines and deadlines set forth in Market Rule 1 and the ISO New England Manuals.

III.13.1.4.3.1.1. Optional Measurement and Verification Reference Reports.

At the option of the Project Sponsor, the Measurement and Verification Documents for an On-Peak Demand Resource or a Seasonal Peak Demand Resource may also include one or more Measurement and Verification Reference Report(s) submitted during the Capacity Commitment Period subject to the schedule in the Measurement and Verification Plan and consistent with the schedule and reporting standards set forth in the ISO New England Manuals. Measurement and Verification Reference Reports shall update the prospective demand reduction value of the On-Peak Demand Resource or Seasonal Peak Demand Resource based on measurement and verification studies performed during the Capacity Commitment Period.

III.13.1.4.3.1.2. Updated Measurement and Verification Documents.

At the option of the Project Sponsor, an Updated Measurement and Verification Plan for an On-Peak Demand Resource or a Seasonal Peak Demand Resource may be submitted during a subsequent Forward Capacity Auction qualification process prior to the beginning of the Capacity Commitment Period of the Demand Capacity Resource project. The Updated Measurement and Verification Plan may include updated project specifications, measurement and verification protocols, and performance data. However, the Updated Measurement and Verification Plan shall not modify for the duration of the Capacity Commitment Period the total claimed demand reduction value or the Demand Capacity Resource type from the applicable Forward Capacity Auction in which the Project Sponsor's offer cleared. Additionally, the Updated Measurement and Verification Plan shall provide measurement and verification consistent with the requirements specified in the ISO New England Manuals, and shall be comparable to the quality of the original Measurement and Verification Plan accepted during the Forward Capacity Auction qualification process in which the Demand Capacity Resource project cleared the Forward Capacity Auction.

III.13.1.4.3.1.3. Annual Certification of Accuracy of Measurement and Verification Documents.

Project Sponsors for On-Peak Demand Resources and Seasonal Peak Demand Resources shall submit no less frequently than once per year, a statement certifying that the Demand Capacity Resource projects for which the Project Sponsor is requesting compensation continue to perform in accordance with the submitted Measurement and Verification Documents reviewed by the ISO. One such statement must be received by the ISO no later than 10 Business Days before the Existing Capacity Qualification Deadline.

III.13.1.4.3.1.4. Record Requirement of Retail Customers Served.

For On-Peak Demand Resources and Seasonal Peak Demand Resources targeting customer facilities with greater than or equal to 10 kW of demand reduction value per facility, Project Sponsors shall maintain records of retail customers served including, at a minimum, the retail customer's address, the customer's utility distribution company, utility distribution company account identifier, measures installed, and corresponding monthly demand reduction values. For On-Peak Demand Resources and Seasonal Peak Demand Resources targeting customer facilities with under 10 kW of demand reduction value per facility, the Project Sponsor shall maintain records as described above for customer facilities with greater than or equal to 10 kW of demand reduction value per facility, or shall maintain records of aggregated demand reduction value and measures installed by Load Zone and meter domain. Project Sponsors shall maintain such records until the end of the Measure Life, or until the Demand Capacity Resource is permanently 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. 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.

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

III.13.1.9. Financial Assurance.

Except as noted in this Section III.13.1.9, all financial assurance requirements associated with Forward Capacity Auctions and annual reconfiguration auctions and other payments and charges resulting from the Forward Capacity Market shall be governed by the ISO New England Financial Assurance Policy.

III.13.1.9.1. Financial Assurance for New Generating Capacity Resources and New Demand Capacity Resources Participating in the Forward Capacity Auction.

In order to participate in any Forward Capacity Auction, New Generating Capacity Resources (including Conditional Qualified New Resources) and New Demand Capacity Resources shall be required to meet the financial assurance requirements as described in the ISO New England Financial Assurance Policy. Timely payment of the FCM Deposit by the Project Sponsor for a New Generating Capacity Resource or New Demand Capacity Resource accepted for participation in the Forward Capacity Auction constitutes a commitment to offer the full FCA Qualified Capacity of that New Generating Capacity Resource or New Demand Capacity Resource in the Forward Capacity Auction at the Forward Capacity Auction Starting Price. If the FCM Deposit is not received within the timeframe specified in the ISO New England Financial Assurance Policy, the New Generating Capacity Resource or New Demand Capacity Resource shall not be permitted to participate in the Forward Capacity Auction. If capacity offered by the New Generating Capacity Resource or New Demand Capacity Resource clears in the Forward Capacity Auction, financial assurance required prior to the auction pursuant to FAP shall be applied toward the resource's financial assurance obligation, as described in the ISO New England Financial Assurance Policy. If no capacity offered by that New Generating Capacity Resource or New Demand Capacity Resource clears in the Forward Capacity Auction, the financial assurance required prior to the auction pursuant to FAP will be released pursuant to the terms of the ISO New England Financial Assurance Policy.

III.13.1.9.2. Financial Assurance for New Generating Capacity Resources and New Demand Capacity Resources Clearing in a Forward Capacity Auction.

Where a New Generating Capacity Resource's offer or a New Demand Capacity Resource's offer is accepted in a Forward Capacity Auction, that resource must provide financial assurance as described in the ISO New England Financial Assurance Policy.

III.13.1.9.2.1. Failure to Provide Financial Assurance or to Meet Milestone.

If a New Generating Capacity Resource or New Demand Capacity Resource: (i) fails to provide the required financial assurance as described in the ISO New England Financial Assurance Policy or (ii) has its Capacity Supply Obligation terminated by the ISO pursuant to Section III.13.3.4A~~(c)~~, it shall lose its Capacity Supply Obligation and its right to any payments associated with that Capacity Supply Obligation, and it shall forfeit any financial assurance provided with respect to that Capacity Supply Obligation.

III.13.1.9.2.2. Release of Financial Assurance.

Once a New Generating Capacity Resource or New Demand Capacity Resource achieves FCM Commercial Operation, its financial assurance obligation shall be released pursuant to the terms of the ISO New England Financial Assurance Policy and it shall have the same financial assurance requirements as an Existing Generating Capacity Resource, as governed by the ISO New England Financial Assurance Policy. If a New Generating Capacity Resource or New Demand Capacity Resource is only capable of delivering less than the amount of capacity that cleared in the Forward Capacity Auction, then the portion of its financial assurance associated with the shortfall shall be forfeited.

III.13.1.9.2.2.1. [Reserved.]

III.13.1.9.2.3. Forfeit of Financial Assurance.

Where any financial assurance is forfeited pursuant to the provisions of Section III.13, there shall be no further coverage for such forfeit under the ISO New England Billing Policy. Any financial assurance that is forfeited pursuant to Section III.13 shall be used to reduce charges incurred by load in the relevant Capacity Zone.

III.13.1.9.2.4. Financial Assurance for New Import Capacity Resources.

A New Import Capacity Resource that is backed by a new External Resource or will be delivered over an Elective Transmission Upgrade with a Capacity Network Import Interconnection Service Interconnection Request pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff shall be subject to the same financial assurance requirements as a New Generating Capacity Resource, as described in Section III.13.1.9.1 and Section III.13.1.9.2. Once the new External Resource or the Elective Transmission Upgrade achieves FCM Commercial Operation, the New Import Capacity Resource shall be subject to the same financial assurance requirements as an Existing Generating Capacity Resource, as described in Section III.13.1.9. A New Import Capacity Resource that is backed by one or more existing External Resources or by an external Control Area shall be subject to the same financial assurance requirements as an Existing Generating Capacity Resource, as governed by the ISO New England Financial Assurance Policy.

III.13.1.9.3. Qualification Process Cost Reimbursement Deposit.

For each New Capacity Show of Interest Form and New Demand Capacity Resource Show of Interest Form submitted for the purposes of qualifying for either a Forward Capacity Auction or reconfiguration auction, the Project Sponsor must submit to the ISO a refundable deposit in the amount shown in the table below ("Qualification Process Cost Reimbursement Deposit"). The Qualification Process Cost Reimbursement Deposit must be received in accordance with the ISO New England Billing Policy. Such deposit shall be used for costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owners, associated with the qualification process described in Section III.13.1 and with the critical path schedule monitoring described in Section III.13.3.

An additional Qualification Process Cost Reimbursement Deposit is not required if: (i) the Project Sponsor is actively seeking qualification for another Forward Capacity Auction or annual reconfiguration auction, or is having the project's critical path schedule monitored pursuant to Section III.13.3; and (ii) the costs already incurred in the qualification process and critical path schedule monitoring do not equal or exceed 90 percent of the amount of the previously-submitted Qualification Process Cost Reimbursement Deposit(s). The ISO shall provide the Project Sponsor with an annual statement in writing of the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring. In any case where resources are aggregated or disaggregated, the associated Qualification Process Cost Reimbursement Deposits will be adjusted as appropriate. After aggregation or disaggregation of resources, historical data regarding the costs already incurred in the qualification process of the original resources will no longer be provided. Coincident with the issuance of the annual statement, where incurred costs are equal to or greater than 90 percent of the Qualification Process Cost Reimbursement Deposit(s) previously submitted, the ISO will issue an invoice in the amount determined pursuant to the Qualification Process Cost Reimbursement Deposit table contained in Section III.13.1.9.3.1 plus any excess of costs incurred to date by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owners, associated with the qualification process described in Section III.13.1 and with the critical path schedule monitoring described in Section III.13.3. Any refunds that may result from aggregation of resources will be issued coincident with the annual statement. Payment on the invoice must be received in accordance with the ISO New England Billing Policy. If the Project Sponsor fails to pay the amount due by the stated due date, the ISO will consider the resources that were invoiced withdrawn by the Project Sponsor. Such a withdrawal shall be irrevocable, and payment on the invoice after the due date will not remedy the failure to pay or the withdrawal.

III.13.1.9.3.1. Partial Waiver Of Deposit.

A portion of the deposit shall be waived when there is an active Interconnection Request and an executed Interconnection Feasibility Study Agreement or Interconnection System Impact Study Agreement under Schedule 22, 23 or 25 of Section II of the Transmission, Markets and Services Tariff or where a resource modification does not require a revision to the Interconnection Agreement.

New Generating Capacity Resources ≥ 20 MW or an Import Capacity Resource	New Generating Capacity Resources < 20 MW and ≥ 2 MW	Imports and New Demand Capacity Resources (including Distributed		New Generating Capacity Resources < 2 MW

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		**Generation)**		
Including Up-rates, Re-powering, Environmental Compliance & Intermittent Power Resources	*Including Up-rates, Re-powering, Environmental Compliance & Intermittent Power Resources*			
$25,000	$7,500	$1,000		$500
With Executed Interconnection Feasibility Study Agreement or System Impact Study Agreement	*With Executed Interconnection Feasibility Study Agreement or System Impact Study Agreement*			
$15,000	$6,500	n/a		n/a

III.13.1.9.3.2. Settlement of Costs.

III.13.1.9.3.2.1. Settlement Of Costs Associated With Resources Participating In A Forward Capacity Auction Or Reconfiguration Auction.

Upon the latter of: (i) the first day of the Capacity Commitment Period for which a resource offers into the Forward Capacity Market or (ii) the date on which the entire resource is accepted by the ISO for FCM Commercial Operation, the ISO shall provide the Project Sponsor with a statement in writing of the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring. If any portion of the Qualification Process Cost Reimbursement Deposit exceeds the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owner(s) associated with the qualification process and critical path schedule monitoring, the ISO shall refund to the Project Sponsor the excess including interest calculated in accordance with 18 CFR § 35.19a(a)(2). If the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring exceed the Qualification Process Cost Reimbursement Deposit, the Project Sponsor shall pay such excess, including interest calculated in accordance with 18 CFR § 35.19a(a)(2) – For Demand Capacity Resources, the ISO shall provide all of the above concurrently with the annual statement required under Section III.13.1.9.3.

III.13.1.9.3.2.2. Settlement Of Costs Associated With Resources That Withdraw From A Forward Capacity Auction Or Reconfiguration Auction.

Upon the withdrawal or failure to meet the requirements of the qualification process set forth in Section III.13.1, the ISO shall provide the Project Sponsor with a statement in writing of the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring. A Project Sponsor that withdraws or is deemed to have withdrawn its request for qualification shall pay to the ISO all costs prudently incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring. The ISO shall refund to the Project Sponsor any portion of the Qualification Process Cost Reimbursement Deposit that exceeds the costs associated with the qualification process and critical path schedule monitoring incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), including interest calculated in accordance with 18 CFR § 35.19a(a)(2). The ISO shall charge the Project Sponsor the amount of such costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), that exceeds the Qualification Process Cost Reimbursement Deposit, including interest calculated in accordance with 18 CFR § 35.19a(a)(2). For Demand Capacity Resources, the ISO shall provide all of the above concurrently with the annual statement required under Section III.13.1.9.3.

III.13.1.9.3.2.3. Crediting Of Reimbursements.

Cost reimbursements received (excluding amounts passed through to the ISO's consultants and to affected Transmission Owner(s)) by the ISO pursuant to this Section III.13.1.9.3.2 shall be credited against revenues received by the ISO pursuant to Section IV.A.6.1 of the Transmission, Markets and Services Tariff.

III.13.1.10. Forward Capacity Auction Qualification Schedule.

Beginning with the timeline for the Capacity Commitment Period beginning on June 1, 2017 (the eighth Forward Capacity Auction), and for each Capacity Commitment Period thereafter, the deadlines will be consistent for each Capacity Commitment Period, as follows:

(a) each Capacity Commitment Period shall begin in June;

(b) the Existing Capacity Retirement Deadline will be in March, approximately four years and three months before the beginning of the Capacity Commitment Period;

(c) the New Capacity Show of Interest Submission Window will be in April , approximately four years and two months before the beginning of the Capacity Commitment Period;

(d) the Existing Capacity Qualification Deadline will be in June, approximately four years before the beginning of the Capacity Commitment Period;

(e) the New Capacity Qualification Deadline will be in June or July that is just under four years before the beginning of the Capacity Commitment Period; and

(f) the Forward Capacity Auction for the Capacity Commitment Period will begin in February approximately three years and four months before the beginning of the Capacity Commitment Period.

The table below shows this generic timeline for the Capacity Commitment Period beginning in year “X”, where X is any year after 2015.

Existing Capacity Retirement Deadline	**New Capacity Show of Interest Submission Window**	**Existing Capacity Qualification Deadline**	**New Capacity Qualification Deadline**	**First Day of Forward Capacity Auction for the Capacity Commitment Period**	**Capacity Commitment Period Begins**
March (X-4)	April (X-4)	June (X-4)	June/July (X-4)	Feb. (X-3)	June X

III.13.1.11 Opt-Out for Resources Electing Multiple-Year Treatment.

Beginning in the qualification process for the ninth Forward Capacity Auction (for the Capacity Commitment Period beginning June 1, 2018), any resource that had elected in a Forward Capacity Auction prior to the ninth Forward Capacity Auction (pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7) to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which its New Capacity Offer cleared may, by submitting a written notification to the ISO no later than the Existing Capacity Qualification Deadline (or, in the case of the ninth Forward Capacity Auction, no later than September 19, 2014), opt-out of the remaining years of the resource's multiple-year election. A decision to so opt-out shall be irrevocable. A resource choosing to so opt-out will participate in subsequent Forward Capacity Auctions in the same manner as other Existing Capacity Resources.

III.13.3. Critical Path Schedule Monitoring.

III.13.3.1. Resources Subject to Critical Path Schedule Monitoring.

III.13.3.1.1. New Resources Electing Critical Path Schedule Monitoring.

A Project Sponsor that submits a critical path schedule for a New Capacity Resource in the qualification process may request that the ISO monitor that resource's compliance with its critical path schedule in accordance with the provisions of this Section III.13.3. The ISO will monitor the New Capacity Resource's compliance from the time the ISO approves the request until the resource achieves FCM Commercial Operation, loses its Capacity Supply Obligation pursuant to Section III.13.3.4A~~(c)~~, or withdraws from critical path schedule monitoring pursuant to Section III.13.3.6.

In addition, a Lead Market Participant with a New Import Capacity Resource backed by one or more existing External Resources seeking to qualify for Capacity Commitment Period(s) prior to the Capacity Commitment Period associated with the Forward Capacity Auction for which it is qualifying must request monitoring under this Section III.13.3.1.1.

A request under this Section III.13.3.1.1 must be made in writing no later than five Business Days after the deadline for submission of the FCM Deposit pursuant to Section III.13.1.9.1.

III.13.3.1.2. New Resources Clearing in the Forward Capacity Auction.

For each new resource required to submit a critical path schedule in the qualification process, including but not limited to a New Generating Capacity Resource (pursuant to Section III.13.1.1.2.2), a New Import Capacity Resource backed by a new External Resource (pursuant to Section III.13.1.3.5), or a New Demand Capacity Resource (pursuant to Section III.13.1.4), if capacity from that resource clears in the Forward Capacity Auction, then the ISO shall monitor that resource's compliance with its critical path schedule in accordance with the provisions of this Section III.13.3 (regardless of whether the Project Sponsor requested monitoring pursuant to Section III.13.3.1.1) from the time that the Forward Capacity Auction is conducted until the resource achieves FCM Commercial Operation, loses its Capacity Supply Obligation pursuant to Section III.13.3.4A~~(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.13.3.4A~~(c)~~. Each critical path schedule report shall include the following:

III.13.3.2.1. Updated Critical Path Schedule.

The critical path schedule report must include a complete updated version of the critical path schedule as described in Section III.13.1.1.2.2.2, dated contemporaneously with the submission of the critical path schedule report. The updated critical path schedule should clearly indicate if the Project Sponsor is proposing to change any of the milestones or dates from the previously submitted version of the critical path schedule, and must include an explanation of any such proposed changes. In the critical path schedule report, the Project Sponsor should also explain in detail any proposed changes to the project design and the potential impact of such changes on the amount of capacity the resource will be able to provide.

III.13.3.2.2. Documentation of Milestones Achieved.

(a) For all new resources except for Demand Capacity Resources installed at multiple facilities and Demand Capacity Resources from a single facility with a demand reduction value of less than 5 MW (discussed in Section III.13.3.2.2(b)), for each critical path schedule milestone achieved since the submission of the previous critical path schedule report, the Project Sponsor must include in the critical path schedule report documentation demonstrating that the milestone has been achieved by the date indicated and as otherwise described in the critical path schedule, as follows:

(i) **Major Permits**. For each major permit described in the critical path schedule, the Project Sponsor shall provide documentation showing that the permit was applied for and obtained as described in the critical path schedule. For permit applications, this documentation could include a dated copy of the permit application or cover letter requesting the permit. For approved permits, this documentation could include a dated copy of the approved permit or letter granting the permit from the permitting authority.

(ii) **Project Financing Closing**. The Project Sponsor shall provide documentation showing that the sources of financing identified in the critical path schedule have committed to provide the amount of financing described in the critical path schedule. This documentation could include copies of commitment letters from the sources of financing.

(iii) **Major Equipment Orders**. For each major component described in the critical path schedule, the Project Sponsor shall provide documentation showing that the equipment was ordered as described in the critical path schedule. This documentation should include a copy of a dated confirmation of the order from the manufacturer or supplier. This documentation should confirm scheduled delivery dates consistent with milestone Section III.13.3.2.2(a)(vi).

(iv) **Substantial Site Construction.** The Project Sponsor shall provide documentation showing that the amount of money expended on construction activities occurring on the project site has exceeded 20 percent of the construction financing costs.

(v) **Major Equipment Delivery**. For each major component described in the critical path schedule, the Project Sponsor shall provide documentation showing that the equipment was delivered to the project site and received as preliminarily acceptable as described in the critical path schedule. This documentation should include a copy of a dated confirmation of delivery to the project site.

(vi) **Major Equipment Testing.** For each major component described in the critical path schedule, the Project Sponsor shall provide documentation showing that the component was tested, including major systems testing as appropriate for the specific technology as described in the critical path schedule, and that the test results demonstrate the equipment's suitability to allow, in conjunction with other major components, subsequent operation of the project in accordance with the amount of capacity obligated from the resource in the Capacity Commitment Period in accordance with Good Utility Practice. This documentation could include a dated copy of the satisfactory test results.

(vii) **Commissioning**. The Project Sponsor shall provide documentation showing that the resource has demonstrated a level of performance equal to or greater than the amount of capacity obligated from the resource in the Capacity Commitment Period. This documentation should include a copy of a dated letter of confirmation from the applicable manufacturer, contractor, or installer.

(viii) **Commercial Operation.** The Project Sponsor is not required to provide documentation of Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff) to the ISO as part of the ISO's critical path schedule monitoring. The ISO shall confirm that the resource has achieved Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff) as described in the critical path schedule through the resource's compliance with the other relevant requirements of the Transmission, Markets and Services Tariff and the ISO New England System Rules.

(ix) **Transmission Upgrades**. If during the qualification process it was determined that 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 be ready to demonstrate to the ISO that the Demand Capacity Resource described in the Project Sponsor's New Demand Capacity Resource Qualification Package has achieved its full demand reduction value, which must be on or before the first day of the relevant Capacity Commitment Period and by which date 100 percent of the total demand reduction value must be complete.

~~(ii) **Pipeline Analysis**. If the Project Sponsor proposes in its New Demand Capacity Resource Qualification Package a cumulative percentage of demand reduction value achieved that is 30 percent or less by the second critical path schedule target date, then the Project Sponsor shall provide a pipeline analysis to the ISO as specified in Section III.13.1.4.1.1.2.6 of Market Rule 1.~~

(ii~~i~~) **Additional Requirements**. For each customer and each prospective customer the Project Sponsor shall provide: name, location, MW amount, and description of stage of negotiation. If the customer's Asset has been registered with the ISO, then the Project Sponsor shall also provide the Asset identification number.

III.13.3.2.3. Additional Relevant Information.

The Project Sponsor must include in the critical path schedule report any other information regarding the status or progress of the project or any of the project milestones that might be relevant to the ISO's evaluation of the feasibility of the project being built in accordance with the critical path schedule or the feasibility that the project will achieve all its critical path schedule milestones no later than the start of the relevant Capacity Commitment Period.

III.13.3.2.4. Additional Information for Resources Previously Counted As Capacity. For each resource participating in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Sections III.13.1.1.1.2, III.13.1.1.1.3, or III.13.1.1.1.4 or New Demand Capacity Resource pursuant to Section III.13.1.4.1 and clearing in that auction, the Project Sponsor must provide information in the critical path schedule report demonstrating: (a) the shedding of the resource's Capacity Supply Obligation in accordance with the provisions of Section III.13.1.1.2.2.5(c); and (b) that the relevant cost threshold (described in Sections III.13.1.1.1.2, III.13.1.1.1.3, and III.13.1.1.1.4) is being met.

III.13.3.3. Failure to Meet Critical Path Schedule. If the ISO determines that any critical path schedule milestone date has been missed, or if the Project Sponsor proposes a change to any milestone date in a quarterly critical path schedule report (as described in Section III.13.3.2.1), then the ISO shall consult with the Project Sponsor to determine the impact of the missed milestone or proposed revision, and shall determine a revised date for the milestone and for any other milestones affected by the change. If a milestone date is revised for any reason, the ISO may require the Project Sponsor to submit a written report to the ISO on the fifth Business Day of each month until the revised milestone is achieved detailing the progress toward meeting the revised milestone. If the Project Sponsor does not provide a written critical path schedule report to the ISO on the fifth Business Day of a month, then the ISO shall issue a notice thereof to the Project Sponsor. If the Project Sponsor fails to provide the critical path schedule report within five Business Days of issuance of that notice, then the resource will be subject to termination pursuant to Section III.13.3.4A~~(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 Obligations. ~~Where Resource Will Not Achieve All Critical Path Schedule Milestones by the Capacity Commitment Period.~~ ~~Except as described in Section III.13.3.7, if as a result of milestone date revisions, the date by which the resource will achieve all its critical path schedule milestones is:~~

~~(1) after the start of any Capacity Commitment Period, for Capacity Commitment Periods beginning on or before June 1, 2019, or;~~

~~(2) after any Capacity Commitment Period, for Capacity Commitment Periods beginning on or after June 1, 2020;~~

~~in which the resource has a Capacity Supply Obligation, then the Project Sponsor~~ (a) If a capacity supplier determines that a resource may not be able to demonstrate its ability to deliver the full amount of its Capacity Supply Obligation, the capacity supplier may ~~must~~ take actions to cover ~~the entire~~ all or part of the Capacity Supply Obligation for ~~the~~ any portion of the Capacity Commitment Period ~~for which the project will not have achieved all its critical path schedule milestones~~, as follows:

(i~~a~~) ~~The Project Sponsor~~ A capacity supplier may cover its Capacity Supply Obligation through reconfiguration auctions as described in Section III.13.4.

(ii) A capacity supplier may cover its Capacity Supply Obligation through ~~or~~ one or more Capacity Supply Obligation Bilaterals, subject to the satisfaction of the requirements in Section III.13.5.

(iii) A capacity supplier that has qualified a resource pursuant to Section III.13.1.1.1.2 may cover its Capacity Supply Obligation by electing, no later than ten Business Days prior to the offer and bid deadline for the third annual reconfiguration auction prior to the start of the applicable Capacity Commitment Period, to have the resource that was previously counted as a capacity resource cover the Capacity Supply Obligation of the New Generating Capacity Resource for up to two Capacity Commitment Periods. If an election is made to have the resource that was previously counted as a capacity resource cover the Capacity Supply Obligation of the New Generating Capacity Resource, the capacity supplier with the resource that was previously counted as a capacity resource shall be required to comply with the requirements set forth in Section III.13.6.1 so long as it continues to cover for the New Generating Capacity Resource.

~~(b) If, by the time demand bids are due for the third annual reconfiguration auction for the Capacity Commitment Period in which the resource has a Capacity Supply Obligation, the Project Sponsor has not covered its full Capacity Supply Obligation for the portion of the Capacity Commitment Period for which the project will not have achieved all its critical path schedule milestones, then the ISO shall submit a demand bid in that annual reconfiguration auction on the Project Sponsor's behalf for a quantity equal to:~~

~~(i) for Capacity Commitment Periods beginning on or before June 1, 2019, the largest monthly Capacity Supply Obligation for the Capacity Commitment Period that has not been covered, or;~~

~~(ii) for Capacity Commitment Periods beginning on or after June 1, 2020, the smallest monthly Capacity Supply Obligation for the Capacity Commitment Period that has not been covered;~~

~~at the Forward Capacity Auction Starting Price, with all payments, charges, rights, obligations, and other results associated with such demand bid applying to the Project Sponsor as if the Project Sponsor itself had submitted the demand bid.~~

(b) During a Capacity Commitment Period, a failure to cover charge will apply to any capacity resource that has not demonstrated the ability to deliver the full amount of its Capacity Supply Obligation by the end of an Obligation Month. The failure to cover charge is the difference between a resource's monthly Capacity Supply Obligation and its Maximum Demonstrated Output, multiplied by the Failure to Cover Charge Rate, where:

Maximum Demonstrated Output Period

Maximum Demonstrated Output Period is the period beginning six years prior to the start of the applicable Capacity Commitment Period and ending with the most recently completed calendar month in the Capacity Commitment Period, including all prior months in the Capacity Commitment Period.

Provided that, for a resource that has previously been counted as a capacity resource and for which an election has been made to participate as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.2, and for which a cover election has been made pursuant to Section III.13.3.4(a)(iii), then: (1) the Maximum Demonstrated Output Period will be the Maximum Demonstrated Output Period of the resource that has been previously counted as capacity, and; (2) the Maximum Demonstrated Output Period of the New Generating Capacity Resource will begin on the earlier of: (i) the date that the resource that has previously been counted as a capacity resource began any outage as provided in Section III.13.1.1.1.2, and; (ii) the date that the New Generating Capacity Resource commenced Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff).

Failure to Cover Charge Rate

For Capacity Commitment Periods beginning prior to June 1, 2022, the Failure to Cover Charge Rate for a Capacity Zone is the higher of the Capacity Clearing Price and the clearing price in any annual reconfiguration auction for that Capacity Commitment Period.

For Capacity Commitment Periods beginning on or after June 1, 2022, the Failure to Cover Charge Rate for a Capacity Zone is the price determined by a second clearing of the third annual reconfiguration auction prior to the start of the Capacity Commitment Period in which the aggregated zonal quantities of undemonstrated Capacity Supply Obligation, as of the completion of the third annual reconfiguration auction, and as determined pursuant to Section III.13.3.4 (b), are included as demand bids at the Forward Capacity Auction Starting Price for each applicable Capacity Zone.

Provided that, if an existing resource is covering for a New Generating Capacity Resource pursuant to Section III.13.3.4(a)(iii), then the undemonstrated Capacity Supply Obligation for the New Generating Capacity Resource is the difference between the existing resource's Maximum Demonstrated Output and the new resource's Capacity Supply Obligation.

Maximum Demonstrated Output

The Maximum Demonstrated Output is the sum of the highest output levels achieved by each Generator Asset associated with a Generating Capacity Resource, each Demand Response Asset associated with an Active Demand Capacity Resources, and assets associated with a Seasonal Peak Demand Resource or On-Peak Demand Resource, during the Maximum Demonstrated Output Period as specified below. The minimum Maximum Demonstrated Output for all assets is zero.

Provided that, if a resource that was previously counted as capacity is covering for a New Generating Capacity Resource pursuant to Section III.13.3.4(a)(iii), then the Maximum Demonstrated Output is the sum of the highest aggregate output level achieved by each asset associated with the resource that has previously been counted as capacity during the Maximum Demonstrated Output Period.

At the asset level, Maximum Demonstrated Output is calculated as follows:

Demand Response Assets associated with an Active Demand Capacity Resource: The Maximum Demonstrated Output for dates occurring prior to June 1, 2018 is the highest audit value in the Maximum Demonstrated Output Period increased by average avoided peak transmission and distribution losses. The Maximum Demonstrated Output for dates occurring on or after to June 1, 2018 will be equal to the highest demand reduction calculated, pursuant to Section III.8.4, in the Maximum Demonstrated Output Period increased by average avoided peak transmission and distribution losses for non-Net Supply.

Distributed Generation associated with a Seasonal Peak Demand Resource or an On-Peak Demand Resource: The Maximum Demonstrated Output is the highest hourly metered output in the Maximum Demonstrated Output Period after the resource has completed testing and has achieved commercial operation, increased by average avoided peak transmission and distribution losses for non-Net Supply.

Load Management associated with a Seasonal Peak Demand Resource or an On-Peak Demand Resource: The Maximum Demonstrated Output is the highest hourly demand reduction value in the Maximum Demonstrated Output Period increased by average avoided peak transmission and distribution losses for non-Net Supply.

Energy Efficiency associated with a Seasonal Peak Demand Resource or an On-Peak Demand Resource: The Maximum Demonstrated Output is the highest reported monthly performance value in the Maximum Demonstrated Output Period increased by average avoided peak transmission and distribution losses.

Generator Assets: The Maximum Demonstrated Output for dates occurring prior to March 1, 2017 is the highest hourly Revenue Quality Metering in the Maximum Demonstrated Output Period beginning on or after Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff). The Maximum Demonstrated Output for dates occurring on or after March 1, 2017 is the highest Metered Quantity for Settlement in the Maximum Demonstrated Output Period beginning on or after Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff).

If a single Generator Asset is split into two or more new Generator Assets, the Maximum Demonstrated Output associated with the single Generation Asset will be prorated among the new assets based on their summer maximum net output. If multiple Generator Assets are consolidated to fewer assets, the Maximum Demonstrated Output of the Generator Assets that are being consolidated will be allocated to the consolidated assets based on the summer maximum net output.

Import Capacity Resources: For an Import Capacity Resource that is backed by external generation that has not achieved commercial operation at the time of qualification, in part or entirely, the Maximum Demonstrated Output is the highest revenue quality metered output for a five-minute or greater interval after the resource has completed testing and has achieved commercial operation. Provided that, the Maximum Demonstrated Output of an Import Capacity Resource associated with an Elective Transmission Upgrade may be limited by the highest demonstrated capability of the Elective Transmission Upgrade after the Elective Transmission Upgrade has completed testing and has achieved commercial operation.

III.13.3.4A Termination of Capacity Supply Obligations.

~~(c)~~ If a ~~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 a ~~the~~ Project Sponsor covers ~~the~~ a Capacity Supply Obligation for two Capacity Commitment Periods, or if, as a result of milestone date revisions, the date by which a resource will have achieved all its critical path schedule milestones is more than two years after the beginning of the Capacity Commitment Period for which the resource first received a Capacity Supply Obligation, then the ISO, after consultation with the Project Sponsor, shall have the right, through a filing with the Commission, to terminate the resource's Capacity Supply Obligation for any future Capacity Commitment Periods and the resource's right to any payments associated with that Capacity Supply Obligation in the Capacity Commitment Period, and to adjust the resource's qualified capacity for participation in the Forward Capacity Market; provided that, where a Project Sponsor voluntarily withdraws its resource from critical path schedule monitoring in accordance with Section III.13.3.6, no filing with the Commission shall be necessary to terminate the resource's Capacity Supply Obligation. Upon Commission ruling, the Project Sponsor shall forfeit any financial assurance provided with respect to that Capacity Supply Obligation. If in these circumstances, however, the ISO does not take steps to terminate the resource's Capacity Supply Obligation and instead permits the Project Sponsor to continue to cover its Capacity Supply Obligation, such continuation shall be subject to the ISO's right to revoke that permission and to file with the

Commission to terminate the resource's Capacity Supply Obligation, and subject to continued reporting by the Project Sponsor as described in this Section III.13.3.

III.13.3.5. Termination of Interconnection Agreement.

If the ISO terminates, or files with the Commission to terminate, a resource's Capacity Supply Obligation as described in Section III.13.3.4A~~(c)~~, the ISO shall have the right to terminate the Interconnection Agreement with that resource through a filing with the Commission and upon Commission ruling. If the Project Sponsor continues to cover all of its Capacity Supply Obligations while challenging such termination before the Commission, it shall retain its Queue Position.

III.13.3.6. Withdrawal from Critical Path Schedule Monitoring.

A Project Sponsor may withdraw its resource from critical path schedule monitoring by the ISO at any time by submitting a written request to the ISO. The ISO also may deem a resource withdrawn from critical path schedule monitoring if the Project Sponsor does not adhere to the requirements of this Section III.13.3. Any resource withdrawn from critical path schedule monitoring shall be subject to the provisions of Section III.13.3.4.

III.13.3.7 Request to Defer Capacity Supply Obligation

A resource that has not yet achieved FCM Commercial Operation and that is subject to critical path schedule monitoring by the ISO pursuant to this Section III.13.3 may seek to defer the applicability of its entire Capacity Supply Obligation by one year pursuant to the provisions of this Section III.13.3.7.

A Project Sponsor seeking such a deferral must notify the ISO in writing no later than the first Business Day in September of the year prior to the third annual reconfiguration auction for the Capacity Commitment Period in which the resource has a Capacity Supply Obligation. If, after consultation with the Project Sponsor, the ISO determines that the absence of the capacity in the first Capacity Commitment Period in which the resource has a Capacity Supply Obligation, as well as in the subsequent Capacity Commitment Period, would result in the violation of any NERC or NPCC (or their successors) criteria or of the ISO New England System Rules, not solely that it may result in the procurement of less capacity than the Installed Capacity Requirement (net of HQICCs) or the Local Sourcing Requirement for the Capacity Zone, then the ISO will review the specific reliability need with and seek feedback from the Reliability Committee and provide the Project Sponsor with a written determination to that effect within 30 days of the Project Sponsor's notification to the ISO.

If the ISO provides such a written determination, then the Project Sponsor may file with the Commission, no later than the first Business Day in November of the year prior to the third annual reconfiguration auction, a request to defer the applicability of its Capacity Supply Obligation by one year. Any such filing must include the ISO's written determination, and must also demonstrate that the deferral is critical to the resource's ability to achieve FCM Commercial Operation and that the reasons for the deferral are beyond the control of the Project Sponsor.

If the Commission approves the request, all of the rights, obligations, payments, and charges associated with the Capacity Supply Obligation described in Sections III.13.3.4(b), III.13.6 and ~~Section~~ III.13.7 shall only apply beginning one year after the start of the Capacity Commitment Period in which the resource has a Capacity Supply Obligation. Notwithstanding any other provision of this Section III.13, if the resource achieves FCM Commercial Operation prior to the deferred date, it will not be eligible to receive revenue in the Forward Capacity Market until the deferred date. Beginning on the deferred date, all of the rights, obligations, payments, and charges associated with the Capacity Supply Obligation shall apply, and the Capacity Supply Obligation and Capacity Clearing Price (indexed using the Handy-Whitman Index of Public Utility Construction Costs in effect as of December 31 of the year preceding the Capacity Commitment Period) associated with the Forward Capacity Auction in which the resource cleared as a new resource shall apply for the full duration of the Capacity Supply Obligation (including multi-year elections made pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7). ~~Neither the~~ A Project Sponsor~~, nor the ISO on the Project Sponsor's behalf,~~ will not take actions to cover the resource's Capacity Supply Obligation for the deferral period as described in Section III.13.3.4(a), but the other requirements of III.13.3, including all reporting requirements and the ISO's right to seek termination, shall continue to apply during the deferral period. Upon Commission approval of the deferral, the resource may not participate in any reconfiguration auctions or Capacity Supply Obligation Bilaterals for any portion of the deferral period. Beginning at 8:00 a.m. (Eastern Time) 30 days after Commission approval of the request, the Project Sponsor shall be required to provide an additional amount of financial assurance as described in Section VII.B.2.c of the ISO New England Financial Assurance Policy.

Notwithstanding any other provision of this Section III.13, if any of the resource's Capacity Supply Obligation in the deferral period was shed in a reconfiguration auction or Capacity Supply Obligation Bilateral prior to Commission approval of the deferral request, then the resource's settlements shall be adjusted by the ISO to ensure that the resource does not receive any payments associated with that transaction in excess of the charges associated with that transaction; the resource will be responsible for any charges in excess of payments.

III.13.3.8 FCM Commercial Operation.

A resource (or portion thereof) achieves FCM Commercial Operation when (1) the ISO has determined that the resource (or portion thereof) has achieved all its critical path schedule milestones, including completion of any transmission upgrades necessary for the resource to obtain the requisite interconnection service; and (2) the ISO verifies the resource's (or a portion of the resource's) summer capacity rating (or, for a resource with winter capacity only, its winter capacity rating).

(a) For a Generating Capacity Resource (or portion thereof) that has achieved all its critical path schedule milestones, the ISO shall confirm FCM Commercial Operation as soon as practicable following the ISO's verification of the resource's summer capacity rating (or, for a resource with winter capacity only, its winter capacity rating), which may take place in any month of the year. The ISO shall verify the summer capacity rating of a Generating Capacity Resource that is an Intermittent Power Resource following no fewer than 30 consecutive calendar days of operation (for periods from October 1 through May 31, a Market Participant must request such verification).

(b) For a Demand Capacity Resource (or portion thereof) that has achieved all its critical path schedule milestones, the ISO shall confirm FCM Commercial Operation upon verifying that the Demand Capacity Resource described in the New Demand Capacity Resource Qualification Package has achieved its full demand reduction value, subject to the requirements of Section III.13.6.1.5.3(b).

(c) For an Import Capacity Resource (or portion thereof) that has achieved all its critical path schedule milestones, the ISO shall confirm FCM Commercial Operation upon demonstration that the Import Capacity Resource described in the New Capacity Qualification Package has achieved its full Qualified Capacity.

III.13.5. Bilateral Contracts in the Forward Capacity Market.

Market Participants shall be permitted to enter into Annual Reconfiguration Transactions, Capacity Supply Obligation Bilaterals, Capacity Load Obligation Bilaterals and Capacity Performance Bilaterals in accordance with this Section III.13.5, with the ISO serving as Counterparty in each such transaction. Market Participants may not offset a Capacity Load Obligation with a Capacity Supply Obligation.

III.13.5.1. Capacity Supply Obligation Bilaterals.

Capacity Supply Obligation Bilaterals are available for monthly, seasonal and annual periods. Capacity Supply Obligation Bilaterals for seasonal and annual periods are only available for periods prior to June 1, 2020. The qualification of resources subject to a Capacity Supply Obligation Bilateral is determined in the same manner as the qualification of resources is determined for reconfiguration auctions as specified in Section III.13.4.2.

A resource having a Capacity Supply Obligation seeking to shed that obligation (Capacity Transferring Resource) may enter into a bilateral transaction to transfer its Capacity Supply Obligation, in whole or in part (Capacity Supply Obligation Bilateral), to a resource, or portion thereof, having Qualified Capacity for that Capacity Commitment Period that is not already obligated (Capacity Acquiring Resource), subject to the following limitations.

(a) A monthly Capacity Supply Obligation Bilateral must be coterminous with a calendar month, and an annual Capacity Supply Obligation Bilateral must be coterminous with a Capacity Commitment Period. A seasonal Capacity Supply Obligation Bilateral can be entered into only during the Capacity Supply Obligation Bilateral window associated with the third Annual Reconfiguration Auction, must be contained within a single Capacity Commitment Period, and must contain all the months in the summer or winter season identified by the Capacity Transferring Resource and only those months. For the purposes of this Section III.13.5, the summer season of a Demand Capacity Resource is all of the months from June through November and April through May of the same Capacity Commitment Period and the winter season of a Demand Capacity Resource is all of the months from December through March; for all other resource types, the summer season is all of the months from June through September and the winter season is all of the months October through May.

(b) A Capacity Supply Obligation Bilateral may not transfer a Capacity Supply Obligation amount that is greater than the lowest monthly Capacity Supply Obligation of the Capacity Transferring Resource during the month, season or Capacity Commitment Period covered by the Capacity Supply Obligation

Bilateral. A Capacity Supply Obligation Bilateral may not transfer a Capacity Supply Obligation amount that is greater than the lowest monthly amount of unobligated Qualified Capacity (that is, Qualified Capacity as determined in the most recent Forward Capacity Auction or reconfiguration auction qualification process that is not subject to a Capacity Supply Obligation for the relevant time period) of the Capacity Acquiring Resource during the month, season or Capacity Commitment Period covered by the Capacity Supply Obligation Bilateral, as determined in the qualification process for the most recent Forward Capacity Auction or annual reconfiguration auction prior to the submission of the Capacity Supply Obligation Bilateral to the ISO. If the season of the Capacity Transferring Resource is not aligned with the season of the Capacity Acquiring Resource and the seasonal Capacity Supply Obligation Bilateral spans more than one season of the Capacity Acquiring Resource, the lowest monthly amount of unobligated Qualified Capacity of the Capacity Acquiring Resource will be used.

(c) A Capacity Supply Obligation Bilateral may not transfer a Capacity Supply Obligation to a Capacity Acquiring Resource where that Capacity Acquiring Resource's unobligated Qualified Capacity is unobligated as a result of an Export Bid or Administrative Export De-List Bid that cleared in the Forward Capacity Auction.

(d) [Reserved.]

(e) [Reserved.]

(f) [Reserved.]

(g) [Reserved.]

(h) A resource, or a portion thereof, that has been designated as a Self-Supplied FCA Resource may transfer the self-supplied portion of its Capacity Supply Obligation by means of Capacity Supply Obligation Bilateral. In such a case, however, the Capacity Acquiring Resource shall not become a Self-Supplied FCA Resource as a result of the transaction.

(i) A monthly Capacity Supply Obligation may not be acquired by any resource on an approved outage for the relevant Capacity Commitment Period month.

(j) A resource that has not achieved FCM Commercial Operation may not submit a transaction as a Capacity Acquiring Resource for that Capacity Commitment Period month, unless the resource has a negative Capacity Supply Obligation, in which case it may submit a Capacity Supply Obligation Bilateral in an amount up to the absolute value of its Capacity Supply Obligation.

III.13.5.1.1. Process for Approval of Capacity Supply Obligation Bilaterals.

III.13.5.1.1.1. Timing of Submission and Prior Notification to the ISO.

The Lead Market Participant or Project Sponsor for either the Capacity Transferring Resource or the Capacity Acquiring Resource may submit a Capacity Supply Obligation Bilateral to the ISO in accordance with posted schedules. The ISO will issue a schedule of the submittal windows for Capacity Supply Obligation Bilaterals as soon as practicable after the issuance of Forward Capacity Auction results. A Capacity Supply Obligation Bilateral must be confirmed by the party other than the party submitting the Capacity Supply Obligation Bilateral to the ISO no later than the end of the relevant submittal window.

A Lead Market Participant or Project Sponsor seeking to submit a monthly Capacity Supply Obligation Bilateral pursuant to Section III.13.3.4(a)(ii) ~~(covering where resource will not achieve all critical path schedule milestones by Capacity Commitment Period)~~ or a monthly Capacity Supply Obligation bilateral pursuant to Section III.13.4.2.1.3(c) (significant decrease of offers composed of separate resources) must notify the ISO in writing of its intention to do so no later than four Business Days prior to the start of the relevant annual Capacity Supply Obligation Bilateral submittal window.

III.13.5.1.1.2. Application.

The submission of a Capacity Supply Obligation Bilateral to the ISO shall include the following: (i) the resource identification number of the Capacity Transferring Resource; (ii) the amount of the Capacity Supply Obligation being transferred in MW amounts up to three decimal places; (iii) the term of the transaction; and (iv) the resource identification number of the Capacity Acquiring Resource. If the parties to a Capacity Supply Obligation Bilateral so choose, they may also submit a price, in $/kW-month, to be used by the ISO in settling the Capacity Supply Obligation Bilateral. If no price is submitted, the ISO shall use a default price of $0.00/kW-month.

III.13.5.1.1.3. ISO Review.

(a) The ISO shall review the information provided in support of the Capacity Supply Obligation Bilateral, and shall reject the Capacity Supply Obligation Bilateral if any of the provisions of this Section III.13.5.1 are not met. For a Capacity Supply Obligation Bilateral submitted before the relevant submittal window opens, this review shall occur once the submittal window opens. For a Capacity Supply Obligation Bilateral submitted after the submittal window opens, this review shall occur upon submission.

(b) After the close of the relevant submittal window, each Capacity Supply Obligation Bilateral shall be subject to a reliability review by the ISO to determine whether the transaction would result in a violation of any NERC or NPCC (or their successors) criteria, or ISO New England System Rules, during the Capacity Commitment Period associated with the transaction. Capacity Supply Obligation Bilaterals shall be reviewed by the ISO to ensure the regional and local adequacy achieved through the Forward Capacity Auction and other reliability needs are maintained. The ISO's review will consider the location and operating and rating limitations of resources associated with the Capacity Supply Obligation Bilateral to ensure reliability standards will remain satisfied if the capacity associated with the Capacity Transferring Resource is withdrawn and the capacity associated with the Capacity Acquiring Resource is accepted. The ISO's reliability reviews will assess transactions based on operable capacity needs while considering any approved or interim approved transmission outage information and any approved generation or Demand Response Resource outage information, and will include transmission security studies. The ISO will review all confirmed monthly Capacity Supply Obligation Bilaterals for each upcoming Obligation Month for reliability needs immediately preceding the monthly reconfiguration auction. For a monthly Capacity Supply Obligation Bilateral, the ISO shall obtain and consider information from the Local Control Center regarding whether the Capacity Supply Obligation of the Capacity Transferring Resource is needed for local system conditions and whether it is adequately replaced by the Acquiring Resource.

The ISO will review the net impact of all annual and seasonal Capacity Supply Obligation Bilaterals to ensure that the regional and local adequacy and other reliability needs achieved through the Forward Capacity Auction are maintained in the Capacity Transferring Resource's Capacity Zone and the Capacity Acquiring Resource's Capacity Zone or across the external interface.

If after its review of the net impact of all annual and seasonal Capacity Supply Obligation Bilaterals the ISO determines that the regional and local adequacy and other reliability needs achieved through the Forward Capacity Auction are not maintained, and for all monthly Capacity Supply Obligation Bilaterals, the ISO will approve or reject Capacity Supply Obligation Bilaterals based on the order in which they are confirmed. If multiple Capacity Supply Obligation Bilaterals are submitted between the same resources, they may be reviewed together as one transaction and the most recent confirmation time among the related transactions will be used to determine the review order of the grouped transaction. Transactions that cannot meet the applicable reliability needs will only be accepted or rejected in their entirety and the resources will not be accepted or rejected in part for purposes of that transaction. Where the ISO has determined that a Capacity Supply Obligation Bilateral must be rejected for reliability reasons the Lead Market Participant or Project Sponsor, as appropriate, for the Capacity Transferring Resource and the Capacity Acquiring Resource shall be notified as soon as practicable of the rejection and of the reliability need prompting such rejection.

(c) Each Capacity Supply Obligation Bilateral shall be subject to a financial assurance review by the ISO. If the Capacity Transferring Resource and the Capacity Acquiring Resource are not both in compliance with all applicable provisions of the ISO New England Financial Assurance Policy, including those regarding Capacity Supply Obligation Bilaterals, the ISO shall reject the Capacity Supply Obligation Bilateral.

III.13.5.1.1.4. Approval.

Upon approval of a Capacity Supply Obligation Bilateral, the Capacity Supply Obligation of the Capacity Transferring Resource shall be reduced by the amount set forth in the Capacity Supply Obligation Bilateral, and the Capacity Supply Obligation of the Capacity Acquiring Resource shall be increased by the amount set forth in the Capacity Supply Obligation Bilateral.

III.13.5.2. Capacity Load Obligations Bilaterals.

A Market Participant having a Capacity Load Obligation seeking to shed that obligation ("Capacity Load Obligation Transferring Participant") may enter into a bilateral transaction to transfer all or a portion of its Capacity Load Obligation in a Capacity Zone ("Capacity Load Obligation Bilateral") to any Market Participant seeking to acquire a Capacity Load Obligation ("Capacity Load Obligation Acquiring Participant"). A Capacity Load Obligation Bilateral must be in whole calendar month increments, may not exceed one year in duration, and must begin and end within the same Capacity Commitment Period. A Capacity Load Obligation Transferring Participant will be permitted to transfer, and a Capacity Load Obligation Acquiring Participant will be permitted to acquire, a Capacity Load Obligation if after entering into a Capacity Load Obligation Bilateral and submitting related information to the ISO within the specified submittal time period, the ISO approves such Capacity Load Obligation Bilateral.

III.13.5.2.1. Process for Approval of Capacity Load Obligation Bilaterals.

III.13.5.2.1.1. Timing.

Either the Capacity Load Obligation Transferring Participant or the Capacity Load Obligation Acquiring Participant may submit a Capacity Load Obligation Bilateral to the ISO. All Capacity Load Obligation Bilaterals must be submitted to the ISO in accordance with resettlement provisions as described in ISO New England Manuals. However, to be included in the initial settlement of payments and charges associated with the Forward Capacity Market for the first month of the term of the Capacity Load Obligation Bilateral, a Capacity Load Obligation Bilateral must be submitted to the ISO no later than 12:00 pm on the second Business Day after the end of that month (though a Capacity Load Obligation Bilateral submitted at that time may be revised by the parties to the transaction throughout the resettlement process). A Capacity Load Obligation Bilateral must be confirmed by the party other than the party submitting the Capacity Load Obligation Bilateral to the ISO no later than the same deadline that applies to submission of the Capacity Load Obligation Bilateral.

III.13.5.2.1.2. Application.

The submission of a Capacity Load Obligation Bilateral to the ISO shall include the following : (i) the amount of the Capacity Load Obligation being transferred in MW amounts up to three decimal places; (ii) the term of the transaction; (iii) identification of the Capacity Load Obligation Transferring Participant and the Capacity Load Obligation Acquiring Participant; and (iv) the Capacity Zone in which the Capacity Load Obligation is being transferred is located.

III.13.5.2.1.3. ISO Review.

The ISO shall review the information provided in support of the Capacity Load Obligation Bilateral and shall reject the Capacity Load Obligation Bilateral if any of the provisions of this Section II.13.5.2 are not met.

III.13.5.2.1.4. Approval.

Upon approval of a Capacity Load Obligation Bilateral, the Capacity Load Obligation of the Capacity Load Obligation Transferring Participant in the Capacity Zone specified in the submission to the ISO shall be reduced by the amount set forth in the Capacity Load Obligation Bilateral and the Capacity Load Obligation of the Capacity Load Obligation Acquiring Participant in the specified Capacity Zone shall be increased by the amount set forth in the Capacity Load Obligation Bilateral.

III.13.5.3. Capacity Performance Bilaterals.

A resource's Capacity Performance Score during a Capacity Scarcity Condition may be adjusted by entering into a Capacity Performance Bilateral as described in this Section III.13.5.3.

III.13.5.3.1. Eligibility.

If a resource has a Capacity Performance Score that is greater than zero in a five-minute interval that is subject to a Capacity Scarcity Condition, that resource may transfer all or some of that Capacity Performance Score to another resource for that same five-minute interval so long as both resources were subject to the same Capacity Scarcity Condition.

III.13.5.3.2. Submission of Capacity Performance Bilaterals.

The Lead Market Participant for a resource having a Capacity Performance Score that is greater than zero in a five-minute interval that is subject to a Capacity Scarcity Condition may submit a Capacity Performance Bilateral to the ISO assigning all or a portion of its Capacity Performance Score for that interval to another resource, subject to the eligibility requirements specified in Section III.13.5.3.1. The Capacity Performance Bilateral must be confirmed by the Lead Market Participant for the resource receiving the Capacity Performance Score.

III.13.5.3.2.1. Timing.

A Capacity Performance Bilateral must be submitted in accordance with resettlement provisions as described in ISO New England Manuals. However, to be included in the initial settlement of payments and charges associated with the Forward Capacity Market for the month associated with the Capacity Performance Bilateral, a Capacity Performance Bilateral must be submitted to the ISO no later than 12:00 pm on the second Business Day after the end of that month, or at such later deadline as specified by the ISO upon notice to Market Participants (though a Capacity Performance Bilateral may be revised by the parties to the transaction throughout the resettlement process).

III.13.5.3.2.2. Application.

The submission of a Capacity Performance Bilateral to the ISO shall include the following: (i) the resource identification number for the resource transferring its Capacity Performance Score; (ii) the resource identification number for the resource receiving the Capacity Performance Score; (iii) the MW amount of Capacity Performance Score being transferred; (iv) the specific five-minute interval or intervals for which the Capacity Performance Bilateral applies.

III.13.5.3.2.3. ISO Review.

The ISO shall review the information provided in submission of the Capacity Performance Bilateral, and shall reject the Capacity Performance Bilateral if any of the provisions of this Section III.13.5.3 are not met.

III.13.5.3.3. Effect of Capacity Performance Bilateral.

A Capacity Performance Bilateral does not affect in any way either party's Capacity Supply Obligation or the rights and obligations associated therewith. The sole effect of a Capacity Performance Bilateral is to modify the Capacity Performance Scores of the transferring and receiving resources for the Capacity Scarcity Conditions subject to the Capacity Performance Bilateral for purposes of calculating Capacity Performance Payments as described in Section III.13.7.2.

III.13.5.4 Annual Reconfiguration Transactions.

Annual Reconfiguration Transactions are available for annual reconfiguration auctions for Capacity Commitment Periods beginning on or after June 1, 2020, except that Annual Reconfiguration Transactions are not available for the first annual reconfiguration auction for the Capacity Commitment Period beginning on June 1, 2020.

III.13.5.4.1 Timing of Submission.

The Lead Market Participant or Project Sponsor for either a Capacity Transferring Resource or a Capacity Acquiring Resource may submit an Annual Reconfiguration Transaction to the ISO in accordance with posted schedules. The ISO will issue a schedule of the submittal windows for Annual Reconfiguration Transactions as soon as practicable after the issuance of Forward Capacity Auction results. An Annual Reconfiguration Transaction must be confirmed by the party other than the party submitting the Annual Reconfiguration Transaction to the ISO no later than the end of the relevant submittal window.

III.13.5.4.2 Components of an Annual Reconfiguration Transaction.

The submission of an Annual Reconfiguration Transaction must include the following:

1. the resource identification number of the Capacity Transferring Resource;
2. the applicable Capacity Commitment Period;

(3) the resource identification number of the Capacity Acquiring Resource, and;

3. a price ($/kW-month), quantity (MW) and Capacity Zone, to be used in settling the Annual Reconfiguration Transaction.

The maximum quantity of an Annual Reconfiguration Transaction is the higher of:

(1) the Capacity Transferring Resource's maximum demand bid quantity determined pursuant to Section III.13.4.2.2(b), less the quantity of any previously confirmed Annual Reconfiguration Transactions, and;

(2) the Capacity Acquiring Resource's maximum supply offer quantity determined pursuant to Section III.13.4.2.1.1, less the quantity of any previously confirmed Annual Reconfiguration Transactions.

An Annual Reconfiguration Transaction may not be submitted unless the maximum demand bid quantity and maximum supply offer quantity are each greater than zero.

Each Annual Reconfiguration Transaction is limited to a single Capacity Acquiring Resource and a single Capacity Transferring Resource.

If any demand bid of a Capacity Transferring Resource or supply offer of a Capacity Acquiring Resource that is associated with an Annual Reconfiguration Transaction is rejected for reliability reasons pursuant to Section III.13.2.2(c) or Section III.13.4.2.1.5, respectively, the Annual Reconfiguration Transaction is cancelled.

III.13.5.4.3 Settlement of Annual Reconfiguration Transactions.

Annual Reconfiguration Transactions are settled on a monthly basis during the applicable Capacity Commitment Period. The monthly payment amount is equal to the transaction quantity multiplied by the difference between the annual reconfiguration auction clearing price and the transaction price. If the payment amount is positive, payment is made to the Lead Market Participant with the Capacity Transferring Resource and charged to the Lead Market Participant with the Capacity Acquiring Resource. If the payment amount is negative, payment is made to the Lead Market Participant with the Capacity Acquiring Resource and charged to the Lead Market Participant with the Capacity Transferring Resource.

III.13.7. 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 six additional and consecutive Capacity Commitment Periods, in whole Capacity Commitment Period increments only.

(b) **Reconfiguration Auctions**. For a resource whose offer or bid has cleared in an annual or monthly reconfiguration auction, the monthly capacity payment or charge shall be equal to the product of its cleared capacity and the appropriate reconfiguration auction clearing price in the Capacity Zone in which the resource cleared.

(c) **Capacity Supply Obligation Bilaterals**. For resources that have acquired or shed a Capacity Supply Obligation through a Capacity Supply Obligation Bilateral, the monthly capacity payment or charge shall be equal to the product of the Capacity Supply Obligation being assumed or shed and price associated with the Capacity Supply Obligation Bilateral.

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

III.13.7.1.2 Peak Energy Rents.

For Capacity Commitment Periods beginning prior to June 1, 2019, Capacity Base Payments to resources with Capacity Supply Obligations, except for (1) On-Peak Demand Resources, (2) Seasonal Peak Demand Resources, and (3) New Generating Capacity Resources that have cleared in the Forward Capacity Auction and have completed construction but due to a planned transmission facility (e.g., a radial interconnection) not being in service are not able to achieve FCM Commercial Operation, shall be decreased by Peak Energy Rents ("PER") calculated in each Capacity Zone, as determined pursuant to Section III.13.2.3.4 in the Forward Capacity Auction, as provided below. The PER calculation shall utilize hourly integrated Real-Time LMPs. For each Capacity Zone in the Forward Capacity Auction, as determined pursuant to Section III.13.2.3.4, PER shall be computed based on the load-weighted Real-Time LMPs for each Capacity Zone, using the Real-Time Hub Price for the Rest-of-Pool Capacity Zone. Self-Supplied FCA Resources shall not be subject to a PER adjustment on the portion of the resource that is self-supplied.

III.13.7.1.2.1 Hourly PER Calculations.

(a) For hours with a positive difference between the hourly Real-Time energy price and a strike price, the ISO shall compute PER for each hour ("Hourly PER") equal to this positive difference in accordance with one of the following formulas, which include scaling adjustments for system load and availability:

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

Hourly PER($/kW) = [(LMP - Adjusted Hourly PER Strike Price) * [Scaling Factor] * [Availability Factor]
Where:

Adjusted Hourly PER Strike Price = Strike Price + Hourly PER Adjustment

Hourly PER Adjustment = average of Five-Minute PER Strike Price Adjustment values

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

Strike Price = as defined below

Scaling Factor = as defined below

Availability Factor = as defined below

For all other hours:

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 the following, as determined on a daily basis: ultra low-sulfur No. 2 oil measured at New York Harbor plus a seven percent markup for transportation; or day-ahead gas measured at the AGT-CG (Non-G) hub;

(ii) The PER Proxy Unit shall be assumed to have no start-up, ramp rate or minimum run time constraints;

(iii) The PER Proxy Unit shall have a 22,000 Btu/kWh heat rate. This assumption shall be periodically reviewed after the first Capacity Commitment Period by the ISO to ensure that the heat rate continues to reflect a level slightly higher than the marginal generating unit in the region that would be dispatched as the system enters a scarcity condition. Any changes to the heat rate of the PER Proxy Unit shall be considered in the stakeholder process in consultation with the state utility regulatory agencies, shall be filed pursuant to Section 205 of the Federal Power Act, and shall be applied prospectively to the settlement of future Forward Capacity Auctions.

III.13.7.1.2.2. Monthly PER Application.

The Hourly PER shall be summed for each calendar month to determine the total PER for that month ("Monthly PER"). The ISO shall then calculate the Average Monthly PER earned by the proxy unit. The Average Monthly PER shall be equal to the average of the Monthly PER values for the 12 months prior to the Obligation Month. The PER deduction for each resource shall be calculated as the Average Monthly PER multiplied by the resource’s Capacity Supply Obligation for the Obligation Month (less any Capacity Supply Obligation MW from any portion of a Self-Supplied FCA Resource); provided, however, that in no case shall a resource’s PER deduction for an Obligation Month be less than zero or greater than the product of the resource’s Capacity Supply Obligation and the relevant Forward Capacity Auction Capacity Clearing Price.

III.13.7.1.3. Export Capacity.

If there are any Export Bids or Administrative Export De-list Bids from resources located in an export-constrained Capacity Zone or in the Rest-of-Pool Capacity Zone that have cleared in the Forward Capacity Auction and if the resource is exporting capacity at an export interface that is connected to an import-constrained Capacity Zone or the Rest-of-Pool Capacity Zone that is different than the Capacity Zone in which the resource is located, then charges and credits are applied as follows (for the following calculation, the Capacity Clearing Price will be the value prior to PER adjustments).

Charge Amount to Resource Exporting = [Capacity Clearing Price $_{\text{location of the interface}}$ - Capacity Clearing Price $_{\text{location of the resource}}$] 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 $_{\text{location of the interface}}$ - Capacity Clearing Price $_{\text{location of the resource}}$] x Cleared MWs of Export Bid or Administrative Export De-list Bid]

Credits and charges to load in the applicable Capacity Zones, as set forth above, shall be allocated in proportion to each LSE's Capacity Load Obligation as calculated in Section III.13.7.5.2.

III.13.7.1.4. [Reserved.]

III.13.7.2 Capacity Performance Payments.

III.13.7.2.1 Definition of Capacity Scarcity Condition.

A Capacity Scarcity Condition shall exist in a Capacity Zone for any five-minute interval in which the Real-Time Reserve Clearing Price for that entire Capacity Zone is set based on the Reserve Constraint Penalty Factor pricing for: (i) the Minimum Total Reserve Requirement; (ii) the Ten-Minute Reserve Requirement; or (iii) the Zonal Reserve Requirement, each as described in Section III.2.7A(c); provided, however, that a Capacity Scarcity Condition shall not exist if the Reserve Constraint Penalty Factor pricing results only because of resource ramping limitations that are not binding on the energy dispatch.

III.13.7.2.2 Calculation of Actual Capacity Provided During a Capacity Scarcity Condition.

For each five-minute interval in which a Capacity Scarcity Condition exists, the ISO shall calculate the Actual Capacity Provided by each resource, whether or not it has a Capacity Supply Obligation, in any Capacity Zone that is subject to the Capacity Scarcity Condition. For resources not having a Capacity Supply Obligation (including External Transactions), the Actual Capacity Provided shall be calculated using the provision below applicable to the resource type. Notwithstanding the specific provisions of this Section III.13.7.2.2, no resource shall have an Actual Capacity Provided that is less than zero.

(a) A Generating Capacity Resource's Actual Capacity Provided during a Capacity Scarcity Condition shall be the sum of the resource's output during the interval plus the resource's Reserve Quantity For Settlement during the interval; provided, however, that if the resource's output was limited during the Capacity Scarcity Condition as a result of a transmission system limitation, then the resource's Actual Capacity Provided may not be greater than the sum of the resource's Desired Dispatch Point during the interval, plus the resource's Reserve Quantity For Settlement during the interval. Where the resource is associated with one or more External Transaction sales submitted in accordance with Section III.1.10.7(f), the resource will have its hourly Actual Capacity Provided reduced by the hourly integrated delivered MW for the External Transaction sale or sales.

(b) An Import Capacity Resource's Actual Capacity Provided during a Capacity Scarcity Condition shall be the net energy delivered during the interval in which the Capacity Scarcity Condition occurred. Where a single Market Participant owns more than one Import Capacity Resource, then the difference between the total net energy delivered from those resources and the total of the Capacity Supply Obligations of those resources shall be allocated to those resources pro rata.

(c) An On-Peak Demand Resource or Seasonal Peak Demand Resource's Actual Capacity Provided during a Capacity Scarcity Condition shall be the sum of the Actual Capacity Provided for each of its components, as determined below, where the 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 Actual Capacity Provided as described in this Section III.13.7.2.2(c), the Actual Capacity Provided shall be zero.

(d) An Active Demand Capacity Resource's Actual Capacity Provided during a Capacity Scarcity Condition shall be the sum of the Actual Capacity Provided by its constituent Demand Response Resources during the Capacity Scarcity Condition.

(i) A Demand Response Resource's Actual Capacity Provided during a Capacity Scarcity Condition shall be: (1) the sum of the Real-Time demand reduction of its constituent Demand Response Assets (provided, however, that if the Demand Response Resource was limited during the Capacity Scarcity Condition as a result of a transmission system limitation, then the sum of the Real-Time demand reduction of its constituent Demand Response Assets may not be greater than its Desired Dispatch Point during the interval), plus (2) the Demand Response Resource's Reserve Quantity For Settlement, where the MW quantity, other than the MW quantity associated with Net Supply, is increased by average avoided peak transmission and distribution losses; provided, however, that a Demand Response Resource's Actual Capacity Provided shall not be less than zero.

(ii) The Real-Time demand reduction of a Demand Response Asset shall be calculated as described in Section III.8.4, except that: (1) in the case of a Demand Response Asset that is on a forced or scheduled curtailment as described in Section III.8.3, a Real-Time demand reduction shall also be calculated for intervals in which the associated Demand Response Resource does not receive a non-zero Dispatch Instruction; (2) in the case of a Demand Response Asset that is on a forced or scheduled curtailment as described in Section III.8.3, the minuend in the calculation described in Section III.8.4 shall be the unadjusted Demand Response Baseline of the Demand Response Asset; and (3) the resulting MWhs of reduction, other than the MWhs associated with Net Supply, shall be increased by average avoided peak transmission and distribution losses.

III.13.7.2.3 Capacity Balancing Ratio.

For each five-minute interval in which a Capacity Scarcity Condition exists, the ISO shall calculate a Capacity Balancing Ratio using the following formula:

(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, 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.

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

The provisions in this subsection apply to charges associated with Capacity Commitment Periods beginning prior to June 1, 2022. A load serving entity with a Capacity Load Obligation as of the end of the Obligation Month shall be subject to a charge equal to the product of: (a) its Capacity Load Obligation in the Capacity Zone; and (b) the applicable Net Regional Clearing Price. The Net Regional Clearing Price is defined as the sum of the total payments as defined in Section III.13.7 paid to resources with Capacity Supply Obligations in the Capacity Zone (excluding any capacity payments and charges made for Capacity Supply Obligation Bilaterals and excluding any Capacity Performance Payments), less PER adjustments for resources in the zone as defined in Section III.13.7.1.2, and including any applicable export charges or credits as determined pursuant to Section III.13.7.1.3 divided by the sum of all Capacity Supply Obligations (excluding (i) the quantity of capacity subject to Capacity Supply Obligation Bilaterals and (ii) the quantity of capacity clearing as Self-Supplied FCA Resources) assumed by resources in the zone. A load serving entity satisfying its Capacity Load Obligation by a Self-Supplied FCA Resource shall not receive a credit for any PER payment for its Capacity Load Obligation so satisfied. A load serving entity with a Capacity Load Obligation as of the end of the Obligation Month may also receive a failure to cover credit equal to the product of: (a) its Capacity Load Obligation in the Capacity Zone, and; (b) the sum of all failure to cover charges in the Capacity Zone calculated pursuant to Section III.13.3.4(b), divided by total Capacity Load Obligation in the Capacity Zone.

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

The provisions in this subsection apply to charges associated with Capacity Commitment Periods beginning on or after June 1, 2022. A Market Participant with a Capacity Load Obligation as of the end of the Obligation Month shall be subject to the following charges and adjustments:

III.13.7.5.1.1.1 Forward Capacity Auction Charge.

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

Where

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

Total FCA Costs are the sum of, for all Capacity Zones, Capacity Supply Obligations in each zone (the total obligation awarded to resources in the Forward Capacity Auction for the Obligation Month in the zone, excluding any additional obligations awarded to Intermittent Power Resources pursuant to Section III.13.2.7.6 that exceed the FCA Qualified Capacity procured in the Forward Capacity Auction and excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section III.13.3.4(c)) multiplied by the applicable Capacity Clearing Price.

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

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

III.13.7.5.1.1.2 Annual Reconfiguration Auction Charge.

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

Where

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

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

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

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

III.13.7.5.1.1.3. Monthly Reconfiguration Auction Charge.

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

Where

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

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

III.13.7.5.1.1.4. HQICC Capacity Charge.

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

Where

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

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

III.13.7.5.1.1.5. Self-Supply Adjustment.

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

Where

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

Foregone capacity payments to Self-Supplied FCA Resources are the sum, for all Capacity Zones, of the product of the zonal Capacity Supply Obligation (adjusted pursuant to Section III.13.3.4(c)) designated as self-supply, multiplied by the applicable Capacity Clearing Price.

Avoided capacity charges are the sum, for all Capacity Zones, of the product of any designated self-supply quantities multiplied by the sum of the values calculated in Sections IIII.13.7.5.1.1.1(b), IIII.13.7.5.1.1.2(b), IIII.13.7.5.1.1.3(b), IIII.13.7.5.1.1.6(b), IIII.13.7.5.1.1.7(b), III.13.7.5.1.1.8(b), and III.13.7.5.1.1.9(b) in the Capacity Zone associated with the designated self-supply quantity.

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

III.13.7.5.1.1.6. Intermittent Power Resource Capacity Adjustment.

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

Where

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

FCA payments to Intermittent Power Resources are the sum, for all Capacity Zones, of the product of the Capacity Supply Obligations awarded to Intermittent Power Resources in the Forward Capacity Auction for the Obligation Month (excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section III.13.3.4(c)), multiplied by the applicable Capacity Clearing Price.

Base FCA payments for Intermittent Power Resources are the sum, for all Capacity Zones, of the product of the FCA Qualified Capacity procured from Intermittent Power Resources in the Forward Capacity Auction, (excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section III.13.3.4(c)), multiplied by the applicable Capacity Clearing Price.

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

III.13.7.5.1.1.7. Multi-Year Rate Election Adjustment.

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

Where

Zonal Multi-Year Rate Election Costs is the sum, for each resource with a multi-year rate election in the Obligation Month, of the amount of Capacity Supply Obligation designated to receive the multi-year rate (excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section III.13.3.4(c)), multiplied by the difference in the applicable zonal Capacity Clearing Price for the Forward Capacity Auction in which the resource originally was awarded a Capacity Supply Obligation (indexed using the Handy-Whitman Index of Public Utility Construction Costs in effect as of December 31 of the year preceding the Capacity Commitment Period) and the applicable zonal Capacity Clearing Price for the current Capacity Commitment Period, multiplied by the Zonal Peak Load Allocator for the Forward Capacity

Auction in which the resource originally was awarded a Capacity Supply Obligation and divided by the Total Peak Load Allocator for the Forward Capacity Auction in which the resource originally was awarded a Capacity Supply Obligation.

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

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

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

Where

Zonal Multi-Year Rate Election Costs is the sum in each Capacity Zone, for each resource with a multi-year rate election in the Obligation Month, of the amount of Capacity Supply Obligation designated to receive the multi-year rate (excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section III.13.3.4(c)), multiplied by the difference in the applicable zonal Capacity Clearing Price for the Forward Capacity Auction in which the resource originally was awarded a Capacity Supply Obligation (indexed using the Handy-Whitman Index of Public Utility Construction Costs in effect as of December 31 of the year preceding the Capacity Commitment Period) and the applicable zonal Capacity Clearing Price for the current Capacity Commitment Period.

III.13.7.5.1.1.8 CTR Transmission Upgrade Charge.

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

Where

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

III.13.7.5.1.1.9 CTR Pool-Planned Unit Charge.

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

Where

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

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

III.13.7.5.1.1.10. Failure to Cover Charge Adjustment.

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

Where:

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

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

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

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

The ISO shall assign each Market Participant a share of the Zonal Capacity Obligation prior to the commencement of each Obligation Month for each Capacity Zone established in the Forward Capacity Auction pursuant to Section III.13.2.3.4.

Zonal Capacity Obligation for each month and Capacity Zone shall equal the product of: (i) the total of the system-wide Capacity Supply Obligations (excluding the quantity of capacity subject to Capacity Supply Obligation Bilaterals for Capacity Commitment Periods beginning prior to June 1, 2022 and excluding any additional obligations awarded to Intermittent Power Resources pursuant to Section III.13.2.7.6 that exceed the FCA Qualified Capacity procured in the Forward Capacity Auction for Capacity Commitment Periods beginning on or after June 1, 2022) plus HQICCs; and (ii) the ratio of the sum of all load serving entities' annual coincident contributions to the system-wide annual peak load in that Capacity Zone from the calendar year two years prior to the start of the Capacity Commitment Period (for Capacity Commitment Periods beginning prior to June 1, 2022) and from the calendar year one year prior to the start of the Capacity Commitment Period (for Capacity Commitment Periods beginning on or after June 1, 2022) to the system-wide sum of all load serving entities' annual coincident contributions to the system-wide annual peak load from the calendar year two years prior to the start of the Capacity Commitment Period (for Capacity Commitment Periods beginning prior to June 1, 2022) and from the calendar year one year prior to the start of the Capacity Commitment Period (for Capacity Commitment Periods beginning on or after June 1, 2022).

The following loads are assigned a peak contribution of zero for the purposes of assigning obligations and tracking load shifts: load associated with 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 Market Participant's share of Zonal Capacity Obligation for each month and Capacity Zone shall equal the product of: (i) the Capacity Zone's Zonal Capacity Obligation as calculated above and (ii) the ratio of the sum of the load serving entity's annual coincident contributions to the system-wide annual peak load in that Capacity Zone from the calendar year prior to the start of the Capacity Commitment Period to the sum of all load serving entities' annual coincident contributions to the system-wide annual peak load in that Capacity Zone from the calendar year prior to the start of the Capacity Commitment Period.

A Market Participant's Capacity Load Obligation shall be its share of Zonal Capacity Obligation for each month and Capacity Zone, adjusted as appropriate to account for any relevant Capacity Load Obligation

Bilaterals, HQICCs, and Self-Supplied FCA Resource designations. A Capacity Load Obligation can be a positive or negative value.

A Market Participant's share of Zonal Capacity Obligation will not be reconstituted to include the demand reduction of a Demand Capacity Resource or Demand Response Resource.

III.13.7.5.2.1. Charges Associated with Dispatchable Asset Related Demands.
Dispatchable Asset Related Demand resources will not receive Forward Capacity Market payments, but instead each Dispatchable Asset Related Demand resource will receive an adjustment to its share of the associated Coincident Peak Contribution based on the ability of the Dispatchable Asset Related Demand resource to reduce consumption. The adjustment to a load serving entity's Coincident Peak Contribution resulting from Dispatchable Asset Related Demand resource reduction in consumption shall be based on the Nominated Consumption Limit submitted for the Dispatchable Asset Related Demand resource. The Nominated Consumption Limit value of each Dispatchable Asset Related Demand resource is subject to adjustment as further described in the ISO New England Manuals, including adjustments based on the results of Nominated Consumption Limit audits performed in accordance with the ISO New England Manuals.

III.13.7.5.3. Excess Revenues.
(a) For Capacity Commitment Periods beginning prior to June 1, 2022, revenues collected from load serving entities in excess of revenues paid by the ISO to resources shall be paid by the ISO to the holders of Capacity Transfer Rights, as detailed in Section III.13.7.5.3.

(b) Any payment associated with a Capacity Supply Obligation Bilateral that was to accrue to a Capacity Acquiring Resource for a Capacity Supply Obligation that is terminated pursuant to Section III.13.3.4A~~(c)~~ shall instead be allocated to Market Participants based on their pro rata share of all Capacity Load Obligations in the Capacity Zone in which the terminated resource is located.

III.13.7.5.4. Capacity Transfer Rights.

III.13.7.5.4.1. Definition and Payments to Holders of Capacity Transfer Rights.
This subsection applies to Capacity Commitment Periods beginning prior to June 1, 2022.

Capacity Transfer Rights are calculated for each internal interface associated with a Capacity Zone established in the Forward Capacity Auction (as determined pursuant to Section III.13.2.3.4). Based upon results of the Forward Capacity Auction and reconfiguration auctions, the total CTR fund will be calculated as the difference between the charges to load serving entities with Capacity Load Obligations and the payments to Capacity Resources as follows: The system-wide sum of the product of each Capacity Zone's Net Regional Clearing Price and absolute value of each Capacity Zone's Capacity Load Obligations, as calculated in Section III.13.7.5.1, minus the sum of the monthly capacity payments to Capacity Resources within each zone, as adjusted for PER.

Each Capacity Zone established in the Forward Capacity Auction (as determined pursuant to Section III.13.2.3.4) will be assigned its portion of the CTR fund.

For CTRs resulting from an export constrained zone, the assignment will be calculated as the product of: (i) the Net Regional Clearing Price for the Capacity Zone to which the applicable interface limits the transfer of capacity minus the Net Regional Clearing Price for the Capacity Zone from which the applicable interface limits the transfer of capacity; and (ii) the difference between the absolute value of the total Capacity Supply Obligations obtained in the exporting Capacity Zone, adjusted for Capacity Supply Obligations associated with Self-Supplied FCA Resources, and the absolute value of the total Capacity Load Obligations in the exporting Capacity Zone.

For CTRs resulting from an import constrained zone, the assignment will be calculated as the product of: (i) the Net Regional Clearing Price for the Capacity Zone to which the applicable interface limits the transfer of capacity minus the Net Regional Clearing Price for the absolute value of the Capacity Zone from which the applicable interface limits the transfer of capacity; and (ii) the difference between absolute value of the total Capacity Load Obligations in the importing Capacity Zone and the total Capacity Supply Obligations obtained in the importing Capacity Zone, adjusted for Capacity Supply Obligations associated with Self-Supplied FCA Resources.

III.13.7.5.4.2. Allocation of Capacity Transfer Rights.

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

For Capacity Zones established in the Forward Capacity Auction as determined pursuant to Section III.13.2.3.4, the CTR fund shall be allocated among load serving entities using their Capacity Load Obligation (net of HQICCs) described in Section III.13.7.5.1. Market Participants with CTRs specifically allocated under Section III.13.7.5.3.6 will have their specifically allocated CTR MWs netted from their Capacity Load Obligation used to establish their share of the CTR fund.

(a) **Connecticut Import Interface**. The allocation of the CTR fund associated with the Connecticut Import Interface shall be made to load serving entities based on their Capacity Load Obligation in the Connecticut Capacity Zone.

(b) **NEMA/Boston Import Interface**. Except as provided in Section III.13.7.5.3.6 of Market Rule 1, the allocation of the CTR fund associated with the NEMA/Boston Import Interface shall be made to load serving entities based on their Capacity Load Obligation in the NEMA/Boston Capacity Zone.

III.13.7.5.4.3. Allocations of CTRs Resulting From Revised Capacity Zones.
This subsection applies to Capacity Commitment Periods beginning prior to June 1, 2022.

The portion of the CTR fund associated with revised definitions of Capacity Zones shall be fully allocated to load serving entities after deducting the value of applicable CTRs that have been specifically allocated. Allocations of the CTR fund among load serving entities will be made using their Capacity Load Obligations (net of HQICCs) as described in Section III.13.7.5.3.1. Market Participants with CTRs specifically allocated under Section III.13.7.5.3.6 will have their specifically allocated CTR MWs netted from the Capacity Load Obligation used to establish their share of the CTR fund.

(a) **Import Constraints.** The allocation of the CTR fund associated with newly defined import-constrained Capacity Zones restricting the transfer of capacity into a single adjacent import-constrained Capacity Zone shall be allocated to load serving entities with Capacity Load Obligations in that import-constrained Capacity Zone.

(b) **Export Constraints.** The allocation of the CTR fund associated with newly defined export-constrained Capacity Zones shall be allocated to load serving entities with Capacity Load Obligations on the import-constrained side of the interface.

III.13.7.5.4.4. Specifically Allocated CTRs Associated with Transmission Upgrades.
(a) A Market Participant that pays for transmission upgrades not funded through the Pool PTF Rate and which increase transfer capability across existing or potential Capacity Zone interfaces may request a

specifically allocated CTR in an amount equal to the number of CTRs supported by that increase in transfer capability.

(b) The allocation of additional CTRs created through generator interconnections completed after February 1, 2009 shall be made in accordance with the provisions of the ISO generator interconnection or planning standards. In the event the ISO interconnection or planning standards do not address this issue, the CTRs created shall be allocated in the same manner as described in Section III.13.7.5.4.2.

(c) Specifically allocated CTRs shall expire when the Market Participant ceases to pay to support the transmission upgrades.

(d) CTRs resulting from transmission upgrades funded through the Pool PTF Rate shall not be specifically allocated but shall be allocated in the same manner as described in Section III.13.7.5.4.2.

(e) **Maine Export Interface**. Casco Bay shall receive specifically allocated CTRs of 325 MW across the Maine Export Interface for as long as Casco Bay continues to pay to support the transmission upgrades. Each municipal utility entitlement holder of a resource constructed as a Pool-Planned Unit in Maine shall receive specifically allocated CTRs across the Maine Export Interface equal to the applicable seasonal claimed capability of its ownership entitlements in such unit as described in Section III.13.7.5.4.5.

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

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

(a) In import-constrained Capacity Zones, in recognition of longstanding life of unit contracts, the municipal utility entitlement holder of a resource constructed as Pool-Planned Units shall receive an initial allocation of CTRs equal to the most recent seasonal claimed capability of the ownership entitlements in such unit, adjusted for any designated self-supply quantities as described in Section III.13.1.6.2. Municipal utility entitlements are set as shown in the table below and are not transferrable.

	Millstone 3	Seabrook	Stonybrook GT 1A	Stonybrook GT 1B	Stonybrook GT 1C	Stonybrook 2A	Stonybrook 2B	Wyman 4	Summer (MW)	Winter (MW)
Nominal Summer (MW)	1155.001	1244.275	104.000	100.000	104.000	67.400	65.300	586.725		
Nominal Winter (MW)	1155.481	1244.275	119.000	116.000	119.000	87.400	85.300	608.575		
Danvers	0.2627%	1.1124%	8.4569%	8.4569%	8.4569%	11.5551%	11.5551%	0.0000%	58.26	63.73
Georgetown	0.0208%	0.0956%	0.7356%	0.7356%	0.7356%	1.0144%	1.0144%	0.0000%	5.04	5.55
Ipswich	0.0608%	0.1066%	0.2934%	0.2934%	0.2934%	0.0000%	0.0000%	0.0000%	2.93	2.37
Marblehead	0.1544%	0.1351%	2.6840%	2.6840%	2.6840%	1.5980%	1.5980%	0.2793%	15.49	15.64
Middleton	0.0440%	0.3282%	0.8776%	0.8776%	0.8776%	1.8916%	1.8916%	0.1012%	10.40	11.07
Peabody	0.2969%	1.1300%	13.0520%	13.0520%	13.0520%	0.0000%	0.0000%	0.0000%	57.69	60.26
Reading	0.4041%	0.6351%	14.4530%	14.4530%	14.4530%	19.5163%	19.5163%	0.0000%	82.98	92.77
Wakefield	0.2055%	0.3870%	3.9929%	3.9929%	3.9929%	6.3791%	6.3791%	0.4398%	30.53	32.64
Ashburnham	0.0307%	0.0652%	0.6922%	0.6922%	0.6922%	0.9285%	0.9285%	0.0000%	4.53	5.22
Boylston	0.0264%	0.0849%	0.5933%	0.5933%	0.5933%	0.9120%	0.9120%	0.0522%	4.71	5.35
Braintree	0.0000%	0.6134%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	7.63	7.63
Groton	0.0254%	0.1288%	0.8034%	0.8034%	0.8034%	1.0832%	1.0832%	0.0000%	5.81	6.61
Hingham	0.1007%	0.4740%	3.9815%	3.9815%	3.9815%	5.3307%	5.3307%	0.0000%	26.40	30.36
Holden	0.0726%	0.3971%	2.2670%	2.2670%	2.2670%	3.1984%	3.1984%	0.0000%	17.01	19.33
Holyoke	0.3194%	0.3096%	0.0000%	0.0000%	0.0000%	2.8342%	2.8342%	0.6882%	15.34	16.63

Hudson	0.1056%	1.6745%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.3395%	24.05	24.12
Hull	0.0380%	0.1650%	1.4848%	1.4848%	1.4848%	2.1793%	2.1793%	0.1262%	10.70	12.28
Littleton	0.0536%	0.1093%	1.5115%	1.5115%	1.5115%	3.0607%	3.0607%	0.1666%	11.67	13.63
Mansfield	0.1581%	0.7902%	5.0951%	5.0951%	5.0951%	7.2217%	7.2217%	0.0000%	36.93	42.17
Middleborough	0.1128%	0.5034%	2.0657%	2.0657%	2.0657%	4.9518%	4.9518%	0.1667%	21.48	24.45
North Attleborough	0.1744%	0.3781%	3.2277%	3.2277%	3.2277%	5.9838%	5.9838%	0.1666%	25.58	29.49
Pascoag	0.0000%	0.1068%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	1.33	1.33
Paxton	0.0326%	0.0808%	0.6860%	0.6860%	0.6860%	0.9979%	0.9979%	0.0000%	4.82	5.53
Shrewsbury	0.2323%	0.5756%	3.9105%	3.9105%	3.9105%	0.0000%	0.0000%	0.4168%	24.33	26.23
South Hadley	0.5755%	0.3412%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	10.89	10.90
Sterling	0.0294%	0.2044%	0.7336%	0.7336%	0.7336%	1.1014%	1.1014%	0.0000%	6.60	7.38
Taunton	0.0000%	0.1003%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	1.25	1.25
Templeton	0.0700%	0.1926%	1.3941%	1.3941%	1.3941%	2.3894%	2.3894%	0.0000%	10.67	12.27
Vermont Public Power Supply Authority	0.0000%	0.0000%	2.2008%	2.2008%	2.2008%	0.0000%	0.0000%	0.0330%	6.97	7.99
West Boylston	0.0792%	0.1814%	1.2829%	1.2829%	1.2829%	2.3041%	2.3041%	0.0000%	10.18	11.69
Westfield	1.1131%	0.3645%	9.0452%	9.0452%	9.0452%	13.5684%	13.5684%	0.7257%	67.51	77.27

This allocation of CTRs shall expire on December 31, 2040. If a resource listed in the table above retires prior to December 31, 2040, however, its allocation of CTRs shall expire upon retirement. In the event that the NEMA zone either becomes or is forecast to become a separate zone for Forward Capacity Auction purposes, National Grid agrees to discuss with Massachusetts Municipal Wholesale Electric Company ("MMWEC") and Wellesley Municipal Light Plant, Reading Municipal Light Plant and Concord Municipal Light Plant ("WRC") any proposal by National Grid to develop cost effective transmission improvements that would mitigate or alleviate the import constraints and to work cooperatively and in good faith with MMWEC and WRC regarding any such proposal. MMWEC and WRC agree to support any proposals advanced by National Grid in the regional system planning process to construct any such transmission improvements, provided that MMWEC and WRC determine that the proposed improvements are cost effective (without regard to CTRs) and will mitigate or alleviate the import constraints.

(b) The value of CTRs specifically allocated pursuant to this Section shall be calculated as the product of: (i) the Capacity Clearing Price, or, if applicable, the lower of (1) the Capacity Clearing Price and (2) the administratively-determined payment rate (due to "Inadequate Supply" or "Insufficient Competition") that applies to certain resources for Forward Capacity Auctions conducted prior to June 2015 for the Capacity Zone to which the applicable interface limits the transfer of capacity minus the Capacity Clearing Price, or, if applicable, minus the lower of (1) the Capacity Clearing Price and (2) the administratively-determined payment rate (due to "Inadequate Supply" or "Insufficient Competition") that applies to certain resources for Forward Capacity Auctions conducted prior to June 2015 for the Capacity Zone from which the applicable interface limits the transfer of capacity, and; (ii) the MW quantity of the specifically allocated CTRs across the applicable interface.

III.13.7.5.5. Forward Capacity Market Net Charge Amount.

The Forward Capacity Market net charge amount for each Market Participant as of the end of the Obligation Month shall be equal to the sum of: (a) its Capacity Load Obligation charges; (b) its revenues from any applicable specifically allocated CTRs; (c) its share of the CTR fund (for Capacity Commitment Periods beginning prior to June 1, 2022); and (d) any applicable export charges.

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III.13.1. Forward Capacity Auction Qualification.

Each resource, or portion thereof, must qualify as a New Generating Capacity Resource (Section III.13.1.1), an Existing Generating Capacity Resource (Section III.13.1.2), a New Import Capacity Resource or Existing Import Capacity Resource (Section III.13.1.3), or a New Demand Capacity Resource or Existing Demand Capacity Resource (Section III.13.1.4). Each resource must be at least 100 kW in size to participate in the Forward Capacity Auction, except for resources registered with the ISO prior to the earliest date that any portion of this Section III.13 becomes effective. An offer may be composed of separate resources, pursuant to the provisions of Section III.13.1.5. Pursuant to the provisions of this Section III.13.1, the ISO shall determine a summer Qualified Capacity and a winter Qualified Capacity for each resource, and an FCA Qualified Capacity for each Existing Generating Capacity Resource, Existing Import Capacity Resource, Existing Demand Capacity Resource, New Generating Capacity Resource, New Import Capacity Resource, and New Demand Capacity Resource.

All Project Sponsors must be Market Participants no later than 30 days prior to the deadline for submitting the FCM Deposit. The Lead Market Participant for a resource participating in a Forward Capacity Auction may not change in the 15 Business Days prior to, or during, that Forward Capacity Auction.

III.13.1.1. New Generating Capacity Resources.

To participate in a Forward Capacity Auction as a New Generating Capacity Resource, a resource or proposed resource must meet the requirements of this Section III.13.1.1.

III.13.1.1.1. Definition of New Generating Capacity Resource.

A resource or a portion of a resource that is not a New Import Capacity Resource or Existing Import Capacity Resource (as defined in Section III.13.1.3), or a New Demand Capacity Resource or Existing Demand Capacity Resource (as discussed in Section III.13.1.4) shall be considered a New Generating Capacity Resource for participation in a Forward Capacity Auction if either: (i) the resource has never previously been counted as a capacity resource as described in Section III.13.1.1.1.1; or (ii) the resource, or a portion thereof, meets one of the criteria in Section III.13.1.1.1.2.

III.13.1.1.1.1. Resources Never Previously Counted as Capacity.

(a) A resource, or a portion thereof, will be considered to have never been counted as a capacity resource if it has not cleared in any previous Forward Capacity Auction.

(b) [Reserved.]

(c) Where a New Capacity Generating Resource was accepted for participation in the qualification process for a previous Forward Capacity Auction, but cleared less than its summer Qualified Capacity in that previous Forward Capacity Auction and is having its critical path schedule monitored by the ISO in accordance with Section III.13.3, the portion of the resource that did not clear in the previous Forward Capacity Auction shall be a New Generating Capacity Resource in the subsequent Forward Capacity Auction. Such a New Generating Capacity Resource must satisfy all of the qualification process requirements applicable to a New Generating Capacity Resource as described in Section III.13.1.1.2, except that the Project Sponsor is not required to resubmit documentation demonstrating site control (Section III.13.1.1.2.2.1) or to resubmit a critical path schedule (Section III.13.1.1.2.2.2) or to provide a new Qualification Process Cost Reimbursement Deposit (Section III.13.1.1.2.1(e)).

III.13.1.1.1.2. Resources Previously Counted as Capacity.

A resource that has previously been counted as a capacity resource, including a deactivated or retired capacity resource, may elect to participate in the Forward Capacity Auction as a New Generating Capacity Resource, as described in this Section III.13.1.1.1.2. The incremental expenditure required to reactivate a resource that previously has been deactivated or retired pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions) may be included in the calculation of the dollar per kilowatt thresholds in this Section III.13.1.1.1.2. A resource accepted for participation in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to this Section III.13.1.1.1.2 shall participate in the Forward Capacity Auction pursuant to Section III.13.2.3.2(e). A Market Participant that elects to have a resource that has previously been counted as a capacity resource participate in the Forward Capacity Auction as a New Generating Capacity Resource, must notify the ISO when the existing resource ceases to operate and the New Generating Capacity Resource commences operation. If a Market Participant with a resource that has previously been counted as a capacity resource elects, pursuant to Section III.13.3.4(a)(iii), to have the resource that has previously been counted as a capacity resource cover the Capacity Supply Obligation of a New Generating Capacity Resource and the resource that has previously been counted as a capacity resource must take an outage in order for the New Generating Capacity Resource to commence Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff), then the Market Participant must notify the ISO that the outage is for the purpose of the New Generating Capacity

Resource commencing Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff). A resource shall be accepted for participation as a new resource if it complies with one of the following three subsections:

(a) Where investment in the resource will result, by the commencement of the Capacity Commitment Period, in an increase in output by an amount exceeding the greater of: (i) 20 percent of the summer Qualified Capacity of the resource at the time of the qualification process for the Forward Capacity Auction; or (ii) 40 MW above the summer Qualified Capacity of the resource at the time of the qualification process for the Forward Capacity Auction, the whole resource shall participate in the Forward Capacity Auction as a New Generating Capacity Resource; or

(b) Where investment in the resource subsequent to January 1, 2007 and prior to the conclusion of the first Capacity Commitment Period associated with the Capacity Supply Obligation for which treatment as a new resource may be applied, for the purposes of re-powering will be equal to or greater than $200 per kilowatt of the whole resource's summer Qualified Capacity after re-powering, the owner of the resource may elect that the whole resource participate in the Forward Capacity Auction as a New Generating Capacity Resource. The $200 threshold (in base year 2008 dollars) shall be adjusted annually in accordance with the Handy-Whitman Index of Public Utility Construction Costs reflecting data for the period ending January 1 of the year preceding the start of the qualification process for the relevant Forward Capacity Auction; or

(c) Where investment in the resource subsequent to January 1, 2007 and prior to the conclusion of the first Capacity Commitment Period associated with the Capacity Supply Obligation for which treatment as a new resource may be applied, for the purpose of compliance with environmental regulations or permits will be equal to or greater than $100 per kilowatt of the whole resource's summer Qualified Capacity after the investment, the owner of the resource may elect that the whole resource participate in the Forward Capacity Auction as a New Generating Capacity Resource. The $100 threshold (in base year 2008 dollars) shall be adjusted annually in accordance with the Handy-Whitman Index of Public Utility Construction Costs reflecting data for the period ending January 1 of the year preceding the start of the qualification process for the relevant Forward Capacity Auction.

III.13.1.1.1.3. Incremental Capacity of Resources Previously Counted as Capacity.

The owner of a resource previously counted as a capacity resource may elect to have the incremental amount of capacity above the summer Qualified Capacity of the resource at the time of the qualification process participate in the Forward Capacity Auction as a New Generating Capacity Resource, where investment in the resource:

(a) will result, by the start of the Capacity Commitment Period, in an increase in output less than or equal to the greater of: (i) 20 percent of the summer Qualified Capacity of the resource at the time of the qualification process for the Forward Capacity Auction; or (ii) 40 MW; and

(b) will be equal to or greater than $200 per kilowatt of the amount of the increase in summer Qualified Capacity resulting from the investment. The $200 threshold (in base year 2008 dollars) shall be adjusted annually in accordance with the Handy-Whitman Index of Public Utility Construction Costs reflecting data for the period ending January 1 of the year preceding the start of the qualification process for the relevant Forward Capacity Auction. These investment costs may include the costs associated with reactivating a resource that was previously deactivated pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions) and in which investment in the resource was undertaken prior to reactivation.

(c) A Project Sponsor or Lead Market Participant making an election pursuant to this Section III.13.1.1.1.3 must submit a New Capacity Show of Interest Form pursuant to Section III.13.1.1.2.1 and a New Capacity Qualification Package pursuant to Section III.13.1.1.2 for the incremental amount.

III.13.1.1.1.3.A. Treatment of New Incremental Capacity and Existing Generating Capacity at the Same Generating Resource.

For incremental summer capacity seeking to participate in the Forward Capacity Auction pursuant to Section III.13.1.1.1.3 or incremental winter capacity that meets the investment thresholds in Section III.13.1.1.1.3 as applied to the resource’s winter Qualified Capacity, if the incremental summer or winter capacity does not span the entire Capacity Commitment Period, then the ISO shall match the incremental summer or winter capacity with excess existing winter or summer Qualified Capacity at that same resource, as appropriate, not to exceed the Qualified Capacity of the existing portion of the resource, in order to cover the entire Capacity Commitment Period. This provision shall not apply to Intermittent Power Resources.

III.13.1.1.1.4. De-rated Capacity of Resources Previously Counted as Capacity.
For purposes of the Forward Capacity Market, de-rated capacity of a resource shall be measured by the difference between the summer Qualified Capacity prior to the de-rating of the resource and the most recent summer demonstration of Seasonal Claimed Capability of a resource, as of the fifth Business Day of October. The owner of a resource previously counted as a capacity resource that has been de-rated by at least 2 percent of its summer Qualified Capacity (as an Existing Generating Capacity Resource) but by no more than the lesser of 20 percent of its summer Qualified Capacity (as an Existing Generating Capacity Resource) or 40 MW for three or more years at the time of the Forward Capacity Auction may elect to have the incremental amount of capacity above the capacity level established while de-rated treated as a New Generating Capacity Resource if it demonstrates that it will be reestablished prior to the start of the Capacity Commitment Period and that the investment in the resource for such purposes shall be equal to or greater than $200 per kilowatt of the amount of the increase in summer Qualified Capacity resulting from the investment. The Project Sponsor must submit a New Capacity Show of Interest Form pursuant to Section III.13.1.1.2.1 and a New Capacity Qualification Package pursuant to Section III.13.1.1.2.2 for the incremental amount of capacity for the relevant Forward Capacity Auction. The $200 threshold (in base year 2008 dollars) shall be adjusted annually in accordance with the Handy-Whitman Index of Public Utility Construction Costs reflecting data for the period ending January 1 of the year preceding the start of the qualification process for the relevant Forward Capacity Auction. The owner of a resource seeking to have the incremental amount of capacity counted as a New Generating Capacity Resource as provided in this Section, must demonstrate based on historical data that the resource previously operated at a level at least 2 percent above the de-rated amount.

III.13.1.1.1.5. Treatment of Resources that are Partially New and Partially Existing.
For purposes of this Section III.13.1, where only a portion of a single resource is treated as a New Generating Capacity Resource, either as a result of partial clearing in a previous Forward Capacity Auction or pursuant to Section III.13.1.1.1.3 or Section III.13.1.1.1.4, then except as otherwise indicated in this Section III.13.1, that portion of the resource shall be treated as a New Generating Capacity Resource, and the remainder of the resource shall be treated as an Existing Generating Capacity Resource.

III.13.1.1.1.6. Treatment of Deactivated and Retired Units.

(a) [Reserved.]

(b) A resource that previously has been deactivated or retired pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions), as applicable, that submits to the ISO a reactivation plan demonstrating that the resource shall return to operation shall, subject to ISO review and acceptance of that reactivation plan, be treated as an Existing Generating Capacity Resource unless that resource satisfies the criteria under Section III.13.1.1.1.2 as a New Generating Capacity Resource. Such reactivation plans must be received by the ISO no later than 15 Business Days before the Existing Capacity Retirement Deadline. A resource that previously has been deactivated or retired pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions), as applicable, that submits to the ISO a reactivation plan demonstrating that the resource shall return to operation and having a material modification as described in Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions), as applicable, shall be subject to Section III.13.1.1.2.3 (Initial Interconnection Analysis).

III.13.1.1.1.7 Renewable Technology Resources.

To participate in the Forward Capacity Market as a Renewable Technology Resource, a Generating Capacity Resource or an On-Peak Demand Resource (including every Asset that is part of the On-Peak Demand Resource) must satisfy the following requirements:

(a) receive an out-of-market revenue source supported by a state- or federally-regulated rate, charge or other regulated cost recovery mechanism;

(b) qualify as a renewable or alternative energy generating resource under any New England state's mandated (either by statute or regulation) renewable or alternative energy portfolio standards as in effect on January 1, 2014, or, in states without a standard, qualify under that state's renewable energy goals as a renewable resource (either by statute or regulation) as in effect on January 1, 2014. The resource must qualify as a renewable or alternative energy generating resource in the state in which it is geographically located;

(c) participate in a Forward Capacity Auction for a Capacity Commitment Period beginning on or after June 1, 2018 as a New Generating Capacity Resource or New Demand Capacity Resource pursuant to Section III.13.1.1, and;

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

An Export De-List Bid or Administrative Export De-List Bid may not be submitted for Generating Capacity Resources that assumed a Capacity Supply Obligation by participating in a Forward Capacity Auction as a Renewable Technology Resource.

III.13.1.1.2. Qualification Process for New Generating Capacity Resources.

For a resource to qualify as a New Generating Capacity Resource, the resource's Project Sponsor must make two separate submissions to the ISO: First, the Project Sponsor must submit a New Capacity Show of Interest Form during the New Capacity Show of Interest Submission Window. Second, the Project Sponsor must submit a New Capacity Qualification Package no later than the New Capacity Qualification Deadline. Each of these submissions is described in more detail in this Section III.13.1.1.2. The Project Sponsor must also have, or in the case of an Import Capacity Resource seeking to qualify with an Elective Transmission Upgrade be associated with, a valid Interconnection Request under Schedules 22, 23 or 25 of Section II of the Transmission, Markets and Services Tariff prior to submitting a New Capacity Show of Interest Form during the New Capacity Show of Interest Submission Window. Both the New Capacity Show of Interest Form and the New Capacity Qualification Package are required regardless of the status of the project under the interconnection procedures described in Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff. Neither the New Capacity Show of Interest Form nor the New Capacity Qualification Package constitutes an Interconnection Request. A Project Sponsor may withdraw from the qualification process at any time prior to three Business Days before the submission of the FCM Deposit pursuant to Section III.13.1.9.1 by providing written notification of such withdrawal to the ISO. Any withdrawal, whether pursuant to this provision or as determined by the ISO (for example as described in Section III.13.1.1.2.1 or Section III.13.1.9.3), shall be irrevocable. The Project Sponsor of a withdrawn application is subject to reconciliation of its Qualification Process Cost Reimbursement Deposit described in Section III.13.1.9.3. None of the provisions of this Section III.13.1, including the initial interconnection analysis and the analysis of overlapping interconnection impacts, supersedes, replaces, or satisfies any of the requirements of Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff, except as specifically provided thereunder. Determinations by the ISO pursuant to this Section III.13.1.1.2, including the initial interconnection analysis and the analysis of overlapping interconnection impacts, are for purposes of qualification for participation in the

Forward Capacity Auction only, and do not constitute a right or approval to interconnect, and do not guarantee the ability to interconnect.

III.13.1.1.2.1. New Capacity Show of Interest Form.

Except as otherwise provided in this Section III.13.1.1.2.1, for each resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Generating Capacity Resource, the Project Sponsor must submit to the ISO a New Capacity Show of Interest Form as described in this Section III.13.1.1.2.1 during the New Capacity Show of Interest Submission Window. After submission of a New Capacity Show of Interest Form, Material Modification (as defined in Section 4.4 of Schedule 22, Section 1.5 of Schedule 23, or Section 4.4 of Schedule 25 of Section II of the Transmission, Markets and Services Tariff) may not be made to the information contained therein or the New Capacity Show of Interest Form shall be considered withdrawn. No change that may result in a reduction in capacity may be made to a project described in a New Capacity Show of Interest Form or New Capacity Qualification Package between the date that is 150 days before the start of the Forward Capacity Auction and the deadline for qualification determination notifications described in Section III.13.1.1.2.8.

(a) A completed New Capacity Show of Interest Form shall include the following information, to the extent the information is not already provided under an active Interconnection Request under Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff, and other such information necessary to evaluate a project: the project name; the Project Sponsor's contact information; the Project Sponsor's ISO customer status; the date by which the project is expected to achieve Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff); the project address or location, and if relevant, asset identification number; the status of the project under the interconnection procedures described in Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff; whether the resource has ever previously had a Capacity Supply Obligation or previously received payment as a capacity resource pursuant to the market rules in effect prior to June 1, 2010; the capacity (in MW) of the New Generating Capacity Resource; a general description of the project's equipment configuration, including a description of the resource type (such as those listed in the table in Section III.A.21 or some other type); a simple location plan and a one-line diagram of the plant and station facilities, including any known transmission facilities; the location of the proposed interconnection; and other specific project data as set forth in the New Capacity Show of Interest Form. The ISO may waive the submission of any information not required for evaluation of a project. A completed New Capacity Show of Interest Form shall also specify the Queue Position associated with the project pursuant to Section 4.1 of Schedule 22, Section 1.5 of Schedule 23 or Section 4.1 of Schedule 25 of Section II of the Transmission, Markets and Services Tariff. In the case of a resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Generating Capacity Resource that is supported by an Internal Elective Transmission Upgrade, all Queue Positions associated with the project must be submitted in the New Capacity Show of Interest Form. Submittal of the Interconnection Request may take place prior to the qualification process described here, but no later than the date on which the New Capacity Show of Interest Form is submitted to the ISO; however, the Interconnection Customer Interconnection Request must still be active and consistent with the project described in the New Capacity Show of Interest Form as well as the New Capacity Qualification Package to be submitted as described in Section III.13.1.1.2.2.

(b) The Project Sponsor must submit with the New Capacity Show of Interest Form, documentation demonstrating that the Project Sponsor has already achieved control of the project site for the duration of the relevant Capacity Commitment Period pursuant to Section III.13.1.1.2.2.1.

(c) In the New Capacity Show of Interest Form, the Project Sponsor must indicate if the New Generating Capacity Resource is incremental capacity associated with a resource that previously had a Capacity Supply Obligation or previously received payment as a capacity resource pursuant to the market rules in effect prior to June 1, 2010 as discussed in Section III.13.1.1.1.3, or if the New Generating Capacity Resource is incremental capacity associated with a resource previously listed as a capacity resource that has been de-rated for three or more years at the time of the Forward Capacity Auction, as discussed in Section III.13.1.1.1.4.

(d) [Reserved.]

(e) With the New Capacity Show of Interest Form, the Project Sponsor must submit the Qualification Process Cost Reimbursement Deposit, as described in Section III.13.1.9.3.

III.13.1.1.2.2. New Capacity Qualification Package.

For each resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Generating Capacity Resource, the Project Sponsor must submit a New Capacity Qualification Package no later than the New Capacity Qualification Deadline, described in Section III.13.1.10. Except as otherwise provided in this Section III.13.1, the New Capacity Qualification Package shall conform to the requirements of this Section III.13.1.1.2.2. The ISO may waive the submission of any information not required for evaluation of a project. No change that may result in a reduction in capacity may be made to a project described in a New Capacity Show of Interest Form or New Capacity Qualification Package between the date that is 150 days before the start of the Forward Capacity Auction and the deadline for qualification determination notifications described in Section III.13.1.1.2.8.

III.13.1.1.2.2.1. Site Control.

For all Forward Capacity Auctions and reconfiguration auctions, the Project Sponsor must achieve, prior to the close of the New Capacity Show of Interest Submission Window, control of the project site for the duration of the relevant Capacity Commitment Period, which shall be as defined in Section 4.1 of Schedule 22, Section 1.5 of Schedule 23 or Section 4.1 of Schedule 25 of Section II of the Transmission, Markets and Services Tariff.

III.13.1.1.2.2.2. Critical Path Schedule.

In the New Capacity Qualification Package, the Project Sponsor must provide a critical path schedule for the project with sufficient detail to allow the ISO to evaluate the feasibility of the project being built and the feasibility that the project will meet the requirement that the project achieve all its critical path schedule milestones no later than the start of the relevant Capacity Commitment Period. The critical path schedule shall include, at a minimum, the dates on which the following milestones have or are expected to occur:

(a) **Major Permits**. In the New Capacity Qualification Package, the Project Sponsor must list all major permits required for the project, and for each major permit, the Project Sponsor must list the agency requiring the permit, the date on which application for the permit is expected to be made, and the expected date of approval. Major permits shall include, but are not limited to: (i) all federal and state permits; and (ii) local, regional, and town permits. The permitting and installation process associated with any major ancillary infrastructure (such as new gas pipelines, new water supply systems, or large storage tanks) should be included in this portion of the New Capacity Qualification Package.

(b) **Project Financing Closing**. In the New Capacity Qualification Package, the Project Sponsor shall provide (i) the estimated dollar amount of required project financing; (ii) the expected sources of that financing; and (iii) the expected closing date(s) for the project financing.

(c) **Major Equipment Orders**. In the New Capacity Qualification Package, the Project Sponsor must provide a list of all of the major components necessary for the project, and the date or dates on which all major components necessary for the project have been or are expected to be ordered. Although the specific technology will determine the list of major components to be included, the list shall include, to the extent applicable: (i) electric generators which may include equipment such as fuel cells or solar photovoltaic equipment; (ii) turbines; (iii) step-up transformers; (iv) relay panels (v) distributed control systems; and (vi) any other single piece of equipment or system such as a cooling water system, steam generation, steam handling system, water treatment system, fuel handling system or emissions control system that is not included as a sub-component of other equipment listed in this Section III.13.1.1.2.2.2(c) and that accounts for more than five percent of the total project cost. For an Import Capacity Resource associated with an Elective Transmission Upgrade that has not yet achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff, major components shall also include, to the extent applicable, transmission facilities and associated substation equipment.

(d) **Substantial Site Construction**. In the New Capacity Qualification Package, the Project Sponsor must provide the approximate date on which the amount of money expended on construction activities occurring on the project site is expected to exceed 20 percent of construction financing costs.

(e) **Major Equipment Delivery**. In the New Capacity Qualification Package, the Project Sponsor must provide the dates on which the major equipment described in subsection (d) above has been or is scheduled to be delivered to the project site.

(f) **Major Equipment Testing**. In the New Capacity Qualification Package, the Project Sponsor must provide the date or dates on which each piece of major equipment described in subsection (c) above is scheduled to undergo testing, including major systems testing, as appropriate for the specific technology to establish its suitability to allow, in conjunction with other major equipment, subsequent operation of the project in accordance with the design capacity of the resource and in accordance with Good Utility Practice. The test(s) shall include those conducted at the point at which the operation of the major equipment will be determined to be in compliance with the requirements of the engineering or purchase specifications.

(g) **Commissioning**. In the New Capacity Qualification Package, the Project Sponsor must provide the date on which the project is expected to have demonstrated the level of performance specified in the New Capacity Show of Interest Form and in the New Capacity Qualification Package.

(h) **Commercial Operation**. In the New Capacity Qualification Package, the Project Sponsor must provide the date by which the project is expected to achieve Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff) and/or the date by which the Project Sponsor expects to be ready to demonstrate to the ISO that the Demand Capacity Resource described in the New Demand Capacity Resource Qualification Package has achieved its full demand reduction value. This date must be no later than the start of the Capacity Commitment Period associated with the Forward Capacity Auction.

III.13.1.1.2.2.3. Offer Information.

(a) All New Generating Capacity Resources that might submit offers in the Forward Capacity Auction at prices below the relevant Offer Review Trigger Price must include in the New Capacity Qualification Package the lowest price at which the resource requests to offer capacity in the Forward Capacity Auction and supporting documentation justifying that price as competitive in light of the resource's costs (as described in Section III.A.21). This price is subject to review by the Internal Market Monitor pursuant to Section III.A.21.2 and must include the additional documentation described in that Section.

(b) The Project Sponsor for a New Generating Capacity Resource must indicate in the New Capacity Qualification Package if an offer from the New Generating Capacity Resource may be rationed. A Project Sponsor may specify a Rationing Minimum Limit to which offers may be rationed. Without such indication, offers will only be accepted or rejected in whole. This rationing election shall apply for the entire Forward Capacity Auction.

(c) By submitting a New Capacity Qualification Package, the Project Sponsor certifies that an offer from the New Generating Capacity Resource will not include any anticipated revenues the resource is expected to receive for its capacity cost as a Qualified Generator Reactive Resource pursuant to Schedule 2 of Section II of the Transmission, Markets and Services Tariff.

III.13.1.1.2.2.4. Capacity Commitment Period Election.

In the New Capacity Qualification Package, the Project Sponsor must specify whether, if its New Capacity Offer clears in the Forward Capacity Auction, the associated Capacity Supply Obligation and Capacity Clearing Price (indexed for inflation) shall continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, for up to six additional and consecutive Capacity Commitment Periods, in whole Capacity Commitment Period increments only. For incremental capacity qualified pursuant to Section III.13.1.1.1.3.A, this election shall apply to both the incremental amount of capacity and the existing Qualified Capacity matched to the incremental capacity at the same generating resource. If no such election is made in the New Capacity Qualification Package, the Capacity Supply Obligation and Capacity Clearing Price associated with the New Capacity Offer shall apply only for the Capacity Commitment Period associated with the Forward Capacity Auction in which the New Capacity Offer clears. If a New Capacity Offer clears in the Forward Capacity Auction, the capacity associated with the resulting Capacity Supply Obligation may not be subject to any type of de-list or export bid in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply pursuant to this Section III.13.1.1.2.2.4.

III.13.1.1.2.2.5. Additional Requirements for Resources Previously Counted As Capacity. In addition to the information described elsewhere in this Section III.13.1.1.2.2:

(a) For each resource seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.2 (re-powering), Section III.13.1.1.1.3 (incremental capacity), or Section III.13.1.1.1.4 (de-rated capacity), the Project Sponsor must include in the New Capacity Qualification Package documentation of the costs associated with the project in sufficient detail to allow the ISO to determine that the relevant cost threshold (described in Sections III.13.1.1.1.2(b), III.13.1.1.1.3(b), and III.13.1.1.1.4) will be met.

(b) For each resource seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.2(c) (environmental compliance), the Project Sponsor must include in the New Capacity Qualification Package: (i) a detailed description of the specific regulations that it is seeking to comply with and the permits that it must obtain; and (ii) documentation of the costs associated with the project in sufficient detail to allow the ISO to determine that the relevant cost threshold (described in Section III.13.1.1.1.2(c)) will be met.

(c) For each resource seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Sections III.13.1.1.1.2, III.13.1.1.1.3, or III.13.1.1.1.4, the Project Sponsor must include in the New Capacity Qualification Package detailed information showing how and when the resource will shed its Capacity Supply Obligation to accommodate necessary work on the facility, if necessary. The Project Sponsor must also include the shedding of its Capacity Supply Obligation as an additional milestone in the critical path schedule described in Section III.13.1.1.2.2.2.

III.13.1.1.2.2.6. Additional Requirements for New Generating Capacity Resources that are Intermittent Power Resources.

In addition to the information described elsewhere in this Section III.13.1.1.2.2, for each Intermittent Power Resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Generating Capacity Resource, the Project Sponsor must include in the New Capacity Qualification Package:

(a) a claimed summer Qualified Capacity and a claimed winter Qualified Capacity based on the data described in Section III.13.1.1.2.2.6(b);

(b) measured and recorded site-specific summer and winter data relevant to the expected performance of the Intermittent Power Resource (including wind speed data for wind resources, water flow data for run-of-river hydropower resources, and irradiance data for solar resources) that, with the other information provided in the New Capacity Qualification Package, will enable the ISO to confirm the summer and winter Qualified Capacity that the Project Sponsor claims for the Intermittent Power Resource.

III.13.1.1.2.3. Initial Interconnection Analysis.

(a) For each New Generating Capacity Resource, the ISO shall perform an initial interconnection analysis, including an analysis of overlapping interconnection impacts, based on the information provided in the New Capacity Show of Interest Form and shall determine the amount of capacity that the resource could provide by the start of the associated Capacity Commitment Period. The initial interconnection analysis shall be performed consistent with the criteria and conditions described in ISO New England Planning Procedures, and will include, but will not be limited to, a power flow analysis and a short circuit analysis. No initial interconnection analysis is required where the total requested Qualified Capacity of a New Generating Capacity Resource pursuant to Sections III.13.1.1.2, III.13.1.1.3, III.13.1.1.4, or

III.13.1.1.6 can be realized without a Material Modification (as defined in Section 4.4 of Schedule 22, Section 1.5 of Schedule 23 and Section 4.4 of Schedule 25 of Section II of the Transmission, Markets and Services Tariff). The ISO will perform the initial interconnection analysis in the form of a group study that will include all the projects that have submitted a New Capacity Show of Interest Form to participate in the same Capacity Commitment Period (as described in Section 4.1 of Schedule 22 and Section 1.5 of Schedule 23 of Section II of the Transmission, Markets and Services Tariff). Participation in an initial interconnection analysis is a requirement for obtaining Capacity Network Resource Interconnection Service or Capacity Network Import Interconnection Service in a manner that meets the Capacity Capability Interconnection Standard in accordance with the provisions in Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff.

(b) If as a result of the initial interconnection analysis, the ISO determines that the interconnection facilities and upgrades identified in the qualification process that are necessary to enable the New Generating Capacity Resource to provide the entire amount of capacity indicated in the New Capacity Show of Interest Form can not be implemented before the start of the Capacity Commitment Period, the New Generating Capacity Resource's Qualified Capacity values may be adjusted accordingly, as described in Section III.13.1.1.2.5.

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

(d) If as a result of the initial interconnection analysis, the ISO determines that the New Generating Capacity Resource can provide all or some of the capacity indicated in the New Capacity Show of Interest Form by the start of the Capacity Commitment Period, and if the New Generating Capacity Resource is accepted for participation in the Forward Capacity Auction in accordance with the other provisions and requirements of this Section III.13.1, then in the qualification determination notification, discussed in Section III.13.1.1.2.8, the ISO, after consultation with the applicable Transmission Owner(s) or Elective

Transmission Upgrade Interconnection Customer as appropriate, shall include a list of the facilities that may be required to complete the interconnection and time required to construct those facilities by the start of the associated Capacity Commitment Period.

(e) Where, as a result of the initial interconnection analysis, the ISO concludes, after consultation with the Project Sponsor and the applicable Transmission Owner(s) or Elective Transmission Upgrade Interconnection Customer, as appropriate, that the capacity indicated in the New Capacity Show of Interest Form can not be interconnected by the commencement of the Capacity Commitment Period, the Forward Capacity Market qualification process for that resource shall be terminated and the ISO will notify the Project Sponsor of such termination.

(f) Where, as a result of the initial interconnection analysis, the ISO determines that because of overlapping interconnection impacts, New Generating Capacity Resources that are otherwise accepted for participation in the Forward Capacity Auction in accordance with the other provisions and requirements of this Section III.13.1 cannot provide the full amount of capacity that they each would otherwise be able to provide (in the absence of the other relevant Existing Generating Capacity Resources and New Generating Capacity Resources seeking to qualify for the Forward Capacity Auction), those New Generating Capacity Resources will be accepted for participation in the Forward Capacity Auction on the basis of their Queue Position, as described in Schedules 22, 23 and 25 of Section II of the Transmission, Markets and Services Tariff, with priority given to resources that entered the queue earlier. Resources with lower priority in the queue may be accepted partially. Starting with the fourth auction, a New Generating Capacity Resource that meets the requirements of this Section III.13.1, but that would not be accepted for participation in the Forward Capacity Auction as a result of overlapping interconnection impacts with another resource having a higher priority in the queue may be accepted for participation in the Forward Capacity Auction as a Conditional Qualified New Resource, as described in Section III.13.2.3.2(f), provided that the resource having a higher priority in the queue is not a resource offering capacity into the Forward Capacity Auction pursuant to Section III.13.2.3.2(e).

III.13.1.1.2.4. Evaluation of New Capacity Qualification Package.

The ISO shall review a New Generating Capacity Resource's New Capacity Qualification Package consistent with the dates set forth in Section III.13.1.10, and shall determine whether the package is complete and whether, based on the information provided, the New Generating Capacity Resource is accepted for participation in the Forward Capacity Auction. In making these determinations, the ISO may consider, but is not limited to considering, the following:

(a) whether the New Capacity Qualification Package contains all of the elements required by this Section III.13.1.1.2;

(b) whether the critical path schedule includes all necessary elements and is sufficiently developed;

(c) whether the milestones in the critical path schedule are reasonable and likely to be met;

(d) whether, in the case of a resource previously counted as a capacity resource, the requirements for treatment as a New Generating Capacity Resource are satisfied; and

(e) whether, in the case of an Intermittent Power Resource, sufficient data for confirming the resource's claimed summer and winter Qualified Capacity is provided, and whether the data provided reasonably supports the claimed summer and winter Qualified Capacity.

III.13.1.1.2.5. Qualified Capacity for New Generating Capacity Resources.

III.13.1.1.2.5.1. New Generating Capacity Resources Other Than Intermittent Power Resources.

The summer Qualified Capacity and winter Qualified Capacity of a New Generating Capacity Resource that is not an Intermittent Power Resource that has cleared in the Forward Capacity Auction shall be based on the data provided to the ISO during the qualification process, subject to ISO review and verification, and possibly as modified pursuant to Section III.13.1.1.2.3(b). The FCA Qualified Capacity for such a resource shall be the lesser of the resource's summer Qualified Capacity and winter Qualified Capacity, as adjusted to account for applicable offers composed of separate resources.

III.13.1.1.2.5.2. [Reserved]

III.13.1.1.2.5.3. New Generating Capacity Resources that are Intermittent Power Resources.

The summer Qualified Capacity and winter Qualified Capacity of a New Generating Capacity Resource that is an Intermittent Power Resource shall be the summer Qualified Capacity and winter Qualified Capacity claimed by the Project Sponsor pursuant to Section III.13.1.1.2.2.6, as confirmed by the ISO pursuant to Section III.13.1.1.2.4(e). The FCA Qualified Capacity for such a resource shall be equal to the resource's summer Qualified Capacity, as adjusted to account for applicable offers composed of separate resources.

III.13.1.1.2.5.4. New Generating Capacity Resources Partially Clearing in a Previous Forward Capacity Auction.

Where, as discussed in Section III.13.1.1.1.1(c), a New Generating Capacity Resource was accepted for participation in a previous Forward Capacity Auction, but cleared less than its summer or winter Qualified Capacity in that previous Forward Capacity Auction and is having its critical path schedule monitored by the ISO as described in Section III.13.3, its summer and winter Qualified Capacity as a New Generating Capacity Resource in the instant Forward Capacity Auction shall be the summer and winter Qualified Capacity from the previous Forward Capacity Auction minus the amount of capacity clearing from the New Generating Capacity Resource in the previous Forward Capacity Auction. The FCA Qualified Capacity for such a resource shall be the lesser of the resource's summer Qualified Capacity and winter Qualified Capacity, as adjusted to account for applicable offers composed of separate resources. The amount of capacity clearing in a Forward Capacity Auction from a New Generating Capacity Resource shall be treated as an Existing Generating Capacity Resource in subsequent Forward Capacity Auctions.

III.13.1.1.2.6. [Reserved.]

III.13.1.1.2.7. Opportunity to Consult with Project Sponsor.

In its review of a New Capacity Show of Interest Form or a New Capacity Qualification Package, the ISO may consult with the Project Sponsor to seek clarification, to gather additional necessary information, or to address questions or concerns arising from the materials submitted. At the discretion of the ISO, the ISO may consider revisions or additions to the qualification materials resulting from such consultation; provided, however, that in no case shall the ISO consider revisions or additions to the qualification materials if the ISO believes that such consideration cannot be properly accomplished within the time periods established for the qualification process. In addition, the ISO or the Project Sponsor may confer to seek clarification, to gather additional necessary information, or to address questions or concerns prior to the ISO's final determination and notification of qualification.

III.13.1.1.2.8. Qualification Determination Notification for New Generating Capacity Resources.

No later than 127 days before the Forward Capacity Auction, the ISO shall send notification to Project Sponsors or Market Participants, as applicable, for each New Generating Capacity Resource indicating:

(a) whether the New Generating Capacity Resource has been accepted for participation in the Forward Capacity Auction as a result of the initial interconnection analysis made pursuant to Section III.13.1.1.2.3, and if not accepted, an explanation of the reasons the New Generating Capacity Resource was not accepted in the initial interconnection analysis;

(b) whether the New Generating Capacity Resource has been accepted for participation in the Forward Capacity Auction as a result of the New Capacity Qualification Package evaluation made pursuant to Section III.13.1.1.2.4, and if not accepted, an explanation of the reasons the New Generating Capacity Resource's New Capacity Qualification Package was not accepted;

(c) if accepted for participation in the Forward Capacity Auction, a list of the facilities that may be required to complete the interconnection for purposes of providing capacity and time required to construct those facilities by the start of the associated Capacity Commitment Period, as discussed in Section III.13.1.1.2.3(d);

(d) if accepted for participation in the Forward Capacity Auction, the New Generating Capacity Resource's summer Qualified Capacity and winter Qualified Capacity, as determined pursuant to Section III.13.1.1.2.5;

(e) if accepted for participation in the Forward Capacity Auction, but subject to the provisions of Section III.13.1.1.2.3(f) (where not all New Generating Capacity Resources can be interconnected due to their combined effects on the New England Transmission System), a description of how the New Generating Capacity Resource shall participate in the Forward Capacity Auction, including, for the fourth and future auctions: (i) whether the resource shall participate as a Conditional Qualified New Resource; (ii) for the notification to a Conditional Qualified New Resource, the Queue Position of the associated resource with higher queue priority; and (iii) for the notification to a resource with higher queue priority than a Conditional Qualified New Resource, the Queue Position of the Conditional Qualified New Resource; and

(f) if accepted for participation in the Forward Capacity Auction and requesting to submit offers at prices below the relevant Offer Review Trigger Price pursuant to Section III.13.1.1.2.2.3, the Internal Market Monitor's determination regarding whether the requested offer price is consistent with the long run average costs of that New Generating Capacity Resource.

III.13.1.1.2.9 Renewable Technology Resource Election.

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

A Project Sponsor or Market Participant electing Renewable Technology Resource treatment for the FCA Qualified Capacity of a New Generating Capacity Resource or New Demand Capacity Resource shall submit a Renewable Technology Resource election form no later than two Business Days after the date on which the ISO provides qualification determination notifications pursuant to Section III.13.1.1.2.8 or Section III.13.1.4.1.1.6. Only the portion of the FCA Qualified Capacity of the resource that meets the requirements of Section III.13.1.1.1.7 is eligible for treatment as a Renewable Technology Resource.

Renewable Technology Resource elections may not be modified or withdrawn after the deadline for submission of the Renewable Technology Resource election form.

The submission of a Renewable Technology Resource election that satisfies the requirements of Section III.13.1.1.1.7 will invalidate a prior multi-year Capacity Supply Obligation and Capacity Clearing Price election for the same resource made pursuant to Section III.13.1.4.1.1.2.7 or Section III.13.1.1.2.2.4 for a Forward Capacity Auction.

III.13.1.1.2.10 Determination of Renewable Technology Resource Qualified Capacity.

(a) If the total FCA Qualified Capacity of Renewable Technology Resources exceeds the cap specified in subsections (b), (c), (d) and (e) the qualified capacity value of each resource shall be prorated by the ratio of the cap divided by the total FCA Qualified Capacity. The ISO shall notify the Project Sponsor or Market Participant, as applicable, of the Qualified

Capacity value of its resource no more than five Business Days after the deadline for submitting Renewable Technology Resource elections.

(b) The cap for the Capacity Commitment Period beginning on June 1, 2018 is 200 MW.

(c) The cap for the Capacity Commitment Period beginning on June 1, 2019 is 400 MW minus the amount of Capacity Supply Obligations acquired by Renewable Technology Resources that are New Capacity Resources pursuant to Section III.13.2 in the prior Capacity Commitment Period.

(d) The cap for each Capacity Commitment Period beginning on June 1, 2020 or June 1, 2021 is 600 MW minus the amount of Capacity Supply Obligations acquired by Renewable Technology Resources that are New Capacity Resources pursuant to Section III.13.2 in the prior two Capacity Commitment Periods.

(e) The cap for each Capacity Commitment Period beginning on June 1, 2022 or June 1, 2023 or June 1, 2024 is 514 MW minus the cumulative amount of Capacity Supply Obligations acquired by Renewable Technology Resources that are New Capacity Resources in the first or second run of the primary auction-clearing process pursuant to Section III.13.2 for each Capacity Commitment Period that begins on or after June 1, 2021.

III.13.1.2. Existing Generating Capacity Resources.

An Existing Generating Capacity Resource, as defined in Section III.13.1.2.1, may participate in the Forward Capacity Auction pursuant to the provisions of this Section III.13.1.2.

III.13.1.2.1. Definition of Existing Generating Capacity Resource.

Any resource that does not satisfy the criteria for participating in the Forward Capacity Auction as a New Generating Capacity Resource (Section III.13.1.1), as an Existing Import Capacity Resource or New Import Capacity Resource (Section III.13.1.3), or as a New Demand Capacity Resource or Existing Demand Capacity Resource (Section III.13.1.4) shall be an Existing Generating Capacity Resource.

III.13.1.2.1.1. Attributes of Existing Generating Capacity Resources.

For purposes of Forward Capacity Auction qualification, a Market Participant may not change any Existing Generating Capacity Resource attribute (including but not limited to the resource's status as an Intermittent Power Resource) in the period beginning 25 Business Days prior to the Existing Capacity Retirement Deadline and ending with the conclusion of the Forward Capacity Auction. Outside of this period, any such change must be accompanied by documentation justifying the change.

III.13.1.2.1.2 Rationing Minimum Limit.

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

III.13.1.2.2. Qualified Capacity for Existing Generating Capacity Resources.

III.13.1.2.2.1. Existing Generating Capacity Resources Other Than Intermittent Power Resources.

III.13.1.2.2.1.1. Summer Qualified Capacity.

The summer Qualified Capacity of an Existing Generating Capacity Resource that is not an Intermittent Power Resource shall be equal to the median of that Existing Generating Capacity Resource's summer Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day in October of each year, with only positive summer ratings included in the median calculation. For the first Forward Capacity Auction, the summer Qualified Capacity of an Existing Generating Capacity Resource shall be equal to the median of that Existing Generating Capacity Resource's summer Seasonal Claimed Capability ratings from the most recent four years, as of the fifth Business Day in October of each year, with only positive summer ratings included in the median calculation. Where an Existing Generating Capacity Resource has fewer than five summer Seasonal Claimed Capability ratings, or in the case of the first Forward Capacity Auction, fewer than four summer Seasonal Claimed Capability ratings, then the summer Qualified Capacity for that Existing Generating Capacity Resource shall be equal to the median of all of that Existing Generating Capacity Resource's previous summer Seasonal Claimed Capability ratings, as of the fifth Business Day in October of each year, with only positive summer ratings included in the median calculation. If for an Existing Generating Capacity Resource there are no previous positive summer Seasonal Claimed Capability ratings because the Existing Generating Capacity Resource has not yet achieved FCM Commercial Operation, then the Existing Generating Capacity Resource's summer Qualified Capacity shall be equal to the amount of capacity clearing from the resource as a New Generating Capacity Resource in previous Forward Capacity Auctions.

III.13.1.2.2.1.2. Winter Qualified Capacity.

The winter Qualified Capacity of an Existing Generating Capacity Resource that is not an Intermittent Power Resource shall be equal to the median of that Existing Generating Capacity Resource's winter

Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day in June of each year, with only positive winter ratings included in the median calculation. For the first Forward Capacity Auction, the winter Qualified Capacity of an Existing Generating Capacity Resource shall be equal to the median of that Existing Generating Capacity Resource's winter Seasonal Claimed Capability ratings from the most recent four years, as of the fifth Business Day in June of each year, with only positive winter ratings included in the median calculation. Where an Existing Generating Capacity Resource has fewer than five winter Seasonal Claimed Capability ratings, or in the case of the first Forward Capacity Auction, fewer than four winter Seasonal Claimed Capability ratings, then the winter Qualified Capacity for that Existing Generating Capacity Resource shall be equal to the median of all of that Existing Generating Capacity Resource's previous winter Seasonal Claimed Capability ratings, as of the fifth Business Day in June of each year, with only positive winter ratings included in the median calculation. If for an Existing Generating Capacity Resource there are no previous positive winter Seasonal Claimed Capability ratings because the Existing Generating Capacity Resource has not yet achieved FCM Commercial Operation, then the Existing Generating Capacity Resource's winter Qualified Capacity shall be equal to the amount of capacity clearing from the resource as a New Generating Capacity Resource in previous Forward Capacity Auctions.

III.13.1.2.2.2. Existing Generating Capacity Resources that are Intermittent Power Resources.

The summer and winter Qualified Capacity for an Existing Generating Capacity Resource that is an Intermittent Power Resource shall be calculated as follows:

III.13.1.2.2.2.1. Summer Qualified Capacity for an Intermittent Power Resource.

(a) With regard to any Forward Capacity Auction qualification process, for each of the previous five summer periods, the ISO shall determine the median of the Intermittent Power Resource's net output in the Summer Intermittent Reliability Hours. If there are less than five full summer periods since the Intermittent Power Resource achieved FCM Commercial Operation, the ISO shall determine the median of the Intermittent Power Resource's net output in each of the previous summer periods, or portion thereof, since the Intermittent Power Resource achieved FCM Commercial Operation.

(b) The Intermittent Power Resource's summer Qualified Capacity shall be the average of the median numbers determined in Section III.13.1.2.2.2.1(a).

(c) The Summer Intermittent Reliability Hours shall be hours ending 1400 through 1800 each day of the summer period (June through September) and all summer period hours in which there was a system-wide Capacity Scarcity Condition and if the Intermittent Power Resource was in an import-constrained Capacity Zone, all Capacity Scarcity Conditions in that Capacity Zone.

(d) If for an Existing Generating Capacity Resource that is an Intermittent Power Resource there are no previous positive summer Seasonal Claimed Capability ratings because the Existing Generating Capacity Resource has not yet achieved FCM Commercial Operation, then the Existing Generating Capacity Resource's summer Qualified Capacity shall be equal to the amount of capacity clearing from the resource as a New Generating Capacity Resource in previous Forward Capacity Auctions.

III.13.1.2.2.2.2. Winter Qualified Capacity for an Intermittent Power Resource.

(a) With regard to any Forward Capacity Auction qualification process, for each of the previous five winter periods, the ISO shall determine the median of the Intermittent Power Resource's net output in the Winter Intermittent Reliability Hours. If there are less than five full winter periods since the Intermittent Power Resource achieved FCM Commercial Operation, the ISO shall determine the median of the Intermittent Power Resource's net output in each of the previous winter periods, or portion thereof, since the Intermittent Power Resource achieved FCM Commercial Operation.

(b) The Intermittent Power Resource's winter Qualified Capacity shall be the average of the median numbers determined in Section III.13.1.2.2.2.2(a).

(c) The Winter Intermittent Reliability Hours shall be hours ending 1800 and 1900 each day of the winter period (October through May) and all winter period hours in which there was a system-wide Capacity Scarcity Condition and if the Intermittent Power Resource was in an import-constrained Capacity Zone, all Capacity Scarcity Conditions in that Capacity Zone.

(d) If for an Existing Generating Capacity Resource that is an Intermittent Power Resource there are no previous positive winter Seasonal Claimed Capability ratings because the Existing Generating Capacity Resource has not yet achieved FCM Commercial Operation, then the Existing Generating Capacity Resource's winter Qualified Capacity shall be equal to the amount of capacity clearing from the resource as a New Generating Capacity Resource in previous Forward Capacity Auctions.

III.13.1.2.2.3. Qualified Capacity Adjustment for Partially New and Partially Existing Resources.

(a) Where an Existing Generating Capacity Resource is associated with a New Generating Capacity Resource that was accepted for participation in a previous Forward Capacity Auction qualification process and that cleared in a previous Forward Capacity Auction, then in each subsequent Forward Capacity Auction until the New Generating Capacity Resource achieves FCM Commercial Operation the summer Qualified Capacity of that Existing Generating Capacity Resource shall be the sum of [the median of that Existing Generating Capacity Resource's positive summer Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day of October of each year, calculated in a manner consistent with Section III.13.1.2.2.1.1] plus [the amount of the New Generating Capacity Resource's capacity clearing in previous Forward Capacity Auctions]. After the New Generating Capacity Resource achieves FCM Commercial Operation, the Existing Generating Capacity Resource's summer Qualified Capacity shall be calculated as described in Section III.13.1.2.2.1.1, except that no data from the time period prior to the New Generating Capacity Resource's FCM Commercial Operation date shall be used to determine the summer Qualified Capacity associated with the Existing Generating Capacity Resource.

(b) Where an Existing Generating Capacity Resource is associated with a New Generating Capacity Resource that was accepted for participation in a previous Forward Capacity Auction qualification process and that cleared in a previous Forward Capacity Auction, then in each subsequent Forward Capacity Auction until the New Generating Capacity Resource achieves FCM Commercial Operation the winter Qualified Capacity of that Existing Generating Capacity Resource shall be the sum of [the median of that Existing Generating Capacity Resource's positive winter Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day of June of each year, calculated in a manner consistent with Section III.13.1.2.2.1.2] plus [the amount of the New Generating Capacity Resource's capacity clearing in previous Forward Capacity Auctions]. After the New Generating Capacity Resource achieves FCM Commercial Operation, the Existing Generating Capacity Resource's winter Qualified Capacity shall be calculated as described in Section III.13.1.2.2.1.2, except that no data from the time period prior to the New Generating Capacity Resource's FCM Commercial Operation date shall be used to determine the winter Qualified Capacity associated with the Existing Generating Capacity Resource.

III.13.1.2.2.4. Adjustment for Significant Decreases in Capacity Prior to the Existing Capacity Retirement Deadline.

Where the most recent summer Seasonal Claimed Capability, as of the fifth Business Day in October, of an Existing Generating Capacity Resource (other than a Settlement Only Resource or an Intermittent Power Resource) is below its summer Qualified Capacity, as determined pursuant to Section III.13.1.2.2.1.1, by:

(1) for Capacity Commitment Periods beginning prior to June 1, 2023, more than the lesser of 20 percent of that summer Qualified Capacity or 40 MW;

(2) for Capacity Commitment Periods beginning on or after June 1, 2023, more than the lesser of:

(i) the greater of 10 percent of the amount of capacity from that resource that is subject to a Capacity Supply Obligation for that month or two MW, or;

(ii) 10 MW;

then the Lead Market Participant must elect one of the two treatments described in this Section III.13.1.2.2.4 by the Existing Capacity Retirement Deadline. If the Lead Market Participant makes no election, or elects treatment pursuant to Section III.13.1.2.2.4(c) and fails to meet the associated requirements, then the treatment described in Section III.13.1.2.2.4(a) shall apply.

(a) A Lead Market Participant may elect, for the purposes of the Forward Capacity Auction only, to have the Existing Generating Capacity Resource's summer Qualified Capacity set to the most recent summer Seasonal Claimed Capability as of the fifth Business Day in October, provided that the Lead Market Participant has furnished evidence regarding the cause of the de-rating.

(b) [Reserved.]

(c) A Lead Market Participant may elect: (i) to submit a critical path schedule as described in Section III.13.1.1.2.2.2, modified as appropriate, describing the measures that will be taken and showing that the Existing Generating Capacity Resource will be able to provide an amount of capacity consistent with the summer Qualified Capacity as calculated pursuant to Section III.13.1.2.2.1.1 by the start of the relevant Capacity Commitment Period; and (ii) to have the Existing Generating Capacity Resource's summer Qualified Capacity remain as calculated pursuant to Section III.13.1.2.2.1.1 for the Forward Capacity Auction. For an Existing Generating Capacity Resource subject to this election, the critical path schedule monitoring provisions of Section III.13.3 shall apply.

III.13.1.2.2.5. Adjustment for Certain Significant Increases in Capacity.

Where an Existing Generating Capacity Resource (other than a Settlement Only Resource) meets the requirements of Section III.13.1.1.1.3(a) but not the requirements of Section III.13.1.1.1.3(b), the Lead Market Participant may elect to have the Existing Generating Capacity Resource's summer Qualified Capacity be the sum of [the median of that Existing Generating Capacity Resource's positive summer Seasonal Claimed Capability ratings from the most recent five years, as of the fifth Business Day in October of each year, calculated in a manner consistent with Section III.13.1.2.2.1.1] plus [the amount of incremental capacity as described in Section III.13.1.1.1.3(a)]; provided, however, that the Lead Market Participant must abide by all other provisions of this Section III.13 applicable to a resource that is a New Generating Capacity Resource pursuant to Section III.13.1.1.1.3. Such an election must be made in writing and must be received by the ISO no later than the close of the New Capacity Show of Interest Submission Window. If the incremental amount of capacity seeking to participate in the Forward Capacity Auction meets the requirements of this Section, but the incremental amount of capacity does not span the entire Capacity Commitment Period, then the ISO shall match the incremental amount of capacity with excess Qualified Capacity at that same resource, not to exceed the Qualified Capacity of the existing portion of the resource, in order to cover the entire Capacity Commitment Period. This provision shall not apply to Intermittent Power Resources.

III.13.1.2.2.5.1. [Reserved.]

III.13.1.2.2.5.2. Requirements for an Existing Generating Capacity Resource, Existing Demand Capacity Resource or Existing Import Capacity Resource Having a Higher Summer Qualified Capacity than Winter Qualified Capacity.

Where an Existing Generating Capacity Resource, Existing Demand Capacity Resource, or Existing Import Capacity Resource (other than an Intermittent Power Resource) has a summer Qualified Capacity that exceeds its winter Qualified Capacity, both as calculated pursuant to this Section III.13.1.2.2, then that resource must either: (i) offer its summer Qualified Capacity as part of an offer composed of separate resources, as discussed in Section III.13.1.5; or (ii) have its FCA Qualified Capacity administratively set by the ISO to the lesser of its summer Qualified Capacity and winter Qualified Capacity.

III.13.1.2.3. Qualification Process for Existing Generating Capacity Resources.

(a) For each Existing Generating Capacity Resource, no later than 20 Business Days before the Existing Capacity Retirement Deadline, the ISO will notify the resource's Lead Market Participant of the resource’s summer Qualified Capacity and winter Qualified Capacity and the Load Zone in which the Existing Generating Capacity Resource is located.

(b) If the Lead Market Participant believes that the ISO has made a mathematical error in calculating the summer Qualified Capacity or winter Qualified Capacity for an Existing Generating Capacity Resource as described in Section III.13.1.2.2, then the Lead Market Participant must notify the ISO within five Business Days of receipt of the Qualified Capacity notification.

(c) The ISO shall notify the Lead Market Participant of the outcome of any such challenge no later than 10 Business Days before the Existing Capacity Retirement Deadline. If an Existing Generating Capacity Resource does not submit a Static De-List Bid, an Export Bid, an Administrative Export De-List Bid, a Permanent De-List Bid, or a Retirement De-List Bid in the Forward Capacity Auction qualification process, then the resource shall be entered into the Forward Capacity Auction as described in Section III.13.2.3.2(c).

III.13.1.2.3.1. Existing Capacity Retirement Package and Existing Capacity Qualification Package.

A resource that previously has been deactivated pursuant to Section I.3.9 of the Transmission, Markets and Services Tariff (or its predecessor provisions) and seeks to reactivate and participate in the Forward Capacity Market as an Existing Generating Capacity Resource must submit a reactivation plan no later than 15 Business Days before the Existing Capacity Retirement Deadline, as described in Section III.13.1.1.1.6(b). All Permanent De-List Bids and Retirement De-List Bids in the Forward Capacity Auction must be detailed in an Existing Capacity Retirement Package submitted to the ISO no later than the Existing Capacity Retirement Deadline. All Static De-List Bids, Export Bids and Administrative Export De-List Bids in the Forward Capacity Auction must be detailed in an Existing Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline. Permanent De-List Bids and Retirement De-List Bids may not be modified or withdrawn after the Existing Capacity Retirement Deadline, except as provided for in Section III.13.1.2.4.1. All Static De-List Bids, Export Bids, and Administrative Export De-List Bids submitted in the qualification process may not be modified or withdrawn after the Existing Capacity Qualification Deadline, except as provided for in Section III.13.1.2.3.1.1. An Existing Generating Capacity Resource may not submit a Static De-List Bid, Export Bid, Administrative Export De-List Bid, Permanent De-List Bid, or Retirement De-List Bid for an amount of capacity greater than its summer Qualified Capacity, unless the submittal is for the entire resource. Where a resource elected pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7 to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, the capacity associated with any resulting Capacity Supply Obligation may not be subject to any type of de-list or export bid in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply. For a single resource, a Lead Market Participant may combine a Static De-List Bid, an Export Bid, and an Administrative Export De-List Bid; neither a Permanent De-List Bid nor a Retirement De-List Bid may be combined with any other type of de-list or export bid.

Static De-List Bids and Export Bids may elect to be rationed (as described in Section III.13.2.6, however, an Export Bid is always subject to potential rationing where the associated external interface binds). Where a Lead Market Participant submits any combination of Static De-List Bid and Export Bid for a single resource, each of those bids must have the same rationing election. Where a Lead Market Participant submits any combination of Static De-List Bid, Export Bid, and Administrative Export De-List Bid for a single resource, none of the prices in a set of price-quantity pairs associated with a bid may be the same as any price in any other set of price-quantity pairs associated with another bid for the same resource.

III.13.1.2.3.1.A Dynamic De-List Bid Threshold.

The Dynamic De-List Bid Threshold for a Forward Capacity Auction is $4.30/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 Rationing Minimum Limit except where the resource submits de-list and export bids totaling the resource's full summer Qualified Capacity. Each Static De-List Bid must be detailed in an Existing

Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline, and must be in the form of a curve (up to five price-quantity pairs). The curve may in no case increase the quantity offered as the price decreases. All Static De-List Bids are subject to a reliability review as described in Section III.13.2.5.2.5. Static De-List Bids are subject to review by the Internal Market Monitor pursuant to Section III.13.1.2.3.2 and must include the additional documentation described in that section. With the submission of a Static De-List Bid, the Lead Market Participant must notify the ISO if the Existing Capacity Resource will not be participating in the energy and ancillary services markets during the Capacity Commitment Period (except for necessary audits or tests).

No later than seven days after the issuance by the ISO of the qualification determination notification described in Section III.13.1.2.4(b), a Lead Market Participant that submitted a Static De-List Bid may: (a) lower the price of any price-quantity pair of a Static De-List Bid, provided that the revised price is greater than or equal to the Dynamic De-List Bid Threshold, or; (b) withdraw any price-quantity pair of a Static De-List Bid.

III.13.1.2.3.1.2. [Reserved.]

III.13.1.2.3.1.3. Export Bids.

An Existing Generating Capacity Resource within the New England Control Area, other than an Intermittent Power Resource or a Renewable Technology Resource, seeking to export all or part of its capacity during a Capacity Commitment Period may submit an Export Bid in the associated Forward Capacity Auction qualification process. An Export Bid may not result in a resource's Capacity Supply Obligation being less than its Rationing Minimum Limit except where the resource submits de-list and export bids totaling the resource's full summer Qualified Capacity. All Export Bids are subject to a reliability review as described in Section III.13.2.5.2.5. Export Bids at or above the Dynamic De-List Bid Threshold are subject to review by the Internal Market Monitor pursuant to Section III.13.1.2.3.2 and must include the additional information described in that Section. Each Export Bid must be detailed in an Existing Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline, and must be in the form of a curve (up to five price-quantity pairs) associated with a specific Existing Generating Capacity Resource. The curve may in no case increase the quantity offered as the price decreases. Each price-quantity pair must be less than the Forward Capacity Auction Starting Price. The Existing Capacity Qualification Package for each Export Bid must also specify the interface over which the capacity will be exported. Export Bids shall be entered into the Forward Capacity Auction pursuant to Section III.13.2.3.2(b).

III.13.1.2.3.1.4. Administrative Export De-List Bids.

An Existing Generating Capacity Resource other than an Intermittent Power Resource or a Renewable Technology Resource subject to a multiyear contract to sell capacity outside of the New England Control Area during the Capacity Commitment Period that either: (i) cleared as an Export Bid in a previous Forward Capacity Auction for a Capacity Commitment Period within the duration of the contract; or (ii) entered into a contract prior to April 30, 2007 to sell capacity outside of the New England Control Area during the Capacity Commitment Period, may submit an Administrative Export De-List Bid in the associated Forward Capacity Auction qualification process. An Administrative Export De-List Bid may not result in a resource's Capacity Supply Obligation being less than its Rationing Minimum Limit except where the resource submits de-list and export bids totaling the resource's full summer Qualified Capacity. Unless reviewed as an Export Bid in a previous Forward Capacity Auction, an Administrative Export De-List Bid is subject to a reliability review prior to clearing in a Forward Capacity Auction, as described in Section III.13.2.5.2.5, and is subject to review by the Internal Market Monitor in the first Forward Capacity Auction in which it participates, pursuant to Section III.13.1.7. Both the reliability review and the review by the Internal Market Monitor shall be conducted once and shall remain valid for the multiyear contract period. Each Administrative Export De-List Bid must be detailed in an Existing Capacity Qualification Package submitted to the ISO no later than the Existing Capacity Qualification Deadline, must be associated with a specific Existing Generating Capacity Resource, and must indicate the quantity of capacity subject to the bid. The Existing Capacity Qualification Package for each Administrative Export De-List Bid must also specify the interface over which the capacity will be exported, and must include documentation demonstrating a contractual obligation to sell capacity outside of the New England Control Area during the whole Capacity Commitment Period. Administrative Export De-List Bids shall be entered into the Forward Capacity Auction pursuant to Section III.13.2.5.2.4.

III.13.1.2.3.1.5. Permanent De-List Bids and Retirement De-List Bids.

(a) A Lead Market Participant with an Existing Capacity Resource seeking to specify a price at or below which it would not accept a Capacity Supply Obligation permanently for all or part of a Generating Capacity Resource beginning at the start of a particular Capacity Commitment Period may submit a Permanent De-List Bid in the associated Forward Capacity Auction qualification process.

(b) A Lead Market Participant with an Existing Capacity Resource seeking to specify a price at or below which it would retire all or part of a Generating Capacity Resource from all New England Markets beginning at the start of a particular Capacity Commitment Period may submit a Retirement De-List Bid in the associated Forward Capacity Auction qualification process.

(c) No Permanent De-List Bid or Retirement De-List Bid may result in a resource's Capacity Supply Obligation being less than its Rationing Minimum Limit unless the Permanent De-List Bid or Retirement De-List Bid is for the entire resource. Each Permanent De-List Bid and Retirement De-List Bid must be detailed in an Existing Capacity Retirement Package submitted to the ISO no later than the Existing Capacity Retirement Deadline, and must be in the form of a curve (up to five price-quantity pairs) associated with a specific Existing Capacity Resource. The curve may in no case increase the quantity offered as the price decreases. Permanent De-List Bids and Retirement De-List Bids are subject to review by the Internal Market Monitor pursuant to Section III.13.1.2.3.2.1 and must include the additional documentation described in that section. Once submitted, no Permanent De-List Bid or Retirement De-List Bid may be withdrawn, except as provided in Section III.13.1.2.4.1.

III.13.1.2.3.1.5.1. Reliability Review of Permanent De-List Bids and Retirement De-List Bids During the Qualification Process.

During the qualification process, the ISO will review the following de-list bids to determine if the resource is needed for reliability: (1) Internal Market Monitor-accepted Permanent De-List Bids and Internal Market Monitor-accepted Retirement De-List Bids that are at or above the Forward Capacity Auction Starting Price; and (2) Permanent De-List Bids and Retirement De-List Bids for which the Lead Market Participant has opted to have the resource reviewed for reliability as described in Section III.13.1.2.4.1(a) or Section III.13.1.2.4.1(b). The reliability review will be conducted according to Section III.13.2.5.2.5, except as follows:

(a) Permanent De-List Bids and Retirement De-List Bids that cannot be priced (for example, due to the expiration of an operating license) will be reviewed first.

(b) System needs associated with Permanent De-List Bids and Retirement De-List Bids for resources found needed for reliability reasons pursuant to this Section III.13.1.2.3.1.5.1 will be reviewed with the Reliability Committee 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:

(i) For a Retirement De-List Bid at or above the Forward Capacity Auction Starting Price, or a Permanent De-List Bid or Retirement De-List Bid for which a Lead Market Participant has elected to retire the resource pursuant to Section III.13.1.2.4.1(a), the portion of the resource subject to the de-list bid will be retired as permitted by applicable law coincident with the commencement of the Capacity Commitment Period for which the de-list bid was submitted, as described in Section III.13.2.5.2.5.3(a).

(ii) For a Permanent De-List Bid at or above the Forward Capacity Auction Starting Price for which a Lead Market Participant has not elected to retire the resource pursuant to Section III.13.1.2.4.1(a), the portion of the resource subject to the de-list bid will be permanently de-listed coincident with the commencement of the Capacity Commitment Period for which the de-list bid was submitted, as described in Section III.13.2.5.2.5.3(b).

(iii) For a Permanent De-List Bid or Retirement De-List Bid for which a Lead Market Participant has elected conditional treatment pursuant to Section III.13.1.2.4.1(b), the de-list bid will continue to receive conditional treatment as described in Section III.13.1.2.4.1(b), Section III.13.2.3.2(b)(ii), and Section III.13.2.5.2.1.

III.13.1.2.3.1.6. Static De-List Bids, Permanent De-List Bids and Retirement De-List Bids for Existing Generating Capacity Resources at Stations having Common Costs.

Where Existing Generating Capacity Resources at a Station having Common Costs elect to submit Static De-List Bids, Permanent De-List Bids, or Retirement De-List Bids, the provisions of this Section III.13.1.2.3.1.6 shall apply.

III.13.1.2.3.1.6.1. Submission of Cost Data.

In addition to the information required elsewhere in this Section III.13.1.2.3, Static De-List Bids, Permanent De-List Bids, or Retirement De-List Bids submitted by an Existing Generating Capacity Resource that is associated with a Station having Common Costs and seeking to delist must include detailed cost data to allow the ISO to determine the Asset-Specific Going Forward Costs for each asset associated with the Station and the Station Going Forward Common Costs.

III.13.1.2.3.1.6.2. [Reserved.]

III.13.1.2.3.1.6.3. Internal Market Monitor Review of Stations having Common Costs.

The Internal Market Monitor will review each Static De-List Bid, Permanent De-List Bid and Retirement De-List Bids from an Existing Generating Capacity Resource that is associated with a Station having Common Costs pursuant to the following methodology:

(i) Calculate the average Asset-Specific Going Forward Costs of each asset at the Station.

(ii) Order the assets from highest average Asset-Specific Going Forward Costs to lowest average Asset-Specific Going Forward Costs; this is the preferred de-list order.

(iii) Calculate and assign to each asset a station cost that is equal to the average cost of the assets remaining at the Station, including Station Going Forward Common Costs, assuming the successive de-listing of each individual asset in preferred de-list order.

(iv) Calculate a set of composite costs that is equal to the maximum of the cost associated with each asset as calculated in (i) and (iii) above.

The Internal Market Monitor will adjust the set of composite costs to ensure a monotonically non-increasing set of bids as follows: any asset with a composite cost that is greater than the composite cost of the asset with the lowest composite cost and that has average Asset-Specific Going Forward Costs that are less than its composite costs will have its composite cost set equal to that of the asset with the lowest composite cost. The bids of the asset with the lowest composite cost and of any assets whose composite costs are so adjusted will be considered a single non-rationable bid for use in the Forward Capacity Auction.

The Internal Market Monitor will compare a de-list bid developed using the adjusted composite costs to the de-list bid submitted by the Existing Generating Capacity Resource that is associated with a Station having Common Costs. If the Internal Market Monitor determines that the submitted de-list bid is less than or equal to the bid developed using the adjusted composite costs, then the bid shall be entered into the Forward Capacity Auction as described in Section III.13.2.3.2(b). If the Internal Market Monitor determines that the submitted de-list bid is greater than the bid developed using the adjusted composite costs or is not consistent with the submitted supporting cost data, then the Internal Market Monitor will establish an Internal Market Monitor-determined or Internal Market Monitor– accepted price for the bid as described in Section III.13.1.2.3.2.1.

III.13.1.2.3.2. Review by Internal Market Monitor of Bids from Existing Capacity Resources.

The Internal Market Monitor shall review bids for Existing Capacity Resources as follows.

III.13.1.2.3.2.1. Static De-List Bids and Export Bids, Permanent De-List Bids, and Retirement De-List Bids at or Above the Dynamic De-List Bid Threshold.

The Internal Market Monitor shall review each Static De-List Bid and each Export Bid at or above the Dynamic De-List Bid Threshold to determine whether the bid is consistent with: (1) the Existing Capacity

Resource’s net going forward costs (as determined pursuant to Section III.13.1.2.3.2.1.2.A); (2) reasonable expectations about the resource’s Capacity Performance Payments (as determined pursuant to Section III.13.1.2.3.2.1.3); (3) reasonable risk premium assumptions (as determined pursuant to Section III.13.1.2.3.2.1.4); and (4) the resource’s reasonable opportunity costs (as determined pursuant to Section III.13.1.2.3.2.1.5).

The Internal Market Monitor shall review each Permanent De-List Bid greater than 20 MW that is at or above the Dynamic De-List Bid Threshold and each Retirement De-List Bid greater than 20 MW that is at or above the Dynamic De-List Bid Threshold to determine whether the bid is consistent with: (1) the net present value of the resource’s expected cash flows (as determined pursuant to Section III.13.1.2.3.2.1.2.B); (2) reasonable expectations about the resource’s Capacity Performance Payments (as determined pursuant to Section III.13.1.2.3.2.1.3); and (3) the resource’s reasonable opportunity costs (as determined pursuant to Section III.13.1.2.3.2.1.5). If more than one Permanent De-List Bid or Retirement De-List Bid is submitted by a single Lead Market Participant or its Affiliates (as used in Section III.A.24), the Internal Market Monitor shall review each such bid at or above the Dynamic De-List Bid Threshold if the sum of all such bids at or above the Dynamic De-List Bid Threshold is greater than 20 MW. The Internal Market Monitor shall review each Permanent De-List Bid and each Retirement De-List Bid submitted at any price pursuant to Section III.13.2.5.2.1(b) if the sum of the Permanent De-List Bids and Retirement De-List Bids submitted by the Lead Market Participant or its Affiliates (as used in Section III.A.24) is greater than 20 MW. Permanent De-List Bids and Retirement De-List Bids that are not reviewed by the Internal Market Monitor shall be included in the retirement determination notification described in Section III.13.1.2.4(a) and in the filing made to the Commission as described in Section III.13.8.1(a).

Sufficient documentation and information about each bid component must be included in the Existing Capacity Retirement Package or the Existing Capacity Qualification Package to allow the Internal Market Monitor to make the requisite determinations. If a Permanent De-List Bid or Retirement De-List Bid is submitted pursuant to Section III.13.2.5.2.1(b), all relevant updates to previously submitted documentation and information must be provided to support the newly submitted price and allow the Internal Market Monitor to make updated determinations. The updated information may include a request to discontinue the Permanent De-List Bid or Retirement De-List Bid such that it will not be entered into the Forward Capacity Auction, in which case the update must include sufficient supporting information on the nature of resource investments that were undertaken, or other materially changed circumstances, to allow the Internal Market Monitor to determine whether discontinuation is appropriate.

The entire de-list submittal shall be accompanied by an affidavit executed by a corporate officer attesting to the accuracy of its content, including reported costs, the reasonableness of the estimates and adjustments of costs that would otherwise be avoided if the resource were not required to meet the obligations of a listed resource, and the reasonableness of the expectations and assumptions regarding Capacity Performance Payments, cash flows, opportunity costs, and risk premiums, and shall be subject to audit upon request by the ISO.

III.13.1.2.3.2.1.1. Internal Market Monitor Review of De-List Bids.

The Internal Market Monitor may seek additional information from the Lead Market Participant (including information about the other existing or potential new resources controlled by the Lead Market Participant) after the qualification deadline to address any questions or concerns regarding the data submitted, as appropriate. The Internal Market Monitor shall review all relevant information (including data, studies, and assumptions) to determine whether the bid is consistent with the resource's net going forward costs, reasonable expectations about the resource's Capacity Performance Payments, reasonable risk premium assumptions, and reasonable opportunity costs. In making this determination, the Internal Market Monitor shall consider, among other things, industry standards, market conditions (including published indices and projections), resource-specific characteristics and conditions, portfolio size, and consistency of assumptions across that portfolio.

III.13.1.2.3.2.1.1.1. Review of Static De-List Bids and Export Bids.

If the Internal Market Monitor determines, after due consideration and consultation with the Lead Market Participant, as appropriate, that a Static De-List Bid or an Export Bid is not consistent with the sum of the resource's net going forward costs plus reasonable expectations about the resource's Capacity Performance Payments plus reasonable risk premium assumptions plus reasonable opportunity costs, then the Internal Market Monitor will establish an Internal Market Monitor-determined price for the bid that is consistent with its determination of the foregoing. If an Internal Market Monitor-determined price is established for a Static De-List Bid or an Export Bid, both the qualification determination notification described in Section III.13.1.2.4 and the informational filing made to the Commission as described in Section III.13.8.1(c) shall include an explanation of the Internal Market Monitor-determined price based on the Internal Market Monitor review and the resource's net going forward costs, reasonable expectations about the resource's Capacity Performance Payments, reasonable risk premium assumptions, and reasonable opportunity costs as determined by the Internal Market Monitor.

III.13.1.2.3.2.1.1.2. Review of Permanent De-List Bids and Retirement De-List Bids.
The Internal Market Monitor shall review those Permanent De-List Bids and Retirement De-List Bids identified in Section III.13.1.2.3.2.1 and, after due consideration and consultation with the Lead Market Participant, as appropriate, shall develop an Internal Market Monitor-accepted Permanent De-List Bid or an Internal Market Monitor-accepted Retirement De-List Bid. The Internal Market Monitor-accepted Permanent De-List Bid and Internal Market Monitor-accepted Retirement De-List Bid shall be equal to the Permanent De-List Bid or Retirement De-List Bid submitted by the Lead Market Participant unless the de-list bid price(s) submitted by the Lead Market Participant are more than 10% greater than the Internal Market Monitor-accepted de-list bid price(s) for the same de-list bid. If the de-list bid price(s) submitted by the Lead Market Participant are more than 10% greater than the Internal Market Monitor-accepted de-list bid price(s), the Internal Market Monitor shall calculate an Internal Market Monitor-accepted Permanent De-List Bid or Internal Market-Monitor-accepted Retirement De-List Bid that is consistent with the sum of the net present value of the resource's expected cash flows plus reasonable expectations about the resource's Capacity Performance Payments plus reasonable opportunity costs.

The retirement determination notification described in Section III.13.1.2.4(a) and the filing made to the Commission as described in Section III.13.8.1(a) shall include an explanation of the Internal Market Monitor-accepted price and the Internal Market Monitor determination on any request to discontinue the Permanent De-List Bid or Retirement De-List Bid.

III.13.1.2.3.2.1.2.A. Static De-List Bid and Export Bid Net Going Forward Costs.
The Lead Market Participant for an Existing Capacity Resource that submits a Static De-List Bid or an Export Bid at or above the Dynamic De-List Bid Threshold that is to be reviewed by the Internal Market Monitor shall report 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.

$$\frac{[GFC - (IMR - PER)] \text{ x } InfIndex}{(CQ_{Summer,}\ kw) \text{ x } (12, months)}$$

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.

> CQ_{Summer}kW = 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 evaluation period in which a resource's net present value is maximized.

III.13.1.2.3.2.1.3. Expected Capacity Performance Payments.

The Lead Market Participant for an Existing Capacity Resource that submits a Static De-List Bid or an Export Bid, Permanent De-List Bid, or Retirement De-List Bid at or above the Dynamic De-List Bid Threshold that is to be reviewed by the Internal Market Monitor shall also provide documentation separately detailing the expected Capacity Performance Payments for the resource. This documentation must include expectations regarding the applicable Capacity Balancing Ratio, the number of hours of reserve deficiency, and the resource's performance during reserve deficiencies.

III.13.1.2.3.2.1.4. Risk Premium.

The Lead Market Participant for an Existing Capacity Resource that submits a Static De-List Bid, or an Export Bid at or above the Dynamic De-List Bid Threshold that is to be reviewed by the Internal Market Monitor shall also provide documentation separately detailing any risk premium included in the bid. This documentation should address all components of physical and financial risk reflected in the bid, including, for example, catastrophic events, a higher than expected amount of reserve deficiencies, and performing scheduled maintenance during reserve deficiencies. Any risk that can be quantified and analytically supported and that is not already reflected in the formula for net going forward costs described in Section III.13.1.2.3.2.1.2.A may be included in this risk premium component. In support of the resource's risk premium, the Lead Market Participant may also submit an affidavit from a corporate officer attesting that the risk premium submitted is the minimum necessary to ensure that the overall level of risk associated with the resource's participation in the Forward Capacity Market is consistent with the participant's corporate risk management practices.

III.13.1.2.3.2.1.5. Opportunity Costs.

To the extent that an Existing Capacity Resource submitting a Static De-List Bid or an Export Bid, Permanent De-List Bid or Retirement De-List Bid at or above the Dynamic De-List Bid Threshold has additional opportunity costs that are not reflected in the net going forward costs, net present value of expected cash flows, expected Capacity Performance Payments, discount rate, or risk premium components of the bid, the Lead Market Participant must include in the Existing Capacity Qualification Package evidence supporting such costs. Opportunity costs associated with major repairs necessary to restore decreases in capacity as described in Section III.13.1.2.2.4, capital projects required to operate the plant as a capacity resource or other uses of the resource shall be considered, provided such costs are substantiated by evidence of a repair plan, documented business plan and fundamental market analysis, or other independent and transparent trading index or indices as applicable. Substantiation of opportunity costs relying on sales in reconfiguration auctions or risk aversion premiums shall not be considered sufficient justification.

III.13.1.2.3.2.2. [Reserved.]

III.13.1.2.3.2.3. Administrative Export De-List Bids.

The Internal Market Monitor shall review each Administrative Export De-List Bid associated with a multi-year contract entered into prior to April 30, 2007 in the first Forward Capacity Auction in which it clears. An Administrative Export De-List Bid shall be rejected if the Internal Market Monitor determines that the bid may be an attempt to manipulate the Forward Capacity Auction, and the matter will be referred to the Commission in accordance with the protocols set forth in Appendix A to the Commission's Market Monitoring Policy Statement (111 FERC ¶ 61,267 (2005)).

III.13.1.2.3.2.4. Static De-List Bids for Reductions in Ratings Due to Ambient Air Conditions.

A Lead Market Participant may submit a Static De-List Bid for up to the megawatt amount that the Lead Market Participant expects will not be physically available due to the difference between the summer Qualified Capacity at 90 degrees and the expected rating of the resource at 100 degrees. The ISO shall verify during the qualification process that the rating is accurate. Such Static De-List Bids may be entered into the Forward Capacity Market at prices up to and including the Forward Capacity Auction Starting Price, subject to validation of the physical limit. Static De-List Bids for reductions in ratings due to ambient air conditions shall not be subject to the review described in Section III.13.1.2.3.2 and need not include documentation for that purpose.

III.13.1.2.3.2.5. Static De-List Bid Incremental Capital Expenditure Recovery Schedule. Except as described below, the Internal Market Monitor shall review all Static De-List Bids using the following cost recovery schedule for incremental capital expenditures, which assumes an annual pre-tax weighted average cost of capital of 10 percent.

Age of Existing Resource (years)	Remaining Life (years)	Annual Rate of Capital Cost Recovery
1 to 5	30	0.106
6 to 10	25	0.110
11 to 15	20	0.117
16 to 20	15	0.131
21 to 25	10	0.163
25 plus	5	0.264

A Market Participant may request that a different pre-tax weighted average cost of capital be used to determine the resource's annual rate of capital cost recovery by submitting the request, along with supporting documentation, in the Existing Capacity Qualification Package. The Internal Market Monitor shall review the request and supporting documentation and may, at its sole discretion, replace the annual rate of capital cost recovery from the table above with a resource-specific value based on an adjusted pre-tax weighted average cost of capital. If the Internal Market Monitor uses an adjusted pre-tax weighted average cost of capital for the resource, then the resource's annual rate of capital cost recovery will be determined according to the following formula:

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

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 Facility treatment pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff. An external node for such an Elective Transmission Upgrade will be modeled for participation in the Forward Capacity Market after the Import Capacity Resource meets the requirements to participate in the FCA. The Qualified Capacity of an Import Capacity Resource associated with an Elective Transmission Upgrade shall not exceed the Capacity Network Import Interconnection Service Interconnection Request. In order for an Elective Transmission Upgrade to maintain its Capacity Network Import Interconnection Service, an associated Import Capacity Resource must meet the Forward Capacity Market qualification requirements and offer into each Forward Capacity Auction. Otherwise, the Capacity Network Import Interconnection Service will revert to Network Import Interconnection Service for the portion of the Capacity Network Import Interconnection Service for which no Import Capacity Resource is offered into the Forward Capacity Auction and the Elective Transmission Upgrade's Interconnection Agreement will be revised. The provisions in Sections III.13.1.3.5.4, permitting a Capacity Commitment Period Election, and in Section III.13.1.3.5.8, permitting a rationing election, shall apply to a New Import Capacity Resource associated with an Elective Transmission Upgrade seeking to reestablish Capacity Network Import Interconnection Service if the threshold to be treated as a new resource in Section III.13.1.1.1.4 is met. If the threshold to be treated as a new increment in Section III.13.1.1.1.3 is met, only the increment will be eligible for the provisions in Sections III.13.1.3.5.4, permitting a Capacity Commitment Period Election, and in Section III.13.1.3.5.8, permitting a rationing election.

III.13.1.3.1. Definition of Existing Import Capacity Resource.

Capacity associated with a multi-year contract entered into before the Existing Capacity Retirement Deadline to provide capacity in the New England Control Area from outside of the New England Control Area for a period including the whole Capacity Commitment Period, or capacity from an External Resource that is owned or directly controlled by the Lead Market Participant and which is committed for at least two whole consecutive Capacity Commitment Periods by the Lead Market Participant in the New Capacity Qualification Package, shall participate in the Forward Capacity Auction as an Existing Import Capacity Resource, except that if that Existing Import Capacity Resource has not cleared in a previous Forward Capacity Auction, then the import capacity shall participate in the Forward Capacity Auction as a New Import Capacity Resource.

III.13.1.3.2. Qualified Capacity for Existing Import Capacity Resources.

The summer Qualified Capacity and winter Qualified Capacity of an Existing Import Capacity Resource shall be based on the data provided to the ISO during the qualification process, subject to ISO review and verification.

The qualified capacity for the Existing Import Capacity Resources associated with the VJO and NYPA contracts listed in Section III.13.1.3.3.A(c) as of the Capacity Commitment Period beginning June 1, 2014 shall be equal to the lesser of the stated amount in Section III.13.1.3.3.A(c) or the median amount of the energy delivered from the Existing Import Capacity Resource during the New England system coincident peak over the previous five Capacity Commitment Periods at the time of qualification.

III.13.1.3.3.A Qualification Process for Existing Import Capacity Resources that are not associated with an Elective Transmission Upgrade with Capacity Network Import Interconnection Service.

Existing Import Capacity Resources shall be subject to the same qualification process as Existing Generating Capacity Resources, as described in Section III.13.1.2.3, except as follows:

(a) The Qualified Capacity shall be the lesser of the multi-year contract values as documented in the new resource qualification determination notification and the capacity clearing in the Forward Capacity Auction to which the new resource qualification determination notification applied.

(b) The rationing election described in Section III.13.1.2.3.1 shall not apply.

(c) The Existing Import Capacity Resources associated with contracts listed in the table below may qualify to receive the treatment described in Section III.13.2.7.3A for the duration of the contracts as listed. For each Forward Capacity Auction after the first Forward Capacity Auction, in order for an Existing Import Capacity Resource associated with a contract listed below to qualify for the treatment described in Section III.13.2.7.3A, no later than 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.13.2.7.3A.

Contract Description	MW	Contract End Date
NYPA: NY ─ NE: CMEEC	13.2	8/31/2025
NYPA: NY ─ NE: MMWEC	53.3	8/31/2025
NYPA: NY ─ NE: Pascoag	2.3	8/31/2025
NYPA: NY─ NE: VELCO	15.3	8/31/2025
	84.1	
VJO: Highgate ─ NE	Up to 225	10/31/2016
VJO: Highgate ─ NE (extension) (beginning 11/01/2016)	Up to 6	October 2020
VJO: Phase I/II ─ NE	Up to 110	10/31/2016

(d) In addition to the review described in Section III.13.1.2.3.2, the Internal Market Monitor shall review each bid from Existing Import Capacity Resources. A bid from an Existing Import Capacity Resource shall be rejected if the Internal Market Monitor determines that the bid may be an attempt to manipulate the Forward Capacity Auction, and the matter will be referred to the Commission in accordance with the protocols set forth in Appendix A to the Commission's Market Monitoring Policy Statement (111 FERC ¶ 61,267 (2005)).

III.13.1.3.3.B. Qualification Process for Existing Import Capacity Resources that are associated with an Elective Transmission Upgrade with Capacity Import Interconnection Service.

Existing Import Capacity Resources associated with an Elective Transmission Upgrade with Capacity Import Interconnection Service pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff shall be subject to the same qualification process as Existing Generating Capacity Resources as described in Section III.13.1.2.3, except the Qualified Capacity shall be the lesser of the multi-year contract values as documented in the new resource qualification determination notification and the capacity clearing in the Forward Capacity Auction to which the new resource qualification determination notification applied.

III.13.1.3.4. Definition of New Import Capacity Resource.

Capacity not associated with a multi-year contract entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside the New England Control Area for the whole Capacity Commitment Period, but that meets the requirements of Section III.13.1.3.5.1, shall participate in the Forward Capacity Auction as a New Import Capacity Resource. For capacity associated with a multi-year contract entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside the New England Control Area for a period including the whole Capacity Commitment Period, or capacity from an External Resource that is owned or directly controlled by the Lead Market Participant and which is committed for at least two whole consecutive Capacity Commitment Periods by the Lead Market Participant in the New Capacity Qualification Package, if the import capacity has not cleared in a previous Forward Capacity Auction, then the import capacity shall participate in the Forward Capacity Auction as a New Import Capacity Resource.

III.13.1.3.5. Qualification Process for New Import Capacity Resources.

The qualification process for a New Import Capacity Resource, whether backed by a new External Resource, by one or more existing External Resources, or by an external Control Area, shall be the same as the qualification process for a New Generating Capacity Resource, as described in Section III.13.1.1.2, except as follows:

III.13.1.3.5.1. Documentation of Import.

(a) For each New Import Capacity Resource, the Project Sponsor submitting the import capacity must also submit: (i) documentation of a one-year contract entered into before the New Capacity

Qualification Deadline to provide capacity in the New England Control Area from outside of the New England Control Area for the entire Capacity Commitment Period, including documentation of the MW value of the contract; (ii) documentation of a multi-year contract entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside of the New England Control Area for the contract period including the entire Capacity Commitment Period, including documentation of the MW value of the contract; (iii) proof of ownership or direct control over one or more External Resources that will be used to back the New Import Capacity Resource during the Capacity Commitment Period, including information to establish the summer and winter ratings of the resource(s) backing the import; or (iv) documentation for system-backed import capacity that the import capacity will be supported by the Control Area and that the energy associated with that system-backed import capacity will be afforded the same curtailment priority as that Control Area's native load. For each New Import Capacity Resource, the Project Sponsor must specify the interface over which the capacity will be imported. The Project Sponsor must indicate whether the import is associated with any investment in transmission that increases New England's import capability or is associated with an Elective Transmission Upgrade with an Interconnection Request for Capacity Network Import Interconnection Service pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff that has not yet achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff. The Project Sponsor must submit a contract confirming its association with the Elective Transmission Upgrade Interconnection Customer and the ISO will confirm that relationship. If the import will be backed by a single new External Resource, the Project Sponsor submitting the import capacity must also submit a general description of the project's equipment configuration, including a description of the resource type (such as those listed in the table in Section III.A.21.1 or some other type).

(b) To qualify for Capacity Commitment Periods prior to the Capacity Commitment Period associated with the Forward Capacity Auction for which the import capacity is qualifying, the Project Sponsor must submit documentation of one or more one-year contracts for each prior Capacity Commitment Period, entered into before the New Capacity Qualification Deadline to provide capacity in the New England Control Area from outside of the New England Control Area for the entire Capacity Commitment Period, including documentation of the MW value of the contract(s); the Project Sponsor must also satisfy the relevant requirements of Sections III.13.1.3.5.1(a) , III.13.1.3.5.2, III.13.1.9, and III.13.3.1.1.

III.13.1.3.5.2. Import Backed by Existing External Resources.

If the New Import Capacity Resource will be backed by one or more External Resources existing at the time of the Forward Capacity Auction and the capacity will be imported over an interface that has achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff, the provisions regarding site control (Section III.13.1.1.2.2.1) and critical path schedule (Section III.13.1.1.2.2.2) shall not apply, and the Project Sponsor shall instead submit a description of how the New Import Capacity Resource will meet its Capacity Supply Obligation in the Capacity Commitment Period(s) for which it seeks to qualify.

If the New Import Capacity Resource will be backed by one or more External Resources existing at the time of the Forward Capacity Auction and the capacity will be imported over an interface that has not achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets, the provisions regarding site control (Section III.13.1.1.2.2.1) and critical path schedule (Section III.13.1.1.2.2.2) shall apply in addition to the requirement that the Project Sponsor submit a description of how the New Import Capacity Resource will meet its Capacity Supply Obligation in the Capacity Commitment Period(s) for which it seeks to qualify.

The description must indicate specifically which External Resources will back the New Import Capacity Resource during the Capacity Commitment Period, and if those External Resources are not owned or controlled directly by the Project Sponsor, the description must include a commitment that the External Resources will have sufficient capacity that is not obligated outside the New England Control Area to fully satisfy the New Import Capacity Resource's potential Capacity Supply Obligation during the Capacity Commitment Period and demonstrate how that commitment will be met.

III.13.1.3.5.3. Imports Backed by an External Control Area.

If the New Import Capacity Resource will be backed by an external Control Area and the capacity will be imported over an interface that has achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff, the provisions regarding site control (Section III.13.1.1.2.2.1) and critical path schedule (Section III.13.1.1.2.2.2) shall not apply, and the Project Sponsor shall instead submit system load and capacity projections for the external Control Area showing sufficient excess capacity during the Capacity Commitment Period to back the New Import Capacity Resource.

If the New Import Capacity Resource will be backed by an external Control Area and the capacity will be imported over an Elective Transmission Upgrade and the capacity will be imported over an interface that has not achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff, the provisions regarding site control (Section III.13.1.1.2.2.1) and critical path schedule (Section III.13.1.1.2.2.2) shall apply in addition to the requirement that the Project Sponsor submit system load and capacity projections for the external Control Area showing sufficient excess capacity during the Capacity Commitment Period to back the New Import Capacity Resource for the length of the multi-year contract.

III.13.1.3.5.3.1. Imports Crossing Intervening Control Areas.

The preceding rules define requirements associated with the import of capacity from a Control Area, or resources located in a Control Area, directly adjacent to the New England Control Area. Imports of capacity from a Control Area or resources located in a Control Area where such import crosses an intervening Control Area or Control Areas shall comply with the following additional requirements: (1) For imports crossing a single intervening Control Area, the Project Sponsor entering the import contract shall demonstrate, as detailed in the ISO New England Manuals, that the remote Control Area will afford the energy export to the adjacent intervening Control Area the same curtailment priority as its native load, that the adjacent intervening Control Area has procedures in place to explicitly recognize the linkage between the import and re-export of energy in support of the import contract, and that the energy export to the ISO will not be curtailed (except pro-rata with a curtailment of native load) so long as the linked import is flowing. (2) For imports crossing more than one intervening Control Area, in addition to the requirements above, the Project Sponsor entering the import contract shall demonstrate, as detailed in the ISO New England Manuals, by the New Capacity Qualification Deadline, that explicit market and operating procedures exist among the intervening Control Areas to ensure that the energy required to be delivered to the New England Control Area will be guaranteed the same curtailment priority as the intervening native loads, and that none of the intervening Control Areas will curtail the transaction except in conjunction with a curtailment of native load. (3) The Project Sponsor entering the import contract shall demonstrate that capacity it supplies to the New England Control Area will not be recalled or curtailed to satisfy the load of the external Control Area, or that the external Control Area in which it is located will afford New England Control Area load the same curtailment priority that it affords its own Control Area native load.

III.13.1.3.5.4. Capacity Commitment Period Election.

The provisions regarding Capacity Commitment Period election (Section III.13.1.1.2.2.4) shall only apply to a New Import Capacity Resource associated with an Elective Transmission Upgrade with a Capacity Network Import Interconnection Service Interconnection Request. All other New Import Capacity Resources clearing in the Forward Capacity Auction shall have a Capacity Supply Obligation and shall receive payments only for the one-year Capacity Commitment Period associated with that Forward Capacity Auction.

III.13.1.3.5.5. Initial Interconnection Analysis.

The provisions regarding initial interconnection analysis (Section III.13.1.1.2.3) shall not apply unless the capacity will be imported over an Elective Transmission Upgrade pursuing Capacity Network Import Interconnection Service pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff that has not achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff.

III.13.1.3.5.5.A. Cost Information.

The offer information described in Section III.13.1.1.2.2.3 and Section III.A.21.2 may be submitted in the form of a curve (up to five price-quantity pairs) associated with a specific New Import Capacity Resource. The curve may in no case increase the quantity offered as the price decreases. Each price is subject to review by the Internal Market Monitor pursuant to Section III.A.21.2 and must include the additional documentation described in that Section.

III.13.1.3.5.6. Review by Internal Market Monitor of Offers from New Import Capacity Resources.

In addition to the review described in Section III.13.1.1.2.2.3 and Section III.A.21, the Internal Market Monitor shall review each offer from New Import Capacity Resources. An offer from a New Import Capacity Resource shall be rejected if the Internal Market Monitor determines that the bid may be an attempt to manipulate the Forward Capacity Auction, and the matter will be referred to the Commission in accordance with the protocols set forth in Appendix A to the Commission's Market Monitoring Policy Statement (111 FERC ¶ 61,267 (2005)).

III.13.1.3.5.7. Qualification Determination Notification for New Import Capacity Resources.

For New Import Capacity Resources, the qualification determination notification described in Section III.13.1.1.2.8 shall be modified to reflect the differences in the qualification process described in this Section III.13.1.3.5.

No later than seven days after the issuance by the ISO of the qualification determination notification described in Section III.13.1.1.2.8, a Lead Market Participant with a New Import Capacity Resource (other than a New Import Capacity Resource that is (i) backed by a single new External Resource and associated with an investment in transmission that increases New England's import capability, or (ii) associated with an Elective Transmission Upgrade) that submitted a request to submit offers in the Forward Capacity Auction at prices that are below the relevant Offer Review Trigger Price as described in Sections III.13.1.1.2.2.3 and III.13.1.3.5 may: (a) lower the requested offer price of any price-quantity pair submitted to the ISO pursuant to Section III.13.1.1.2.2.3, provided that the revised price is greater than or equal to the Dynamic De-List Bid Threshold, or (b) withdraw any price-quantity pair of a requested offer price.

III.13.1.3.5.8. Rationing Election.

New Import Capacity Resources are subject to rationing except New Import Capacity Resource associated with an Elective Transmission Upgrade with a Capacity Network Import Interconnection Service Interconnection Request, which are eligible for the rationing election described in Section III.13.1.1.2.2.3(b).

III.13.1.4. Demand Capacity Resources.

To participate in a Forward Capacity Auction as a Demand Capacity Resource, a resource must meet the requirements of this Section III.13.1.4. Each Demand Capacity Resource shall be a minimum of 100 kW. An Active Demand Capacity Resource comprises one or more Demand Response Resources located in a single Dispatch Zone. An On-Peak Demand Resource or Seasonal Peak Demand Resource comprises one or more Assets located in a single Load Zone. Demand Capacity Resources must comply with all applicable federal, state, and local regulatory, siting, and tariff requirements, including interconnection tariff requirements related to siting, interconnection, and operation of the Demand Capacity Resource. Demand Capacity Resources are not permitted to submit import or export bids or Administrative Export De-list Bids.

III.13.1.4.1. Definition of New Demand Capacity Resource.

A New Demand Capacity Resource is an Active Demand Capacity Resource that has not cleared in a previous Forward Capacity Auction, and On-Peak Demand Resource consisting of measures that have not been in service prior to the Existing Capacity Qualification Deadline of the applicable Forward Capacity Auction, or a Seasonal Peak Demand Resource consisting of measures that have not been in service prior to the Existing Capacity Qualification Deadline of the applicable Forward Capacity Auction. A Demand Capacity Resource that has previously been defined as an Existing Demand Capacity Resource shall be considered a New Demand Capacity Resource if it meets one of the conditions listed in Section III.13.1.1.1.2.

III.13.1.4.1.1. Qualification Process for New Demand Capacity Resources.
For Forward Capacity Auctions a New Demand Capacity Resource shall have a summer Qualified Capacity and winter Qualified Capacity based on the resource's estimated demand reduction value as submitted and reviewed pursuant to this Section III.13.1.4. The FCA Qualified Capacity for a New Demand Capacity Resource shall be the lesser of the resource's summer Qualified Capacity and winter Qualified Capacity, as adjusted to account for applicable offers composed of separate resources.

(a) For a resource to qualify as a New Demand Capacity Resource, the resource's Project Sponsor must make two separate submissions to the ISO: First, the Project Sponsor must submit estimated demand reduction values and supporting information in the New Demand Capacity Resource Show of Interest Form as described in Section III.13.1.4.1.1.1. Second, the Project Sponsor must submit a New Demand Capacity Resource Qualification Package as described in Section III.13.1.4.1.1.2.

(b) For a resource to qualify as a New Demand Capacity Resource that is an On-Peak Demand Resource or a Seasonal Peak Demand Resource, the Project Sponsor must in addition submit, as part of the New Demand Capacity Resource Qualification Package, a Measurement and Verification Plan providing the documentation, analysis, studies and methodologies used to support the estimates described in this Section III.13.1.4.1.1, which shall be reviewed by the ISO to ensure consistency with the measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals.

III.13.1.4.1.1.1. New Demand Capacity Resource Show of Interest Form.
For each resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Demand Capacity Resource, the Project Sponsor must submit to the ISO a New Demand Capacity

Resource Show of Interest Form as described in this Section III.13.1.4.1.1.1 during the New Capacity Show of Interest Submission Window, as described in Section III.13.1.10. The ISO may waive the submission of any information not required for evaluation of a project.

A completed New Demand Capacity Resource Show of Interest Form shall include, but is not limited to, the following information: project name; Load Zone within which the Demand Capacity Resource will be located; the Dispatch Zone within which an Active Demand Capacity Resource will be located; estimated summer and winter demand reduction values (MW) per measure and/or per customer facility (measured at the customer meter and not including losses); estimated total summer and winter demand reduction value of the Demand Capacity Resource (for an Active Demand Capacity Resource, this estimate must be consistent with the baseline calculation methodology in Section III.8.2); supporting documentation (e.g., engineering estimates or documentation of verified savings from comparable projects) to substantiate the reasonableness of the estimated demand reduction values; Demand Capacity Resource type (Active Demand Capacity Resource, On-Peak Demand Resource, or Seasonal Peak Demand Resource); brief Demand Capacity Resource project description including measure type (i.e., Energy Efficiency, Load Management, and/or Distributed Generation); types of facilities at which the measures will be implemented; customer classes and end-uses served; the date by which the Project Sponsor expects to be ready to demonstrate to the ISO that the Demand Capacity Resource described in the Project Sponsor's New Demand Capacity Resource Qualification Package has achieved its full demand reduction value; ISO Market Participant status and ISO customer identification (if applicable); status under Schedules 22 or 23 of the Transmission, Markets and Services Tariff (if applicable); project/technical and credit/financial contacts; and for individual Distributed Generation projects and Demand Capacity Resource projects from a single facility with a demand reduction value equal to or greater than 5 MW, the Pnode and service address at which the end-use facility is located; capability and experience of the Project Sponsor.

III.13.1.4.1.1.2. New Demand Capacity Resource Qualification Package.

For each resource that a Project Sponsor seeks to offer in the Forward Capacity Auction as a New Demand Capacity Resource, the Project Sponsor must submit a New Demand Capacity Resource Qualification Package no later than the New Capacity Qualification Deadline. The New Demand Capacity Resource Qualification Package shall conform to the requirements of this Section III.13.1.4.1.1.2. The ISO may waive the submission of any information not required for evaluation of a project.

III.13.1.4.1.1.2.1. Source of Funding.

The Project Sponsor must provide in the New Demand Capacity Resource Qualification Package the source of funding, which includes, but is not limited to, the following: the source(s) of public benefits funding or private financing, or a funding plan supplemented by information on how previous projects were funded; and a completed ISO credit application.

III.13.1.4.1.1.2.2. Measurement and Verification Plan.

For On-Peak Demand Resources and Seasonal Peak Demand Resources, the Project Sponsor must provide in the New Demand Capacity Resource Qualification Package a Measurement and Verification Plan that complies with the ISO's measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals.

III.13.1.4.1.1.2.3. Customer Acquisition Plan.

A Project Sponsor with more than a single customer must include in the New Demand Capacity Resource Qualification Package a description of its plan to acquire customers that includes, but is not limited to, the following information: a description of proposed customer market; the estimated size of target market and supporting documentation; a marketing plan with supporting documentation describing the manner in which customers will be recruited; and evidence supporting the viability of the marketing plan.

III.13.1.4.1.1.2.4. Critical Path Schedule for a Demand Capacity Resource with a Demand Reduction Value of at Least 5 MW at a Single Retail Delivery Point.

The Project Sponsor of a Demand Capacity Resource with a demand reduction value of at least 5 MW at a single Retail Delivery Point shall provide in the New Demand Capacity Resource Qualification Package a critical path schedule as set forth in Section III.13.1.1.2.2.2.

III.13.1.4.1.1.2.5. Critical Path Schedule for a Demand Capacity Resource with All Retail Delivery Points Having a Demand Reduction Value of Less Than 5 MW.

The Project Sponsor of a Demand Capacity Resource with all Retail Delivery Points having a demand reduction value of less than 5 MW shall provide in the New Demand Capacity Resource Qualification Package a critical path schedule comprised of a delivery schedule of the share of total offered demand reduction value achieved as of target dates, as follows: (i) the cumulative percentage of total demand reduction value achieved on target date 1 occurring five weeks prior to the first annual Forward Capacity

Auction after the Forward Capacity Auction in which the Project Sponsor's capacity award was made; (ii) the cumulative percentage of total demand reduction value achieved on target date 2 occurring five weeks prior to the second annual Forward Capacity Auction after the Forward Capacity Auction in which the Project Sponsor's capacity award was made; and (iii) target date 3 which is the date by which the Project Sponsor expects to be ready to demonstrate to the ISO that the Demand Capacity Resource described in the Project Sponsor's New Demand Capacity Resource Qualification Package has achieved its full demand reduction value, which must be on or before the first day of the relevant Capacity Commitment Period and by which date 100% of total demand reduction value must be complete.

III.13.1.4.1.1.2.6. [Reserved.]

III.13.1.4.1.1.2.7. Capacity Commitment Period Election.

In the New Demand Capacity Resource Qualification Package, the Project Sponsor must specify whether, if its New Demand Capacity Resource offer clears in the Forward Capacity Auction, the associated Capacity Supply Obligation and Capacity Clearing Price (indexed for inflation) shall continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, for up to six additional and consecutive Capacity Commitment Periods, in whole Capacity Commitment Period increments only. If no such election is made in the New Demand Capacity Resource Qualification Package, the Capacity Supply Obligation and Capacity Clearing Price associated with the New Demand Capacity Resource offer shall apply only for the Capacity Commitment Period associated with the Forward Capacity Auction in which the New Demand Capacity Resource offer clears. If the Project Sponsor elects to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which the offer clears, then the Project Sponsor may not change the Demand Capacity Resource type as long as that Capacity Supply Obligation and Capacity Clearing Price continue to apply. If an offer from a New Demand Capacity Resource clears in the Forward Capacity Auction, the capacity associated with the resulting Capacity Supply Obligation may not be subject to any type of de-list or export bid in subsequent Forward Capacity Auctions for Capacity Commitment Periods for which the Project Sponsor elected to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply pursuant to this Section III.13.1.4.1.1.2.7.

III.13.1.4.1.1.2.8. Offer Information From New Demand Capacity Resources.

(a) All New Demand Capacity Resources that might submit offers in the Forward Capacity Auction at prices below the relevant Offer Review Trigger Price must include in the New Demand Capacity Resource Qualification Package the lowest price at which the resource requests to offer capacity in the Forward Capacity Auction and supporting documentation justifying that price as competitive in light of the resource's costs (as described in Section III.A.21). This price is subject to review by the Internal Market Monitor pursuant to Section III.A.21.2 and must include the additional documentation described in that section.

(b) The Project Sponsor for a New Demand Capacity Resource must indicate in the New Demand Capacity Resource Qualification Package if an offer from the New Demand Capacity Resource may be rationed. A Project Sponsor may specify a single MW quantity to which offers may be rationed. Without such indication, offers will only be accepted or rejected in whole. This rationing election shall apply for the entire Forward Capacity Auction.

III.13.1.4.1.1.3. Initial Analysis for Active Demand Capacity Resources.

For each New Demand Capacity Resource that is an Active Demand Capacity Resource, the ISO shall perform an analysis based on the information provided in the New Demand Capacity Resource Show of Interest Form to determine the amount of capacity that the resource could provide by the start of the associated Capacity Commitment Period. This analysis shall be performed consistent with the criteria and conditions described in ISO New England Planning Procedures. Where, as a result of this analysis, the ISO determines that because of overlapping interconnection impacts, such a New Demand Capacity Resource that is otherwise accepted for participation in the Forward Capacity Auction in accordance with the other provisions and requirements of this Section III.13.1 cannot deliver any of the capacity that it would otherwise be able to provide (in the absence of the other relevant Existing Capacity Resources), then that New Demand Capacity Resource will not be accepted for participation in the Forward Capacity Auction.

III.13.1.4.1.1.4. Consistency of the New Demand Capacity Resource Qualification Package and New Demand Capacity Resource Show of Interest Form.

The ISO shall review the Project Sponsor's New Demand Capacity Resource Qualification Package for consistency with its New Demand Capacity Resource Show of Interest Form. The New Demand Capacity Resource Qualification Package may not contain material changes relative to the New Demand Capacity Resource Show of Interest Form. A material change may include, but is not limited to the following: (i) a change in the designation of the Demand Capacity Resource type; (ii) a change in the Project Sponsor, subject to review by the ISO of the capability and experience of the new Project Sponsor; (iii) a change in the Load Zone within which the project is located, and a change in the Dispatch Zone within which the Active Demand Capacity Resource is located; (iv) a change in the total summer or winter demand reduction value of the project by more than 30 percent; (v) a change in the general type of measure being implemented (e.g., Energy Efficiency, Load Management, Distributed Generation); or (vi) a misrepresentation of the interconnection status of a Distributed Generation project.

III.13.1.4.1.1.5. Evaluation of New Demand Capacity Resource Qualification Materials. The ISO shall review the information submitted by New Demand Capacity Resources and shall determine whether the information submitted complies with the requirements set forth in this Section III.13.1.4 and whether, based on the information provided, the Demand Capacity Resource is accepted for participation in the Forward Capacity Auction. In making these determinations, the ISO may consider, but is not limited to consideration of, the following:

(a) whether the information submitted by New Demand Capacity Resources is accurate and contains all of the elements required by this Section III.13.1.4;

(b) whether the critical path schedule submitted by New Demand Capacity Resources includes all necessary elements and is sufficiently developed;

(c) whether the milestones in the critical path schedule submitted by New Demand Capacity Resources are reasonable and likely to be met;

(d) whether, in the case of a resource previously counted as a capacity resource, the requirements for treatment as a New Demand Capacity Resource are satisfied; and

(e) whether, in the case of a New Demand Capacity Resource that is an On-Peak Demand Resource or Seasonal Peak Demand Resource, the Measurement and Verification Plan complies with the ISO's measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals.

III.13.1.4.1.1.6. Qualification Determination Notification for New Demand Capacity Resources.

No later than 127 days prior to the relevant Forward Capacity Auction, the ISO shall send notification to Project Sponsors for each New Demand Capacity Resource indicating whether the New Demand Capacity Resource has been accepted for participation in the Forward Capacity Auction.

(a) For a New Demand Capacity Resource accepted for participation in the Forward Capacity Auction, the notification will specify the Demand Capacity Resource type and the Demand Capacity Resource’s summer and winter Qualified Capacity, which shall be the ISO-determined summer and winter demand reduction value increased by average avoided peak transmission and distribution losses (that is, eight percent).

(b) For a New Demand Capacity Resource not accepted for participation in the Forward Capacity Auction, the notification will provide an explanation as to why the resource did not meet the requirements set forth in this Section III.13.1.4 and was not accepted.

III.13.1.4.2. Definition of Existing Demand Capacity Resources.

Demand Capacity Resources that previously have been in service and registered with the ISO, and which are not otherwise New Demand Capacity Resources, shall be Existing Demand Capacity Resources. Existing Demand Capacity Resources shall include and are limited to Demand Capacity Resources that have been in service and registered with the ISO to fulfill a Capacity Supply Obligation created by clearing in a past Forward Capacity Auction before the Existing Capacity Qualification Deadline of the applicable Forward Capacity Auction. Except as specified in this Section III.13.1.4, Existing Demand Capacity Resources shall be subject to the same qualification process as Existing Generating Capacity Resources, as described in Section III.13.1.2.3. Existing Demand Capacity Resources shall be subject to Section III.13.1.2.2.5.2. An On-Peak Demand Resource or Seasonal Peak Demand Resource may not include in its demand reduction value a measure whose Measure Life will expire before the beginning of the associated Capacity Commitment Period.

III.13.1.4.2.1. Qualified Capacity Notification for Existing Demand Capacity Resources.

(a) For each Existing Demand Capacity Resource, the ISO will notify the Resource’s Lead Market Participant no later than 20 Business Days before the Existing Capacity Retirement Deadline of: the Demand Capacity Resource type; summer and winter Qualified Capacity (which shall be the summer and winter demand reduction value increased by average avoided peak transmission and distribution losses); the Load Zone in which the Demand Capacity Resource is located; and, for Active Demand Capacity Resources, the Dispatch Zone in which the resource is located.

(b) If the Lead Market Participant believes that the ISO's assessment of the Qualified Capacity is inaccurate, the Market Participant must notify the ISO within five Business Days of receipt of the Qualified Capacity notification.

(c) If a Market Participant with an Existing On-Peak Demand Resource or Existing Seasonal Peak Demand Resource wishes to change its Demand Capacity Resource type, the Market Participant must submit an Updated Measurement and Verification Plan to reflect the change in its resource type. Updated Measurement and Verification Plans must be received by the ISO no later than five Business Days after receipt of the Qualified Capacity notification. Designation of the Demand Capacity Resource type may not be changed during the Capacity Commitment Period.

(d) A Market Participant with an Existing On-Peak Demand Resource or Existing Seasonal Peak Demand Resource may provide an Updated Measurement and Verification Plan as described in Section III.13.1.4.3.1.2 that complies with the ISO's measurement and verification requirements pursuant to Section III.13.1.4.3 and the ISO New England Manuals. Updated Measurement and Verification Plans must be received by the ISO no later than five Business Days after receipt of the Qualified Capacity notification.

(e) If an Existing Demand Capacity Resource is not submitting a Static De-List Bid, Permanent De-List Bid, or Retirement De-List Bid for the Forward Capacity Auction, then no further submissions or actions for that resource are necessary, and the resource shall participate in the Forward Capacity Auction as described in Section III.13.2.3.2(c) with Qualified Capacity as indicated in the ISO's notification.

III.13.1.4.2.2. Existing Demand Capacity Resource De-List Bids.

An Existing Demand Capacity Resource may submit a Permanent De-List Bid or Retirement De-List Bid pursuant to the provisions of Section III.13.1.2.3.1.5 no later than the Existing Capacity Retirement Deadline or a Static De-List Bid pursuant to the provisions of Section III.13.1.2.3.1.1 no later than the Existing Capacity Qualification Deadline, provided, however, that no de-list bid shall be used as a mechanism to inappropriately qualify Assets associated with Existing Demand Capacity Resources as New Demand Capacity Resources.

III.13.1.4.3. Measurement and Verification Applicable to On-Peak Demand Resources and Seasonal Peak Demand Resources.

To demonstrate the demand reduction value of an On-Peak Demand Resource or Seasonal Peak Demand Resource, the Project Sponsor or Market Participant of such a resource participating in the Forward Capacity Auction, Capacity Supply Obligation Bilaterals, or reconfiguration auctions shall submit to the ISO the Measurement and Verification Documents in accordance with this Section III.13.1.4.3 and the ISO New England Manuals. The ISO shall review such Measurement and Verification Documents to determine whether they are consistent with the measurement and verification requirements set forth in this Section III.13.1.4.3 and the ISO New England Manuals.

III.13.1.4.3.1. Measurement and Verification Documents.

Measurement and Verification Documents must demonstrate both availability and performance of an On-Peak Demand Resource or Seasonal Peak Demand Resource in reducing demand coincident with Demand Resource On-Peak Hours or Demand Resource Seasonal Peak Hours such that the reported monthly demand reduction value shall achieve at least a ten percent relative precision and an eighty percent confidence interval as described and applied in the ISO New England Manuals and ISO New England Operating Procedures. The Measurement and Verification Documents shall serve as the basis for the claimed demand reduction value of an On-Peak Demand Resource or Seasonal Peak Demand Resource. The Measurement and Verification Documents shall document the measurement and verification performed to verify the achieved demand reduction value of the On-Peak Demand Resource or Seasonal Peak Demand Resource. The Measurement and Verification Documents shall contain a projection of the On-Peak Demand Resource's or Seasonal Peak Demand Resource's demand reduction value for each month of the Capacity Commitment Period and over the expected Measure Lives associated with the Demand Capacity Resources. An On-Peak Demand Resource's or Seasonal Peak Demand Resource's Measurement and Verification Documents must describe the methodology used to calculate electrical energy load reduction or output during Demand Resource On-Peak Hours, or Demand Resource Seasonal Peak Hours. If an On-Peak Demand Resource or Seasonal Peak Demand Resource includes Distributed Generation, the Measurement and Verification Documents must describe the individual metering or metering protocol used to monitor and verify the output of the Distributed Generation, consistent with the measurement and verification requirements set forth in Market Rule 1 and the ISO New England Manuals.

The Measurement and Verification Documents shall include a Measurement and Verification Plan submitted in the Forward Capacity Auction Qualification, as described in Section III.13.1.4.3 and a monthly Measurement and Verification Summary Report during the Capacity Commitment Period. The monthly Measurement and Verification Summary Reports shall reference the measurement and verification protocols and performance data documented in the Measurement and Verification Plan or the Measurement and Verification Reference Report(s). Such monthly Measurement and Verification Summary Reports will document the Project Sponsor's total demand reduction value from eligible pre-existing measures and new measures, and the Project Sponsor's total demand reduction value from both eligible pre-existing measures and new measures, for all measures it had in operation as of the end of the previous month. The monthly Measurement and Verification Summary Reports shall be based on Measurement and Verification Documents determined in accordance with Market Rule 1 and the ISO New England Manuals, and shall be the basis for monthly settlement with Project Sponsors. All Measurement and Verification Documents shall conform to the ISO's specifications with respect to content, format and delivery methodology, and shall be submitted in accordance with the timelines and deadlines set forth in Market Rule 1 and the ISO New England Manuals.

III.13.1.4.3.1.1. Optional Measurement and Verification Reference Reports.

At the option of the Project Sponsor, the Measurement and Verification Documents for an On-Peak Demand Resource or a Seasonal Peak Demand Resource may also include one or more Measurement and Verification Reference Report(s) submitted during the Capacity Commitment Period subject to the schedule in the Measurement and Verification Plan and consistent with the schedule and reporting standards set forth in the ISO New England Manuals. Measurement and Verification Reference Reports shall update the prospective demand reduction value of the On-Peak Demand Resource or Seasonal Peak Demand Resource based on measurement and verification studies performed during the Capacity Commitment Period.

III.13.1.4.3.1.2. Updated Measurement and Verification Documents.

At the option of the Project Sponsor, an Updated Measurement and Verification Plan for an On-Peak Demand Resource or a Seasonal Peak Demand Resource may be submitted during a subsequent Forward Capacity Auction qualification process prior to the beginning of the Capacity Commitment Period of the

Demand Capacity Resource project. The Updated Measurement and Verification Plan may include updated project specifications, measurement and verification protocols, and performance data. However, the Updated Measurement and Verification Plan shall not modify for the duration of the Capacity Commitment Period the total claimed demand reduction value or the Demand Capacity Resource type from the applicable Forward Capacity Auction in which the Project Sponsor's offer cleared. Additionally, the Updated Measurement and Verification Plan shall provide measurement and verification consistent with the requirements specified in the ISO New England Manuals, and shall be comparable to the quality of the original Measurement and Verification Plan accepted during the Forward Capacity Auction qualification process in which the Demand Capacity Resource project cleared the Forward Capacity Auction.

III.13.1.4.3.1.3. Annual Certification of Accuracy of Measurement and Verification Documents.

Project Sponsors for On-Peak Demand Resources and Seasonal Peak Demand Resources shall submit no less frequently than once per year, a statement certifying that the Demand Capacity Resource projects for which the Project Sponsor is requesting compensation continue to perform in accordance with the submitted Measurement and Verification Documents reviewed by the ISO. One such statement must be received by the ISO no later than 10 Business Days before the Existing Capacity Qualification Deadline.

III.13.1.4.3.1.4. Record Requirement of Retail Customers Served.

For On-Peak Demand Resources and Seasonal Peak Demand Resources targeting customer facilities with greater than or equal to 10 kW of demand reduction value per facility, Project Sponsors shall maintain records of retail customers served including, at a minimum, the retail customer's address, the customer's utility distribution company, utility distribution company account identifier, measures installed, and corresponding monthly demand reduction values. For On-Peak Demand Resources and Seasonal Peak Demand Resources targeting customer facilities with under 10 kW of demand reduction value per facility, the Project Sponsor shall maintain records as described above for customer facilities with greater than or equal to 10 kW of demand reduction value per facility, or shall maintain records of aggregated demand reduction value and measures installed by Load Zone and meter domain. Project Sponsors shall maintain such records until the end of the Measure Life, or until the Demand Capacity Resource is permanently 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. 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.

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

III.13.1.9. Financial Assurance.

Except as noted in this Section III.13.1.9, all financial assurance requirements associated with Forward Capacity Auctions and annual reconfiguration auctions and other payments and charges resulting from the Forward Capacity Market shall be governed by the ISO New England Financial Assurance Policy.

III.13.1.9.1. Financial Assurance for New Generating Capacity Resources and New Demand Capacity Resources Participating in the Forward Capacity Auction.

In order to participate in any Forward Capacity Auction, New Generating Capacity Resources (including Conditional Qualified New Resources) and New Demand Capacity Resources shall be required to meet the financial assurance requirements as described in the ISO New England Financial Assurance Policy. Timely payment of the FCM Deposit by the Project Sponsor for a New Generating Capacity Resource or New Demand Capacity Resource accepted for participation in the Forward Capacity Auction constitutes a commitment to offer the full FCA Qualified Capacity of that New Generating Capacity Resource or New Demand Capacity Resource in the Forward Capacity Auction at the Forward Capacity Auction Starting Price. If the FCM Deposit is not received within the timeframe specified in the ISO New England Financial Assurance Policy, the New Generating Capacity Resource or New Demand Capacity Resource shall not be permitted to participate in the Forward Capacity Auction. If capacity offered by the New Generating Capacity Resource or New Demand Capacity Resource clears in the Forward Capacity Auction, financial assurance required prior to the auction pursuant to FAP shall be applied toward the resource's financial assurance obligation, as described in the ISO New England Financial Assurance Policy. If no capacity offered by that New Generating Capacity Resource or New Demand Capacity Resource clears in the Forward Capacity Auction, the financial assurance required prior to the auction pursuant to FAP will be released pursuant to the terms of the ISO New England Financial Assurance Policy.

III.13.1.9.2. Financial Assurance for New Generating Capacity Resources and New Demand Capacity Resources Clearing in a Forward Capacity Auction.

Where a New Generating Capacity Resource's offer or a New Demand Capacity Resource's offer is accepted in a Forward Capacity Auction, that resource must provide financial assurance as described in the ISO New England Financial Assurance Policy.

III.13.1.9.2.1. Failure to Provide Financial Assurance or to Meet Milestone.
If a New Generating Capacity Resource or New Demand Capacity Resource: (i) fails to provide the required financial assurance as described in the ISO New England Financial Assurance Policy or (ii) has its Capacity Supply Obligation terminated by the ISO pursuant to Section III.13.3.4A, it shall lose its Capacity Supply Obligation and its right to any payments associated with that Capacity Supply Obligation, and it shall forfeit any financial assurance provided with respect to that Capacity Supply Obligation.

III.13.1.9.2.2. Release of Financial Assurance.
Once a New Generating Capacity Resource or New Demand Capacity Resource achieves FCM Commercial Operation, its financial assurance obligation shall be released pursuant to the terms of the ISO New England Financial Assurance Policy and it shall have the same financial assurance requirements as an Existing Generating Capacity Resource, as governed by the ISO New England Financial Assurance Policy. If a New Generating Capacity Resource or New Demand Capacity Resource is only capable of delivering less than the amount of capacity that cleared in the Forward Capacity Auction, then the portion of its financial assurance associated with the shortfall shall be forfeited.

III.13.1.9.2.2.1. [Reserved.]

III.13.1.9.2.3. Forfeit of Financial Assurance.
Where any financial assurance is forfeited pursuant to the provisions of Section III.13, there shall be no further coverage for such forfeit under the ISO New England Billing Policy. Any financial assurance that is forfeited pursuant to Section III.13 shall be used to reduce charges incurred by load in the relevant Capacity Zone.

III.13.1.9.2.4. Financial Assurance for New Import Capacity Resources.
A New Import Capacity Resource that is backed by a new External Resource or will be delivered over an Elective Transmission Upgrade with a Capacity Network Import Interconnection Service Interconnection Request pursuant to Schedule 25 of Section II of the Transmission, Markets and Services Tariff shall be

subject to the same financial assurance requirements as a New Generating Capacity Resource, as described in Section III.13.1.9.1 and Section III.13.1.9.2. Once the new External Resource or the Elective Transmission Upgrade achieves FCM Commercial Operation, the New Import Capacity Resource shall be subject to the same financial assurance requirements as an Existing Generating Capacity Resource, as described in Section III.13.1.9. A New Import Capacity Resource that is backed by one or more existing External Resources or by an external Control Area shall be subject to the same financial assurance requirements as an Existing Generating Capacity Resource, as governed by the ISO New England Financial Assurance Policy.

III.13.1.9.3. Qualification Process Cost Reimbursement Deposit.

For each New Capacity Show of Interest Form and New Demand Capacity Resource Show of Interest Form submitted for the purposes of qualifying for either a Forward Capacity Auction or reconfiguration auction, the Project Sponsor must submit to the ISO a refundable deposit in the amount shown in the table below ("Qualification Process Cost Reimbursement Deposit"). The Qualification Process Cost Reimbursement Deposit must be received in accordance with the ISO New England Billing Policy. Such deposit shall be used for costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owners, associated with the qualification process described in Section III.13.1 and with the critical path schedule monitoring described in Section III.13.3. An additional Qualification Process Cost Reimbursement Deposit is not required if: (i) the Project Sponsor is actively seeking qualification for another Forward Capacity Auction or annual reconfiguration auction, or is having the project's critical path schedule monitored pursuant to Section III.13.3; and (ii) the costs already incurred in the qualification process and critical path schedule monitoring do not equal or exceed 90 percent of the amount of the previously-submitted Qualification Process Cost Reimbursement Deposit(s). The ISO shall provide the Project Sponsor with an annual statement in writing of the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring. In any case where resources are aggregated or disaggregated, the associated Qualification Process Cost Reimbursement Deposits will be adjusted as appropriate. After aggregation or disaggregation of resources, historical data regarding the costs already incurred in the qualification process of the original resources will no longer be provided. Coincident with the issuance of the annual statement, where incurred costs are equal to or greater than 90 percent of the Qualification Process Cost Reimbursement Deposit(s) previously submitted, the ISO will issue an invoice in the amount determined pursuant to the Qualification Process Cost Reimbursement Deposit table contained in

Section III.13.1.9.3.1 plus any excess of costs incurred to date by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owners, associated with the qualification process described in Section III.13.1 and with the critical path schedule monitoring described in Section III.13.3. Any refunds that may result from aggregation of resources will be issued coincident with the annual statement. Payment on the invoice must be received in accordance with the ISO New England Billing Policy. If the Project Sponsor fails to pay the amount due by the stated due date, the ISO will consider the resources that were invoiced withdrawn by the Project Sponsor. Such a withdrawal shall be irrevocable, and payment on the invoice after the due date will not remedy the failure to pay or the withdrawal.

III.13.1.9.3.1. Partial Waiver Of Deposit.

A portion of the deposit shall be waived when there is an active Interconnection Request and an executed Interconnection Feasibility Study Agreement or Interconnection System Impact Study Agreement under Schedule 22, 23 or 25 of Section II of the Transmission, Markets and Services Tariff or where a resource modification does not require a revision to the Interconnection Agreement.

New Generating Capacity Resources ≥ 20 MW or an Import Capacity Resource associated with an Elective Transmission Upgrade that has not achieved Commercial Operation as defined in Schedule 25 of Section II of the Transmission, Markets and Services Tariff	**New Generating Capacity Resources < 20 MW and ≥ 2 MW**	**Imports and New Demand Capacity Resources (including Distributed Generation)**		**New Generating Capacity Resources < 2 MW**
Including Up-rates, Re-powering, Environmental Compliance & Intermittent Power Resources	*Including Up-rates, Re-powering, Environmental Compliance & Intermittent Power Resources*			
$25,000	$7,500	$1,000		$500

With Executed Interconnection Feasibility Study Agreement or System Impact Study Agreement	*With Executed Interconnection Feasibility Study Agreement or System Impact Study Agreement*			
$15,000	$6,500	n/a		n/a

III.13.1.9.3.2. Settlement of Costs.

III.13.1.9.3.2.1. Settlement Of Costs Associated With Resources Participating In A Forward Capacity Auction Or Reconfiguration Auction.

Upon the latter of: (i) the first day of the Capacity Commitment Period for which a resource offers into the Forward Capacity Market or (ii) the date on which the entire resource is accepted by the ISO for FCM Commercial Operation, the ISO shall provide the Project Sponsor with a statement in writing of the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring. If any portion of the Qualification Process Cost Reimbursement Deposit exceeds the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owner(s) associated with the qualification process and critical path schedule monitoring, the ISO shall refund to the Project Sponsor the excess including interest calculated in accordance with 18 CFR § 35.19a(a)(2). If the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of the affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring exceed the Qualification Process Cost Reimbursement Deposit, the Project Sponsor shall pay such excess, including interest calculated in accordance with 18 CFR § 35.19a(a)(2) – For Demand Capacity Resources, the ISO shall provide all of the above concurrently with the annual statement required under Section III.13.1.9.3.

III.13.1.9.3.2.2. Settlement Of Costs Associated With Resources That Withdraw From A Forward Capacity Auction Or Reconfiguration Auction.

Upon the withdrawal or failure to meet the requirements of the qualification process set forth in Section III.13.1, the ISO shall provide the Project Sponsor with a statement in writing of the costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring. A Project Sponsor that withdraws or is deemed to have withdrawn its request for qualification shall pay to the ISO all costs prudently incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), associated with the qualification process and critical path schedule monitoring. The ISO shall refund to the Project Sponsor any portion of the Qualification Process Cost Reimbursement Deposit that exceeds the costs associated with the qualification process and critical path schedule monitoring incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), including interest calculated in accordance with 18 CFR § 35.19a(a)(2). The ISO shall charge the Project Sponsor the amount of such costs incurred by the ISO and its consultants, including the documented and reasonably-incurred costs of affected Transmission Owner(s), that exceeds the Qualification Process Cost Reimbursement Deposit, including interest calculated in accordance with 18 CFR § 35.19a(a)(2). For Demand Capacity Resources, the ISO shall provide all of the above concurrently with the annual statement required under Section III.13.1.9.3.

III.13.1.9.3.2.3. Crediting Of Reimbursements.

Cost reimbursements received (excluding amounts passed through to the ISO's consultants and to affected Transmission Owner(s)) by the ISO pursuant to this Section III.13.1.9.3.2 shall be credited against revenues received by the ISO pursuant to Section IV.A.6.1 of the Transmission, Markets and Services Tariff.

III.13.1.10. Forward Capacity Auction Qualification Schedule.

Beginning with the timeline for the Capacity Commitment Period beginning on June 1, 2017 (the eighth Forward Capacity Auction), and for each Capacity Commitment Period thereafter, the deadlines will be consistent for each Capacity Commitment Period, as follows:

(a) each Capacity Commitment Period shall begin in June;

(b) the Existing Capacity Retirement Deadline will be in March, approximately four years and three months before the beginning of the Capacity Commitment Period;

(c) the New Capacity Show of Interest Submission Window will be in April , approximately four years and two months before the beginning of the Capacity Commitment Period;

(d) the Existing Capacity Qualification Deadline will be in June, approximately four years before the beginning of the Capacity Commitment Period;

(e) the New Capacity Qualification Deadline will be in June or July that is just under four years before the beginning of the Capacity Commitment Period; and

(f) the Forward Capacity Auction for the Capacity Commitment Period will begin in February approximately three years and four months before the beginning of the Capacity Commitment Period.

The table below shows this generic timeline for the Capacity Commitment Period beginning in year "X", where X is any year after 2015.

Existing Capacity Retirement Deadline	**New Capacity Show of Interest Submission Window**	**Existing Capacity Qualification Deadline**	**New Capacity Qualification Deadline**	**First Day of Forward Capacity Auction for the Capacity Commitment Period**	**Capacity Commitment Period Begins**
March (X-4)	April (X-4)	June (X-4)	June/July (X-4)	Feb. (X-3)	June X

III.13.1.11 Opt-Out for Resources Electing Multiple-Year Treatment.

Beginning in the qualification process for the ninth Forward Capacity Auction (for the Capacity Commitment Period beginning June 1, 2018), any resource that had elected in a Forward Capacity Auction prior to the ninth Forward Capacity Auction (pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7) to have the Capacity Supply Obligation and Capacity Clearing Price continue to apply after the Capacity Commitment Period associated with the Forward Capacity Auction in which its New Capacity Offer cleared may, by submitting a written notification to the ISO no later than the Existing Capacity Qualification Deadline (or, in the case of the ninth Forward Capacity Auction, no later than September 19, 2014), opt-out of the remaining years of the resource's multiple-year election. A decision to so opt-out shall be irrevocable. A resource choosing to so opt-out will participate in subsequent Forward Capacity Auctions in the same manner as other Existing Capacity Resources.

III.13.3. Critical Path Schedule Monitoring.

III.13.3.1. Resources Subject to Critical Path Schedule Monitoring.

III.13.3.1.1. New Resources Electing Critical Path Schedule Monitoring.

A Project Sponsor that submits a critical path schedule for a New Capacity Resource in the qualification process may request that the ISO monitor that resource's compliance with its critical path schedule in accordance with the provisions of this Section III.13.3. The ISO will monitor the New Capacity Resource's compliance from the time the ISO approves the request until the resource achieves FCM Commercial Operation, loses its Capacity Supply Obligation pursuant to Section III.13.3.4A, or withdraws from critical path schedule monitoring pursuant to Section III.13.3.6.

In addition, a Lead Market Participant with a New Import Capacity Resource backed by one or more existing External Resources seeking to qualify for Capacity Commitment Period(s) prior to the Capacity Commitment Period associated with the Forward Capacity Auction for which it is qualifying must request monitoring under this Section III.13.3.1.1.

A request under this Section III.13.3.1.1 must be made in writing no later than five Business Days after the deadline for submission of the FCM Deposit pursuant to Section III.13.1.9.1.

III.13.3.1.2. New Resources Clearing in the Forward Capacity Auction.

For each new resource required to submit a critical path schedule in the qualification process, including but not limited to a New Generating Capacity Resource (pursuant to Section III.13.1.1.2.2), a New Import Capacity Resource backed by a new External Resource (pursuant to Section III.13.1.3.5), or a New Demand Capacity Resource (pursuant to Section III.13.1.4), if capacity from that resource clears in the Forward Capacity Auction, then the ISO shall monitor that resource's compliance with its critical path schedule in accordance with the provisions of this Section III.13.3 (regardless of whether the Project Sponsor requested monitoring pursuant to Section III.13.3.1.1) from the time that the Forward Capacity Auction is conducted until the resource achieves FCM Commercial Operation, loses its Capacity Supply Obligation pursuant to Section III.13.3.4A, 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.13.3.4A. Each critical path schedule report shall include the following:

III.13.3.2.1. Updated Critical Path Schedule.

The critical path schedule report must include a complete updated version of the critical path schedule as described in Section III.13.1.1.2.2.2, dated contemporaneously with the submission of the critical path schedule report. The updated critical path schedule should clearly indicate if the Project Sponsor is proposing to change any of the milestones or dates from the previously submitted version of the critical path schedule, and must include an explanation of any such proposed changes. In the critical path schedule report, the Project Sponsor should also explain in detail any proposed changes to the project design and the potential impact of such changes on the amount of capacity the resource will be able to provide.

III.13.3.2.2. Documentation of Milestones Achieved.

(a) For all new resources except for Demand Capacity Resources installed at multiple facilities and Demand Capacity Resources from a single facility with a demand reduction value of less than 5 MW (discussed in Section III.13.3.2.2(b)), for each critical path schedule milestone achieved since the submission of the previous critical path schedule report, the Project Sponsor must include in the critical path schedule report documentation demonstrating that the milestone has been achieved by the date indicated and as otherwise described in the critical path schedule, as follows:

(i) **Major Permits**. For each major permit described in the critical path schedule, the Project Sponsor shall provide documentation showing that the permit was applied for and obtained as described in the critical path schedule. For permit applications, this documentation could include a dated copy of the permit application or cover letter requesting the permit. For approved permits, this documentation could include a dated copy of the approved permit or letter granting the permit from the permitting authority.

(ii) **Project Financing Closing**. The Project Sponsor shall provide documentation showing that the sources of financing identified in the critical path schedule have committed to provide the amount of financing described in the critical path schedule. This documentation could include copies of commitment letters from the sources of financing.

(iii) **Major Equipment Orders**. For each major component described in the critical path schedule, the Project Sponsor shall provide documentation showing that the equipment was ordered as described in the critical path schedule. This documentation should include a copy of a dated confirmation of the order from the manufacturer or supplier. This documentation should confirm scheduled delivery dates consistent with milestone Section III.13.3.2.2(a)(vi).

(iv) **Substantial Site Construction.** The Project Sponsor shall provide documentation showing that the amount of money expended on construction activities occurring on the project site has exceeded 20 percent of the construction financing costs.

(v) **Major Equipment Delivery**. For each major component described in the critical path schedule, the Project Sponsor shall provide documentation showing that the equipment was delivered to the project site and received as preliminarily acceptable as described in the critical path schedule. This documentation should include a copy of a dated confirmation of delivery to the project site.

(vi) **Major Equipment Testing.** For each major component described in the critical path schedule, the Project Sponsor shall provide documentation showing that the component was tested, including major systems testing as appropriate for the specific technology as described in the critical path schedule, and that the test results demonstrate the equipment's suitability to allow, in conjunction with other major components, subsequent operation of the project in accordance with the amount of capacity obligated from the resource in the Capacity Commitment Period in accordance with Good Utility Practice. This documentation could include a dated copy of the satisfactory test results.

(vii) **Commissioning**. The Project Sponsor shall provide documentation showing that the resource has demonstrated a level of performance equal to or greater than the amount of capacity obligated from the resource in the Capacity Commitment Period. This documentation should include a copy of a dated letter of confirmation from the applicable manufacturer, contractor, or installer.

(viii) **Commercial Operation.** The Project Sponsor is not required to provide documentation of Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff) to the ISO as part of the ISO's critical path schedule monitoring. The ISO shall confirm that the resource has achieved Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff) as described in the critical path schedule through the resource's compliance with the other relevant requirements of the Transmission, Markets and Services Tariff and the ISO New England System Rules.

(ix) **Transmission Upgrades**. If during the qualification process it was determined that 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 be ready to demonstrate to the ISO that the Demand Capacity Resource described in the Project Sponsor's New Demand Capacity Resource Qualification Package has achieved its full demand reduction value, which must be on or before the first day of the relevant Capacity Commitment Period and by which date 100 percent of the total demand reduction value must be complete.

(ii) **Additional Requirements**. For each customer and each prospective customer the Project Sponsor shall provide: name, location, MW amount, and description of stage of negotiation. If the customer's Asset has been registered with the ISO, then the Project Sponsor shall also provide the Asset identification number.

III.13.3.2.3. Additional Relevant Information.

The Project Sponsor must include in the critical path schedule report any other information regarding the status or progress of the project or any of the project milestones that might be relevant to the ISO's evaluation of the feasibility of the project being built in accordance with the critical path schedule or the feasibility that the project will achieve all its critical path schedule milestones no later than the start of the relevant Capacity Commitment Period.

III.13.3.2.4. Additional Information for Resources Previously Counted As Capacity.

For each resource participating in the Forward Capacity Auction as a New Generating Capacity Resource pursuant to Sections III.13.1.1.1.2, III.13.1.1.1.3, or III.13.1.1.1.4 or New Demand Capacity Resource pursuant to Section III.13.1.4.1 and clearing in that auction, the Project Sponsor must provide information in the critical path schedule report demonstrating: (a) the shedding of the resource's Capacity Supply Obligation in accordance with the provisions of Section III.13.1.1.2.2.5(c); and (b) that the relevant cost threshold (described in Sections III.13.1.1.1.2, III.13.1.1.1.3, and III.13.1.1.1.4) is being met.

III.13.3.3. Failure to Meet Critical Path Schedule.

If the ISO determines that any critical path schedule milestone date has been missed, or if the Project Sponsor proposes a change to any milestone date in a quarterly critical path schedule report (as described in Section III.13.3.2.1), then the ISO shall consult with the Project Sponsor to determine the impact of the missed milestone or proposed revision, and shall determine a revised date for the milestone and for any other milestones affected by the change. If a milestone date is revised for any reason, the ISO may require the Project Sponsor to submit a written report to the ISO on the fifth Business Day of each month until the revised milestone is achieved detailing the progress toward meeting the revised milestone. If the Project Sponsor does not provide a written critical path schedule report to the ISO on the fifth Business Day of a month, then the ISO shall issue a notice thereof to the Project Sponsor. If the Project Sponsor fails to provide the critical path schedule report within five Business Days of issuance of that notice, then the resource will be subject to termination pursuant to Section III.13.3.4A. 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 Obligations.

(a) If a capacity supplier determines that a resource may not be able to demonstrate its ability to deliver the full amount of its Capacity Supply Obligation, the capacity supplier may take actions to cover all or part of the Capacity Supply Obligation for any portion of the Capacity Commitment Period, as follows:

(i) A capacity supplier may cover its Capacity Supply Obligation through reconfiguration auctions as described in Section III.13.4.

(ii) A capacity supplier may cover its Capacity Supply Obligation through one or more Capacity Supply Obligation Bilaterals, subject to the satisfaction of the requirements in Section III.13.5.

(iii) A capacity supplier that has qualified a resource pursuant to Section III.13.1.1.1.2 may cover its Capacity Supply Obligation by electing, no later than ten Business Days prior to the offer and bid deadline for the third annual reconfiguration auction prior to the start of the applicable Capacity Commitment Period, to have the resource that was previously counted as a capacity resource cover the Capacity Supply Obligation of the New Generating Capacity Resource for up to two Capacity Commitment Periods. If an election is made to have the resource that was previously counted as a capacity resource cover the Capacity Supply Obligation of the New Generating Capacity Resource, the capacity supplier with the resource that was previously counted as a capacity resource shall be required to comply with the requirements set forth in Section III.13.6.1 so long as it continues to cover for the New Generating Capacity Resource.

(b) During a Capacity Commitment Period, a failure to cover charge will apply to any capacity resource that has not demonstrated the ability to deliver the full amount of its Capacity Supply Obligation by the end of an Obligation Month. The failure to cover charge is the difference between a resource's monthly Capacity Supply Obligation and its Maximum Demonstrated Output, multiplied by the Failure to Cover Charge Rate, where:

Maximum Demonstrated Output Period

Maximum Demonstrated Output Period is the period beginning six years prior to the start of the applicable Capacity Commitment Period and ending with the most recently completed calendar month in the Capacity Commitment Period, including all prior months in the Capacity Commitment Period.

Provided that, for a resource that has previously been counted as a capacity resource and for which an election has been made to participate as a New Generating Capacity Resource pursuant to Section III.13.1.1.1.2, and for which a cover election has been made pursuant to Section III.13.3.4(a)(iii), then: (1) the Maximum Demonstrated Output Period will be the Maximum Demonstrated Output Period of the resource that has been previously counted as capacity, and; (2) the Maximum Demonstrated Output Period of the New Generating Capacity Resource will begin on the earlier of: (i) the date that the resource that has previously been counted as a capacity resource began any outage as provided in Section III.13.1.1.1.2, and; (ii) the date that the New

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

Failure to Cover Charge Rate

For Capacity Commitment Periods beginning prior to June 1, 2022, the Failure to Cover Charge Rate for a Capacity Zone is the higher of the Capacity Clearing Price and the clearing price in any annual reconfiguration auction for that Capacity Commitment Period.

For Capacity Commitment Periods beginning on or after June 1, 2022, the Failure to Cover Charge Rate for a Capacity Zone is the price determined by a second clearing of the third annual reconfiguration auction prior to the start of the Capacity Commitment Period in which the aggregated zonal quantities of undemonstrated Capacity Supply Obligation, as of the completion of the third annual reconfiguration auction, and as determined pursuant to Section III.13.3.4 (b), are included as demand bids at the Forward Capacity Auction Starting Price for each applicable Capacity Zone.

Provided that, if an existing resource is covering for a New Generating Capacity Resource pursuant to Section III.13.3.4(a)(iii), then the undemonstrated Capacity Supply Obligation for the New Generating Capacity Resource is the difference between the existing resource's Maximum Demonstrated Output and the new resource's Capacity Supply Obligation.

Maximum Demonstrated Output

The Maximum Demonstrated Output is the sum of the highest output levels achieved by each Generator Asset associated with a Generating Capacity Resource, each Demand Response Asset associated with an Active Demand Capacity Resources, and assets associated with a Seasonal Peak Demand Resource or On-Peak Demand Resource, during the Maximum Demonstrated Output Period as specified below. The minimum Maximum Demonstrated Output for all assets is zero.

Provided that, if a resource that was previously counted as capacity is covering for a New Generating Capacity Resource pursuant to Section III.13.3.4(a)(iii), then the Maximum Demonstrated Output is the sum of the highest aggregate output level achieved by each asset associated with the resource that has previously been counted as capacity during the Maximum Demonstrated Output Period.

At the asset level, Maximum Demonstrated Output is calculated as follows:

Demand Response Assets associated with an Active Demand Capacity Resource: The Maximum Demonstrated Output for dates occurring prior to June 1, 2018 is the highest audit value in the Maximum Demonstrated Output Period increased by average avoided peak transmission and distribution losses. The Maximum Demonstrated Output for dates occurring on or after to June 1, 2018 will be equal to the highest demand reduction calculated, pursuant to Section III.8.4, in the Maximum Demonstrated Output Period increased by average avoided peak transmission and distribution losses for non-Net Supply.

Distributed Generation associated with a Seasonal Peak Demand Resource or an On-Peak Demand Resource: The Maximum Demonstrated Output is the highest hourly metered output in the Maximum Demonstrated Output Period after the resource has completed testing and has achieved commercial operation, increased by average avoided peak transmission and distribution losses for non-Net Supply.

Load Management associated with a Seasonal Peak Demand Resource or an On-Peak Demand Resource: The Maximum Demonstrated Output is the highest hourly demand reduction value in the Maximum Demonstrated Output Period increased by average avoided peak transmission and distribution losses for non-Net Supply.

Energy Efficiency associated with a Seasonal Peak Demand Resource or an On-Peak Demand Resource: The Maximum Demonstrated Output is the highest reported monthly performance value in the Maximum Demonstrated Output Period increased by average avoided peak transmission and distribution losses.

Generator Assets: The Maximum Demonstrated Output for dates occurring prior to March 1, 2017 is the highest hourly Revenue Quality Metering in the Maximum Demonstrated Output Period beginning on or after Commercial Operation (as defined in Schedule 22, 23, or 25 of Section II of the Transmission, Markets and Services Tariff). The Maximum Demonstrated Output for dates occurring on or after March 1, 2017 is the highest Metered Quantity for Settlement in the Maximum Demonstrated Output Period beginning on or after Commercial

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

If a single Generator Asset is split into two or more new Generator Assets, the Maximum Demonstrated Output associated with the single Generation Asset will be prorated among the new assets based on their summer maximum net output. If multiple Generator Assets are consolidated to fewer assets, the Maximum Demonstrated Output of the Generator Assets that are being consolidated will be allocated to the consolidated assets based on the summer maximum net output.

Import Capacity Resources: For an Import Capacity Resource that is backed by external generation that has not achieved commercial operation at the time of qualification, in part or entirely, the Maximum Demonstrated Output is the highest revenue quality metered output for a five-minute or greater interval after the resource has completed testing and has achieved commercial operation. Provided that, the Maximum Demonstrated Output of an Import Capacity Resource associated with an Elective Transmission Upgrade may be limited by the highest demonstrated capability of the Elective Transmission Upgrade after the Elective Transmission Upgrade has completed testing and has achieved commercial operation.

III.13.3.4A Termination of Capacity Supply Obligations.

If a Project Sponsor fails to comply with the requirements of Sections III.13.3.2 or III.13.3.3, or if a Project Sponsor covers a Capacity Supply Obligation for two Capacity Commitment Periods, or if, as a result of milestone date revisions, the date by which a resource will have achieved all its critical path schedule milestones is more than two years after the beginning of the Capacity Commitment Period for which the resource first received a Capacity Supply Obligation, then the ISO, after consultation with the Project Sponsor, shall have the right, through a filing with the Commission, to terminate the resource's Capacity Supply Obligation for any future Capacity Commitment Periods and the resource's right to any payments associated with that Capacity Supply Obligation in the Capacity Commitment Period, and to adjust the resource's qualified capacity for participation in the Forward Capacity Market; provided that, where a Project Sponsor voluntarily withdraws its resource from critical path schedule monitoring in accordance with Section III.13.3.6, no filing with the Commission shall be necessary to terminate the resource's Capacity Supply Obligation. Upon Commission ruling, the Project Sponsor shall forfeit any financial assurance provided with respect to that Capacity Supply Obligation. If in these circumstances, however, the ISO does not take steps to terminate the resource's Capacity Supply Obligation and instead permits the Project Sponsor to continue to cover its Capacity Supply Obligation, such continuation shall be subject to the ISO's right to revoke that permission and to file with the Commission to terminate the resource's Capacity Supply Obligation, and subject to continued reporting by the Project Sponsor as described in this Section III.13.3.

III.13.3.5. Termination of Interconnection Agreement.

If the ISO terminates, or files with the Commission to terminate, a resource's Capacity Supply Obligation as described in Section III.13.3.4A, the ISO shall have the right to terminate the Interconnection Agreement with that resource through a filing with the Commission and upon Commission ruling. If the Project Sponsor continues to cover all of its Capacity Supply Obligations while challenging such termination before the Commission, it shall retain its Queue Position.

III.13.3.6. Withdrawal from Critical Path Schedule Monitoring.

A Project Sponsor may withdraw its resource from critical path schedule monitoring by the ISO at any time by submitting a written request to the ISO. The ISO also may deem a resource withdrawn from critical path schedule monitoring if the Project Sponsor does not adhere to the requirements of this Section III.13.3. Any resource withdrawn from critical path schedule monitoring shall be subject to the provisions of Section III.13.3.4.

III.13.3.7 Request to Defer Capacity Supply Obligation

A resource that has not yet achieved FCM Commercial Operation and that is subject to critical path schedule monitoring by the ISO pursuant to this Section III.13.3 may seek to defer the applicability of its entire Capacity Supply Obligation by one year pursuant to the provisions of this Section III.13.3.7.

A Project Sponsor seeking such a deferral must notify the ISO in writing no later than the first Business Day in September of the year prior to the third annual reconfiguration auction for the Capacity Commitment Period in which the resource has a Capacity Supply Obligation. If, after consultation with the Project Sponsor, the ISO determines that the absence of the capacity in the first Capacity Commitment Period in which the resource has a Capacity Supply Obligation, as well as in the subsequent Capacity Commitment Period, would result in the violation of any NERC or NPCC (or their successors) criteria or of the ISO New England System Rules, not solely that it may result in the procurement of less capacity than the Installed Capacity Requirement (net of HQICCs) or the Local Sourcing Requirement for the Capacity Zone, then the ISO will review the specific reliability need with and seek feedback from the

Reliability Committee and provide the Project Sponsor with a written determination to that effect within 30 days of the Project Sponsor's notification to the ISO.

If the ISO provides such a written determination, then the Project Sponsor may file with the Commission, no later than the first Business Day in November of the year prior to the third annual reconfiguration auction, a request to defer the applicability of its Capacity Supply Obligation by one year. Any such filing must include the ISO's written determination, and must also demonstrate that the deferral is critical to the resource's ability to achieve FCM Commercial Operation and that the reasons for the deferral are beyond the control of the Project Sponsor.

If the Commission approves the request, all of the rights, obligations, payments, and charges associated with the Capacity Supply Obligation described in Sections III.13.3.4(b), III.13.6 and III.13.7 shall only apply beginning one year after the start of the Capacity Commitment Period in which the resource has a Capacity Supply Obligation. Notwithstanding any other provision of this Section III.13, if the resource achieves FCM Commercial Operation prior to the deferred date, it will not be eligible to receive revenue in the Forward Capacity Market until the deferred date. Beginning on the deferred date, all of the rights, obligations, payments, and charges associated with the Capacity Supply Obligation shall apply, and the Capacity Supply Obligation and Capacity Clearing Price (indexed using the Handy-Whitman Index of Public Utility Construction Costs in effect as of December 31 of the year preceding the Capacity Commitment Period) associated with the Forward Capacity Auction in which the resource cleared as a new resource shall apply for the full duration of the Capacity Supply Obligation (including multi-year elections made pursuant to Section III.13.1.1.2.2.4 or Section III.13.1.4.1.1.2.7). A Project Sponsor will not take actions to cover the resource's Capacity Supply Obligation for the deferral period as described in Section III.13.3.4(a), but the other requirements of III.13.3, including all reporting requirements and the ISO's right to seek termination, shall continue to apply during the deferral period. Upon Commission approval of the deferral, the resource may not participate in any reconfiguration auctions or Capacity Supply Obligation Bilaterals for any portion of the deferral period. Beginning at 8:00 a.m. (Eastern Time) 30 days after Commission approval of the request, the Project Sponsor shall be required to provide an additional amount of financial assurance as described in Section VII.B.2.c of the ISO New England Financial Assurance Policy.

Notwithstanding any other provision of this Section III.13, if any of the resource's Capacity Supply Obligation in the deferral period was shed in a reconfiguration auction or Capacity Supply Obligation Bilateral prior to Commission approval of the deferral request, then the resource's settlements shall be adjusted by the ISO to ensure that the resource does not receive any payments associated with that transaction in excess of the charges associated with that transaction; the resource will be responsible for any charges in excess of payments.

III.13.3.8 FCM Commercial Operation.

A resource (or portion thereof) achieves FCM Commercial Operation when (1) the ISO has determined that the resource (or portion thereof) has achieved all its critical path schedule milestones, including completion of any transmission upgrades necessary for the resource to obtain the requisite interconnection service; and (2) the ISO verifies the resource’s (or a portion of the resource’s) summer capacity rating (or, for a resource with winter capacity only, its winter capacity rating).

(a) For a Generating Capacity Resource (or portion thereof) that has achieved all its critical path schedule milestones, the ISO shall confirm FCM Commercial Operation as soon as practicable following the ISO’s verification of the resource’s summer capacity rating (or, for a resource with winter capacity only, its winter capacity rating), which may take place in any month of the year. The ISO shall verify the summer capacity rating of a Generating Capacity Resource that is an Intermittent Power Resource following no fewer than 30 consecutive calendar days of operation (for periods from October 1 through May 31, a Market Participant must request such verification).

(b) For a Demand Capacity Resource (or portion thereof) that has achieved all its critical path schedule milestones, the ISO shall confirm FCM Commercial Operation upon verifying that the Demand Capacity Resource described in the New Demand Capacity Resource Qualification Package has achieved its full demand reduction value, subject to the requirements of Section III.13.6.1.5.3(b).

(c) For an Import Capacity Resource (or portion thereof) that has achieved all its critical path schedule milestones, the ISO shall confirm FCM Commercial Operation upon demonstration that the Import Capacity Resource described in the New Capacity Qualification Package has achieved its full Qualified Capacity.

III.13.5. Bilateral Contracts in the Forward Capacity Market.

Market Participants shall be permitted to enter into Annual Reconfiguration Transactions, Capacity Supply Obligation Bilaterals, Capacity Load Obligation Bilaterals and Capacity Performance Bilaterals in accordance with this Section III.13.5, with the ISO serving as Counterparty in each such transaction. Market Participants may not offset a Capacity Load Obligation with a Capacity Supply Obligation.

III.13.5.1. Capacity Supply Obligation Bilaterals.

Capacity Supply Obligation Bilaterals are available for monthly, seasonal and annual periods. Capacity Supply Obligation Bilaterals for seasonal and annual periods are only available for periods prior to June 1, 2020. The qualification of resources subject to a Capacity Supply Obligation Bilateral is determined in the same manner as the qualification of resources is determined for reconfiguration auctions as specified in Section III.13.4.2.

A resource having a Capacity Supply Obligation seeking to shed that obligation (Capacity Transferring Resource) may enter into a bilateral transaction to transfer its Capacity Supply Obligation, in whole or in part (Capacity Supply Obligation Bilateral), to a resource, or portion thereof, having Qualified Capacity for that Capacity Commitment Period that is not already obligated (Capacity Acquiring Resource), subject to the following limitations.

(a) A monthly Capacity Supply Obligation Bilateral must be coterminous with a calendar month, and an annual Capacity Supply Obligation Bilateral must be coterminous with a Capacity Commitment Period. A seasonal Capacity Supply Obligation Bilateral can be entered into only during the Capacity Supply Obligation Bilateral window associated with the third Annual Reconfiguration Auction, must be contained within a single Capacity Commitment Period, and must contain all the months in the summer or winter season identified by the Capacity Transferring Resource and only those months. For the purposes of this Section III.13.5, the summer season of a Demand Capacity Resource is all of the months from June through November and April through May of the same Capacity Commitment Period and the winter season of a Demand Capacity Resource is all of the months from December through March; for all other resource types, the summer season is all of the months from June through September and the winter season is all of the months October through May.

(b) A Capacity Supply Obligation Bilateral may not transfer a Capacity Supply Obligation amount that is greater than the lowest monthly Capacity Supply Obligation of the Capacity Transferring Resource during the month, season or Capacity Commitment Period covered by the Capacity Supply Obligation

Bilateral. A Capacity Supply Obligation Bilateral may not transfer a Capacity Supply Obligation amount that is greater than the lowest monthly amount of unobligated Qualified Capacity (that is, Qualified Capacity as determined in the most recent Forward Capacity Auction or reconfiguration auction qualification process that is not subject to a Capacity Supply Obligation for the relevant time period) of the Capacity Acquiring Resource during the month, season or Capacity Commitment Period covered by the Capacity Supply Obligation Bilateral, as determined in the qualification process for the most recent Forward Capacity Auction or annual reconfiguration auction prior to the submission of the Capacity Supply Obligation Bilateral to the ISO. If the season of the Capacity Transferring Resource is not aligned with the season of the Capacity Acquiring Resource and the seasonal Capacity Supply Obligation Bilateral spans more than one season of the Capacity Acquiring Resource, the lowest monthly amount of unobligated Qualified Capacity of the Capacity Acquiring Resource will be used.

(c) A Capacity Supply Obligation Bilateral may not transfer a Capacity Supply Obligation to a Capacity Acquiring Resource where that Capacity Acquiring Resource's unobligated Qualified Capacity is unobligated as a result of an Export Bid or Administrative Export De-List Bid that cleared in the Forward Capacity Auction.

(d) [Reserved.]

(e) [Reserved.]

(f) [Reserved.]

(g) [Reserved.]

(h) A resource, or a portion thereof, that has been designated as a Self-Supplied FCA Resource may transfer the self-supplied portion of its Capacity Supply Obligation by means of Capacity Supply Obligation Bilateral. In such a case, however, the Capacity Acquiring Resource shall not become a Self-Supplied FCA Resource as a result of the transaction.

(i) A monthly Capacity Supply Obligation may not be acquired by any resource on an approved outage for the relevant Capacity Commitment Period month.

(j) A resource that has not achieved FCM Commercial Operation may not submit a transaction as a Capacity Acquiring Resource for that Capacity Commitment Period month, unless the resource has a negative Capacity Supply Obligation, in which case it may submit a Capacity Supply Obligation Bilateral in an amount up to the absolute value of its Capacity Supply Obligation.

III.13.5.1.1. Process for Approval of Capacity Supply Obligation Bilaterals.

III.13.5.1.1.1. Timing of Submission and Prior Notification to the ISO.
The Lead Market Participant or Project Sponsor for either the Capacity Transferring Resource or the Capacity Acquiring Resource may submit a Capacity Supply Obligation Bilateral to the ISO in accordance with posted schedules. The ISO will issue a schedule of the submittal windows for Capacity Supply Obligation Bilaterals as soon as practicable after the issuance of Forward Capacity Auction results. A Capacity Supply Obligation Bilateral must be confirmed by the party other than the party submitting the Capacity Supply Obligation Bilateral to the ISO no later than the end of the relevant submittal window.

A Lead Market Participant or Project Sponsor seeking to submit a monthly Capacity Supply Obligation Bilateral pursuant to Section III.13.3.4(a)(ii) or a monthly Capacity Supply Obligation bilateral pursuant to Section III.13.4.2.1.3(c) (significant decrease of offers composed of separate resources) must notify the ISO in writing of its intention to do so no later than four Business Days prior to the start of the relevant annual Capacity Supply Obligation Bilateral submittal window.

III.13.5.1.1.2. Application.
The submission of a Capacity Supply Obligation Bilateral to the ISO shall include the following: (i) the resource identification number of the Capacity Transferring Resource; (ii) the amount of the Capacity Supply Obligation being transferred in MW amounts up to three decimal places; (iii) the term of the transaction; and (iv) the resource identification number of the Capacity Acquiring Resource. If the parties to a Capacity Supply Obligation Bilateral so choose, they may also submit a price, in $/kW-month, to be used by the ISO in settling the Capacity Supply Obligation Bilateral. If no price is submitted, the ISO shall use a default price of $0.00/kW-month.

III.13.5.1.1.3. ISO Review.
(a) The ISO shall review the information provided in support of the Capacity Supply Obligation Bilateral, and shall reject the Capacity Supply Obligation Bilateral if any of the provisions of this Section

III.13.5.1 are not met. For a Capacity Supply Obligation Bilateral submitted before the relevant submittal window opens, this review shall occur once the submittal window opens. For a Capacity Supply Obligation Bilateral submitted after the submittal window opens, this review shall occur upon submission.

(b) After the close of the relevant submittal window, each Capacity Supply Obligation Bilateral shall be subject to a reliability review by the ISO to determine whether the transaction would result in a violation of any NERC or NPCC (or their successors) criteria, or ISO New England System Rules, during the Capacity Commitment Period associated with the transaction. Capacity Supply Obligation Bilaterals shall be reviewed by the ISO to ensure the regional and local adequacy achieved through the Forward Capacity Auction and other reliability needs are maintained. The ISO's review will consider the location and operating and rating limitations of resources associated with the Capacity Supply Obligation Bilateral to ensure reliability standards will remain satisfied if the capacity associated with the Capacity Transferring Resource is withdrawn and the capacity associated with the Capacity Acquiring Resource is accepted. The ISO's reliability reviews will assess transactions based on operable capacity needs while considering any approved or interim approved transmission outage information and any approved generation or Demand Response Resource outage information, and will include transmission security studies. The ISO will review all confirmed monthly Capacity Supply Obligation Bilaterals for each upcoming Obligation Month for reliability needs immediately preceding the monthly reconfiguration auction. For a monthly Capacity Supply Obligation Bilateral, the ISO shall obtain and consider information from the Local Control Center regarding whether the Capacity Supply Obligation of the Capacity Transferring Resource is needed for local system conditions and whether it is adequately replaced by the Acquiring Resource.

The ISO will review the net impact of all annual and seasonal Capacity Supply Obligation Bilaterals to ensure that the regional and local adequacy and other reliability needs achieved through the Forward Capacity Auction are maintained in the Capacity Transferring Resource's Capacity Zone and the Capacity Acquiring Resource's Capacity Zone or across the external interface.

If after its review of the net impact of all annual and seasonal Capacity Supply Obligation Bilaterals the ISO determines that the regional and local adequacy and other reliability needs achieved through the Forward Capacity Auction are not maintained, and for all monthly Capacity Supply Obligation Bilaterals, the ISO will approve or reject Capacity Supply Obligation Bilaterals based on the order in which they are confirmed. If multiple Capacity Supply Obligation Bilaterals are submitted between the same resources, they may be reviewed together as one transaction and the most recent confirmation time among the related transactions will be used to determine the review order of the grouped transaction. Transactions that cannot meet the applicable reliability needs will only be accepted or rejected in their entirety and the resources will not be accepted or rejected in part for purposes of that transaction. Where the ISO has determined that a Capacity Supply Obligation Bilateral must be rejected for reliability reasons the Lead Market Participant or Project Sponsor, as appropriate, for the Capacity Transferring Resource and the Capacity Acquiring Resource shall be notified as soon as practicable of the rejection and of the reliability need prompting such rejection.

(c) Each Capacity Supply Obligation Bilateral shall be subject to a financial assurance review by the ISO. If the Capacity Transferring Resource and the Capacity Acquiring Resource are not both in compliance with all applicable provisions of the ISO New England Financial Assurance Policy, including those regarding Capacity Supply Obligation Bilaterals, the ISO shall reject the Capacity Supply Obligation Bilateral.

III.13.5.1.1.4. Approval.

Upon approval of a Capacity Supply Obligation Bilateral, the Capacity Supply Obligation of the Capacity Transferring Resource shall be reduced by the amount set forth in the Capacity Supply Obligation Bilateral, and the Capacity Supply Obligation of the Capacity Acquiring Resource shall be increased by the amount set forth in the Capacity Supply Obligation Bilateral.

III.13.5.2. Capacity Load Obligations Bilaterals.

A Market Participant having a Capacity Load Obligation seeking to shed that obligation (“Capacity Load Obligation Transferring Participant”) may enter into a bilateral transaction to transfer all or a portion of its Capacity Load Obligation in a Capacity Zone (“Capacity Load Obligation Bilateral”) to any Market Participant seeking to acquire a Capacity Load Obligation (“Capacity Load Obligation Acquiring Participant”). A Capacity Load Obligation Bilateral must be in whole calendar month increments, may not exceed one year in duration, and must begin and end within the same Capacity Commitment Period. A Capacity Load Obligation Transferring Participant will be permitted to transfer, and a Capacity Load Obligation Acquiring Participant will be permitted to acquire, a Capacity Load Obligation if after entering into a Capacity Load Obligation Bilateral and submitting related information to the ISO within the specified submittal time period, the ISO approves such Capacity Load Obligation Bilateral.

III.13.5.2.1. Process for Approval of Capacity Load Obligation Bilaterals.

III.13.5.2.1.1. Timing.

Either the Capacity Load Obligation Transferring Participant or the Capacity Load Obligation Acquiring Participant may submit a Capacity Load Obligation Bilateral to the ISO. All Capacity Load Obligation Bilaterals must be submitted to the ISO in accordance with resettlement provisions as described in ISO New England Manuals. However, to be included in the initial settlement of payments and charges associated with the Forward Capacity Market for the first month of the term of the Capacity Load Obligation Bilateral, a Capacity Load Obligation Bilateral must be submitted to the ISO no later than 12:00 pm on the second Business Day after the end of that month (though a Capacity Load Obligation Bilateral submitted at that time may be revised by the parties to the transaction throughout the resettlement process). A Capacity Load Obligation Bilateral must be confirmed by the party other than the party submitting the Capacity Load Obligation Bilateral to the ISO no later than the same deadline that applies to submission of the Capacity Load Obligation Bilateral.

III.13.5.2.1.2. Application.

The submission of a Capacity Load Obligation Bilateral to the ISO shall include the following : (i) the amount of the Capacity Load Obligation being transferred in MW amounts up to three decimal places; (ii) the term of the transaction; (iii) identification of the Capacity Load Obligation Transferring Participant and the Capacity Load Obligation Acquiring Participant; and (iv) the Capacity Zone in which the Capacity Load Obligation is being transferred is located.

III.13.5.2.1.3. ISO Review.

The ISO shall review the information provided in support of the Capacity Load Obligation Bilateral and shall reject the Capacity Load Obligation Bilateral if any of the provisions of this Section II.13.5.2 are not met.

III.13.5.2.1.4. Approval.

Upon approval of a Capacity Load Obligation Bilateral, the Capacity Load Obligation of the Capacity Load Obligation Transferring Participant in the Capacity Zone specified in the submission to the ISO shall be reduced by the amount set forth in the Capacity Load Obligation Bilateral and the Capacity Load Obligation of the Capacity Load Obligation Acquiring Participant in the specified Capacity Zone shall be increased by the amount set forth in the Capacity Load Obligation Bilateral.

III.13.5.3. Capacity Performance Bilaterals.

A resource's Capacity Performance Score during a Capacity Scarcity Condition may be adjusted by entering into a Capacity Performance Bilateral as described in this Section III.13.5.3.

III.13.5.3.1. Eligibility.

If a resource has a Capacity Performance Score that is greater than zero in a five-minute interval that is subject to a Capacity Scarcity Condition, that resource may transfer all or some of that Capacity Performance Score to another resource for that same five-minute interval so long as both resources were subject to the same Capacity Scarcity Condition.

III.13.5.3.2. Submission of Capacity Performance Bilaterals.

The Lead Market Participant for a resource having a Capacity Performance Score that is greater than zero in a five-minute interval that is subject to a Capacity Scarcity Condition may submit a Capacity Performance Bilateral to the ISO assigning all or a portion of its Capacity Performance Score for that interval to another resource, subject to the eligibility requirements specified in Section III.13.5.3.1. The Capacity Performance Bilateral must be confirmed by the Lead Market Participant for the resource receiving the Capacity Performance Score.

III.13.5.3.2.1. Timing.

A Capacity Performance Bilateral must be submitted in accordance with resettlement provisions as described in ISO New England Manuals. However, to be included in the initial settlement of payments and charges associated with the Forward Capacity Market for the month associated with the Capacity Performance Bilateral, a Capacity Performance Bilateral must be submitted to the ISO no later than 12:00 pm on the second Business Day after the end of that month, or at such later deadline as specified by the ISO upon notice to Market Participants (though a Capacity Performance Bilateral may be revised by the parties to the transaction throughout the resettlement process).

III.13.5.3.2.2. Application.

The submission of a Capacity Performance Bilateral to the ISO shall include the following: (i) the resource identification number for the resource transferring its Capacity Performance Score; (ii) the resource identification number for the resource receiving the Capacity Performance Score; (iii) the MW amount of Capacity Performance Score being transferred; (iv) the specific five-minute interval or intervals for which the Capacity Performance Bilateral applies.

III.13.5.3.2.3. ISO Review.

The ISO shall review the information provided in submission of the Capacity Performance Bilateral, and shall reject the Capacity Performance Bilateral if any of the provisions of this Section III.13.5.3 are not met.

III.13.5.3.3. Effect of Capacity Performance Bilateral.

A Capacity Performance Bilateral does not affect in any way either party's Capacity Supply Obligation or the rights and obligations associated therewith. The sole effect of a Capacity Performance Bilateral is to modify the Capacity Performance Scores of the transferring and receiving resources for the Capacity Scarcity Conditions subject to the Capacity Performance Bilateral for purposes of calculating Capacity Performance Payments as described in Section III.13.7.2.

III.13.5.4 Annual Reconfiguration Transactions.

Annual Reconfiguration Transactions are available for annual reconfiguration auctions for Capacity Commitment Periods beginning on or after June 1, 2020, except that Annual Reconfiguration Transactions are not available for the first annual reconfiguration auction for the Capacity Commitment Period beginning on June 1, 2020.

III.13.5.4.1 Timing of Submission.

The Lead Market Participant or Project Sponsor for either a Capacity Transferring Resource or a Capacity Acquiring Resource may submit an Annual Reconfiguration Transaction to the ISO in accordance with posted schedules. The ISO will issue a schedule of the submittal windows for Annual Reconfiguration Transactions as soon as practicable after the issuance of Forward Capacity Auction results. An Annual Reconfiguration Transaction must be confirmed by the party other than the party submitting the Annual Reconfiguration Transaction to the ISO no later than the end of the relevant submittal window.

III.13.5.4.2 Components of an Annual Reconfiguration Transaction.

The submission of an Annual Reconfiguration Transaction must include the following:

1. the resource identification number of the Capacity Transferring Resource;
2. the applicable Capacity Commitment Period;

(3) the resource identification number of the Capacity Acquiring Resource, and;

3. a price ($/kW-month), quantity (MW) and Capacity Zone, to be used in settling the Annual Reconfiguration Transaction.

The maximum quantity of an Annual Reconfiguration Transaction is the higher of:

(1) the Capacity Transferring Resource’s maximum demand bid quantity determined pursuant to Section III.13.4.2.2(b), less the quantity of any previously confirmed Annual Reconfiguration Transactions, and;

(2) the Capacity Acquiring Resource’s maximum supply offer quantity determined pursuant to Section III.13.4.2.1.1, less the quantity of any previously confirmed Annual Reconfiguration Transactions.

An Annual Reconfiguration Transaction may not be submitted unless the maximum demand bid quantity and maximum supply offer quantity are each greater than zero.

Each Annual Reconfiguration Transaction is limited to a single Capacity Acquiring Resource and a single Capacity Transferring Resource.

If any demand bid of a Capacity Transferring Resource or supply offer of a Capacity Acquiring Resource that is associated with an Annual Reconfiguration Transaction is rejected for reliability reasons pursuant to Section III.13.2.2(c) or Section III.13.4.2.1.5, respectively, the Annual Reconfiguration Transaction is cancelled.

III.13.5.4.3 Settlement of Annual Reconfiguration Transactions.

Annual Reconfiguration Transactions are settled on a monthly basis during the applicable Capacity Commitment Period. The monthly payment amount is equal to the transaction quantity multiplied by the difference between the annual reconfiguration auction clearing price and the transaction price. If the payment amount is positive, payment is made to the Lead Market Participant with the Capacity Transferring Resource and charged to the Lead Market Participant with the Capacity Acquiring Resource. If the payment amount is negative, payment is made to the Lead Market Participant with the Capacity Acquiring Resource and charged to the Lead Market Participant with the Capacity Transferring Resource.

III.13.7. 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 six additional and consecutive Capacity Commitment Periods, in whole Capacity Commitment Period increments only.

(b) **Reconfiguration Auctions**. For a resource whose offer or bid has cleared in an annual or monthly reconfiguration auction, the monthly capacity payment or charge shall be equal to the product of its cleared capacity and the appropriate reconfiguration auction clearing price in the Capacity Zone in which the resource cleared.

(c) **Capacity Supply Obligation Bilaterals**. For resources that have acquired or shed a Capacity Supply Obligation through a Capacity Supply Obligation Bilateral, the monthly capacity payment or charge shall be equal to the product of the Capacity Supply Obligation being assumed or shed and price associated with the Capacity Supply Obligation Bilateral.

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

III.13.7.1.2 Peak Energy Rents.

For Capacity Commitment Periods beginning prior to June 1, 2019, Capacity Base Payments to resources with Capacity Supply Obligations, except for (1) On-Peak Demand Resources, (2) Seasonal Peak Demand Resources, and (3) New Generating Capacity Resources that have cleared in the Forward Capacity Auction and have completed construction but due to a planned transmission facility (e.g., a radial interconnection) not being in service are not able to achieve FCM Commercial Operation, shall be decreased by Peak Energy Rents ("PER") calculated in each Capacity Zone, as determined pursuant to Section III.13.2.3.4 in the Forward Capacity Auction, as provided below. The PER calculation shall utilize hourly integrated Real-Time LMPs. For each Capacity Zone in the Forward Capacity Auction, as determined pursuant to Section III.13.2.3.4, PER shall be computed based on the load-weighted Real-Time LMPs for each Capacity Zone, using the Real-Time Hub Price for the Rest-of-Pool Capacity Zone. Self-Supplied FCA Resources shall not be subject to a PER adjustment on the portion of the resource that is self-supplied.

III.13.7.1.2.1 Hourly PER Calculations.

(a) For hours with a positive difference between the hourly Real-Time energy price and a strike price, the ISO shall compute PER for each hour ("Hourly PER") equal to this positive difference in accordance with one of the following formulas, which include scaling adjustments for system load and availability:

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

Hourly PER($/kW) = [(LMP - Adjusted Hourly PER Strike Price) * [Scaling Factor] * [Availability Factor]
Where:

Adjusted Hourly PER Strike Price = Strike Price + Hourly PER Adjustment

Hourly PER Adjustment = average of Five-Minute PER Strike Price Adjustment values

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

Strike Price = as defined below

Scaling Factor = as defined below

Availability Factor = as defined below

For all other hours:

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 the following, as determined on a daily basis: ultra low-sulfur No. 2 oil measured at New York Harbor plus a seven percent markup for transportation; or day-ahead gas measured at the AGT-CG (Non-G) hub;

(ii) The PER Proxy Unit shall be assumed to have no start-up, ramp rate or minimum run time constraints;

(iii) The PER Proxy Unit shall have a 22,000 Btu/kWh heat rate. This assumption shall be periodically reviewed after the first Capacity Commitment Period by the ISO to ensure that the heat rate continues to reflect a level slightly higher than the marginal generating unit in the region that would be dispatched as the system enters a scarcity condition. Any changes to the heat rate of the PER Proxy Unit shall be considered in the stakeholder process in consultation with the state utility regulatory agencies, shall be filed pursuant to Section 205 of the Federal Power Act, and shall be applied prospectively to the settlement of future Forward Capacity Auctions.

III.13.7.1.2.2. Monthly PER Application.

The Hourly PER shall be summed for each calendar month to determine the total PER for that month ("Monthly PER"). The ISO shall then calculate the Average Monthly PER earned by the proxy unit. The Average Monthly PER shall be equal to the average of the Monthly PER values for the 12 months prior to the Obligation Month. The PER deduction for each resource shall be calculated as the Average Monthly PER multiplied by the resource's Capacity Supply Obligation for the Obligation Month (less any Capacity Supply Obligation MW from any portion of a Self-Supplied FCA Resource); provided, however, that in no case shall a resource's PER deduction for an Obligation Month be less than zero or greater than the product of the resource's Capacity Supply Obligation and the relevant Forward Capacity Auction Capacity Clearing Price.

III.13.7.1.3. Export Capacity.

If there are any Export Bids or Administrative Export De-list Bids from resources located in an export-constrained Capacity Zone or in the Rest-of-Pool Capacity Zone that have cleared in the Forward Capacity Auction and if the resource is exporting capacity at an export interface that is connected to an import-constrained Capacity Zone or the Rest-of-Pool Capacity Zone that is different than the Capacity Zone in which the resource is located, then charges and credits are applied as follows (for the following calculation, the Capacity Clearing Price will be the value prior to PER adjustments).

> Charge Amount to Resource Exporting = [Capacity Clearing Price $_{\text{location of the interface}}$ - Capacity Clearing Price $_{\text{location of the resource}}$] 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 $_{\text{location of the interface}}$ - Capacity Clearing Price $_{\text{location of the resource}}$] x Cleared MWs of Export Bid or Administrative Export De-list Bid]
>
> Credits and charges to load in the applicable Capacity Zones, as set forth above, shall be allocated in proportion to each LSE's Capacity Load Obligation as calculated in Section III.13.7.5.2.

III.13.7.1.4. [Reserved.]

III.13.7.2 Capacity Performance Payments.

III.13.7.2.1 Definition of Capacity Scarcity Condition.

A Capacity Scarcity Condition shall exist in a Capacity Zone for any five-minute interval in which the Real-Time Reserve Clearing Price for that entire Capacity Zone is set based on the Reserve Constraint Penalty Factor pricing for: (i) the Minimum Total Reserve Requirement; (ii) the Ten-Minute Reserve Requirement; or (iii) the Zonal Reserve Requirement, each as described in Section III.2.7A(c); provided, however, that a Capacity Scarcity Condition shall not exist if the Reserve Constraint Penalty Factor pricing results only because of resource ramping limitations that are not binding on the energy dispatch.

III.13.7.2.2 Calculation of Actual Capacity Provided During a Capacity Scarcity Condition.

For each five-minute interval in which a Capacity Scarcity Condition exists, the ISO shall calculate the Actual Capacity Provided by each resource, whether or not it has a Capacity Supply Obligation, in any Capacity Zone that is subject to the Capacity Scarcity Condition. For resources not having a Capacity Supply Obligation (including External Transactions), the Actual Capacity Provided shall be calculated using the provision below applicable to the resource type. Notwithstanding the specific provisions of this Section III.13.7.2.2, no resource shall have an Actual Capacity Provided that is less than zero.

(a) A Generating Capacity Resource's Actual Capacity Provided during a Capacity Scarcity Condition shall be the sum of the resource's output during the interval plus the resource's Reserve Quantity For Settlement during the interval; provided, however, that if the resource's output was limited during the Capacity Scarcity Condition as a result of a transmission system limitation, then the resource's Actual Capacity Provided may not be greater than the sum of the resource's Desired Dispatch Point during the interval, plus the resource's Reserve Quantity For Settlement during the interval. Where the resource is associated with one or more External Transaction sales submitted in accordance with Section III.1.10.7(f), the resource will have its hourly Actual Capacity Provided reduced by the hourly integrated delivered MW for the External Transaction sale or sales.

(b) An Import Capacity Resource's Actual Capacity Provided during a Capacity Scarcity Condition shall be the net energy delivered during the interval in which the Capacity Scarcity Condition occurred. Where a single Market Participant owns more than one Import Capacity Resource, then the difference between the total net energy delivered from those resources and the total of the Capacity Supply Obligations of those resources shall be allocated to those resources pro rata.

(c) An On-Peak Demand Resource or Seasonal Peak Demand Resource's Actual Capacity Provided during a Capacity Scarcity Condition shall be the sum of the Actual Capacity Provided for each of its components, as determined below, where the 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 Actual Capacity Provided as described in this Section III.13.7.2.2(c), the Actual Capacity Provided shall be zero.

(d) An Active Demand Capacity Resource’s Actual Capacity Provided during a Capacity Scarcity Condition shall be the sum of the Actual Capacity Provided by its constituent Demand Response Resources during the Capacity Scarcity Condition.

(i) A Demand Response Resource’s Actual Capacity Provided during a Capacity Scarcity Condition shall be: (1) the sum of the Real-Time demand reduction of its constituent Demand Response Assets (provided, however, that if the Demand Response Resource was limited during the Capacity Scarcity Condition as a result of a transmission system limitation, then the sum of the Real-Time demand reduction of its constituent Demand Response Assets may not be greater than its Desired Dispatch Point during the interval), plus (2) the Demand Response Resource’s Reserve Quantity For Settlement, where the MW quantity, other than the MW quantity associated with Net Supply, is increased by average avoided peak transmission and distribution losses; provided, however, that a Demand Response Resource’s Actual Capacity Provided shall not be less than zero.

(ii) The Real-Time demand reduction of a Demand Response Asset shall be calculated as described in Section III.8.4, except that: (1) in the case of a Demand Response Asset that is on a forced or scheduled curtailment as described in Section III.8.3, a Real-Time demand reduction shall also be calculated for intervals in which the associated Demand Response Resource does not receive a non-zero Dispatch Instruction; (2) in the case of a Demand Response Asset that is on a forced or scheduled curtailment as described in Section III.8.3, the minuend in the calculation described in Section III.8.4 shall be the unadjusted Demand Response Baseline of the Demand Response Asset; and (3) the resulting MWhs of reduction, other than the MWhs associated with Net Supply, shall be increased by average avoided peak transmission and distribution losses.

III.13.7.2.3 Capacity Balancing Ratio.

For each five-minute interval in which a Capacity Scarcity Condition exists, the ISO shall calculate a Capacity Balancing Ratio using the following formula:

(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, 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.

III.13.7.5.1. Calculation of Capacity Charges Prior to June 1, 2022.
The provisions in this subsection apply to charges associated with Capacity Commitment Periods beginning prior to June 1, 2022. A load serving entity with a Capacity Load Obligation as of the end of the Obligation Month shall be subject to a charge equal to the product of: (a) its Capacity Load Obligation in the Capacity Zone; and (b) the applicable Net Regional Clearing Price. The Net Regional Clearing Price is defined as the sum of the total payments as defined in Section III.13.7 paid to resources with Capacity Supply Obligations in the Capacity Zone (excluding any capacity payments and charges made for Capacity Supply Obligation Bilaterals and excluding any Capacity Performance Payments), less PER adjustments for resources in the zone as defined in Section III.13.7.1.2, and including any applicable export charges or credits as determined pursuant to Section III.13.7.1.3 divided by the sum of all Capacity Supply Obligations (excluding (i) the quantity of capacity subject to Capacity Supply Obligation Bilaterals and (ii) the quantity of capacity clearing as Self-Supplied FCA Resources) assumed by resources in the zone. A load serving entity satisfying its Capacity Load Obligation by a Self-Supplied FCA Resource shall not receive a credit for any PER payment for its Capacity Load Obligation so satisfied. A load serving entity with a Capacity Load Obligation as of the end of the Obligation Month may also receive a failure to cover credit equal to the product of: (a) its Capacity Load Obligation in the Capacity Zone, and; (b) the sum of all failure to cover charges in the Capacity Zone calculated pursuant to Section III.13.3.4(b), divided by total Capacity Load Obligation in the Capacity Zone.

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

The provisions in this subsection apply to charges associated with Capacity Commitment Periods beginning on or after June 1, 2022. A Market Participant with a Capacity Load Obligation as of the end of the Obligation Month shall be subject to the following charges and adjustments:

III.13.7.5.1.1.1 Forward Capacity Auction Charge.

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

Where

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

Total FCA Costs are the sum of, for all Capacity Zones, Capacity Supply Obligations in each zone (the total obligation awarded to resources in the Forward Capacity Auction for the Obligation Month in the zone, excluding any additional obligations awarded to Intermittent Power Resources pursuant to Section III.13.2.7.6 that exceed the FCA Qualified Capacity procured in the Forward Capacity Auction and excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section III.13.3.4(c)) multiplied by the applicable Capacity Clearing Price.

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

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

III.13.7.5.1.1.2 Annual Reconfiguration Auction Charge.

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

Where

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

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

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

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

III.13.7.5.1.1.3. Monthly Reconfiguration Auction Charge.

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

Where

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

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

III.13.7.5.1.1.4. HQICC Capacity Charge.

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

Where

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

III.13.7.5.1.1.5. Self-Supply Adjustment.

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

Where

> Self-Supply Variance is the difference between foregone capacity payments and avoided capacity charges associated with designated self-supply quantities.
>
> Foregone capacity payments to Self-Supplied FCA Resources are the sum, for all Capacity Zones, of the product of the zonal Capacity Supply Obligation (adjusted pursuant to Section III.13.3.4(c)) designated as self-supply, multiplied by the applicable Capacity Clearing Price.
>
> Avoided capacity charges are the sum, for all Capacity Zones, of the product of any designated self-supply quantities multiplied by the sum of the values calculated in Sections IIII.13.7.5.1.1.1(b), IIII.13.7.5.1.1.2(b), IIII.13.7.5.1.1.3(b), IIII.13.7.5.1.1.6(b), IIII.13.7.5.1.1.7(b), III.13.7.5.1.1.8(b), and III.13.7.5.1.1.9(b) in the Capacity Zone associated with the designated self-supply quantity.
>
> Total Capacity Load Obligation is the total Capacity Load Obligation in all Capacity Zones.

III.13.7.5.1.1.6. Intermittent Power Resource Capacity Adjustment.

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

Where

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

FCA payments to Intermittent Power Resources are the sum, for all Capacity Zones, of the product of the Capacity Supply Obligations awarded to Intermittent Power Resources in the Forward Capacity Auction for the Obligation Month (excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section III.13.3.4(c)), multiplied by the applicable Capacity Clearing Price.

Base FCA payments for Intermittent Power Resources are the sum, for all Capacity Zones, of the product of the FCA Qualified Capacity procured from Intermittent Power Resources in the Forward Capacity Auction, (excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section III.13.3.4(c)), multiplied by the applicable Capacity Clearing Price.

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

III.13.7.5.1.1.7. Multi-Year Rate Election Adjustment.

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

Where

Zonal Multi-Year Rate Election Costs is the sum, for each resource with a multi-year rate election in the Obligation Month, of the amount of Capacity Supply Obligation designated to receive the multi-year rate (excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section III.13.3.4(c)), multiplied by the difference in the applicable zonal Capacity Clearing Price for the Forward Capacity Auction in which the resource originally was awarded a Capacity Supply Obligation (indexed using the Handy-Whitman Index of Public Utility Construction Costs in effect as of December 31 of the year preceding the Capacity Commitment Period) and the applicable zonal Capacity Clearing Price for the current Capacity Commitment Period, multiplied by the Zonal Peak Load Allocator for the Forward Capacity

Auction in which the resource originally was awarded a Capacity Supply Obligation and divided by the Total Peak Load Allocator for the Forward Capacity Auction in which the resource originally was awarded a Capacity Supply Obligation.

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

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

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

Where

Zonal Multi-Year Rate Election Costs is the sum in each Capacity Zone, for each resource with a multi-year rate election in the Obligation Month, of the amount of Capacity Supply Obligation designated to receive the multi-year rate (excluding any obligations procured in the Forward Capacity Auction that are terminated pursuant to Section III.13.3.4(c)), multiplied by the difference in the applicable zonal Capacity Clearing Price for the Forward Capacity Auction in which the resource originally was awarded a Capacity Supply Obligation (indexed using the Handy-Whitman Index of Public Utility Construction Costs in effect as of December 31 of the year preceding the Capacity Commitment Period) and the applicable zonal Capacity Clearing Price for the current Capacity Commitment Period.

III.13.7.5.1.1.8 CTR Transmission Upgrade Charge.

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

Where

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

III.13.7.5.1.1.9 CTR Pool-Planned Unit Charge.

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

Where

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

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

III.13.7.5.1.1.10. Failure to Cover Charge Adjustment.

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

Where:

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

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

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

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

The ISO shall assign each Market Participant a share of the Zonal Capacity Obligation prior to the commencement of each Obligation Month for each Capacity Zone established in the Forward Capacity Auction pursuant to Section III.13.2.3.4.

Zonal Capacity Obligation for each month and Capacity Zone shall equal the product of: (i) the total of the system-wide Capacity Supply Obligations (excluding the quantity of capacity subject to Capacity Supply Obligation Bilaterals for Capacity Commitment Periods beginning prior to June 1, 2022 and excluding any additional obligations awarded to Intermittent Power Resources pursuant to Section III.13.2.7.6 that exceed the FCA Qualified Capacity procured in the Forward Capacity Auction for Capacity Commitment Periods beginning on or after June 1, 2022) plus HQICCs; and (ii) the ratio of the sum of all load serving entities' annual coincident contributions to the system-wide annual peak load in that Capacity Zone from the calendar year two years prior to the start of the Capacity Commitment Period (for Capacity Commitment Periods beginning prior to June 1, 2022) and from the calendar year one year prior to the start of the Capacity Commitment Period (for Capacity Commitment Periods beginning on or after June 1, 2022) to the system-wide sum of all load serving entities' annual coincident contributions to the system-wide annual peak load from the calendar year two years prior to the start of the Capacity Commitment Period (for Capacity Commitment Periods beginning prior to June 1, 2022) and from the calendar year one year prior to the start of the Capacity Commitment Period (for Capacity Commitment Periods beginning on or after June 1, 2022).

The following loads are assigned a peak contribution of zero for the purposes of assigning obligations and tracking load shifts: load associated with 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 Market Participant's share of Zonal Capacity Obligation for each month and Capacity Zone shall equal the product of: (i) the Capacity Zone's Zonal Capacity Obligation as calculated above and (ii) the ratio of the sum of the load serving entity's annual coincident contributions to the system-wide annual peak load in that Capacity Zone from the calendar year prior to the start of the Capacity Commitment Period to the sum of all load serving entities' annual coincident contributions to the system-wide annual peak load in that Capacity Zone from the calendar year prior to the start of the Capacity Commitment Period.

A Market Participant's Capacity Load Obligation shall be its share of Zonal Capacity Obligation for each month and Capacity Zone, adjusted as appropriate to account for any relevant Capacity Load Obligation

Bilaterals, HQICCs, and Self-Supplied FCA Resource designations. A Capacity Load Obligation can be a positive or negative value.

A Market Participant's share of Zonal Capacity Obligation will not be reconstituted to include the demand reduction of a Demand Capacity Resource or Demand Response Resource.

III.13.7.5.2.1. Charges Associated with Dispatchable Asset Related Demands.

Dispatchable Asset Related Demand resources will not receive Forward Capacity Market payments, but instead each Dispatchable Asset Related Demand resource will receive an adjustment to its share of the associated Coincident Peak Contribution based on the ability of the Dispatchable Asset Related Demand resource to reduce consumption. The adjustment to a load serving entity's Coincident Peak Contribution resulting from Dispatchable Asset Related Demand resource reduction in consumption shall be based on the Nominated Consumption Limit submitted for the Dispatchable Asset Related Demand resource. The Nominated Consumption Limit value of each Dispatchable Asset Related Demand resource is subject to adjustment as further described in the ISO New England Manuals, including adjustments based on the results of Nominated Consumption Limit audits performed in accordance with the ISO New England Manuals.

III.13.7.5.3. Excess Revenues.

(a) For Capacity Commitment Periods beginning prior to June 1, 2022, revenues collected from load serving entities in excess of revenues paid by the ISO to resources shall be paid by the ISO to the holders of Capacity Transfer Rights, as detailed in Section III.13.7.5.3.

(b) Any payment associated with a Capacity Supply Obligation Bilateral that was to accrue to a Capacity Acquiring Resource for a Capacity Supply Obligation that is terminated pursuant to Section III.13.3.4A shall instead be allocated to Market Participants based on their pro rata share of all Capacity Load Obligations in the Capacity Zone in which the terminated resource is located.

III.13.7.5.4. Capacity Transfer Rights.

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

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

Capacity Transfer Rights are calculated for each internal interface associated with a Capacity Zone established in the Forward Capacity Auction (as determined pursuant to Section III.13.2.3.4). Based upon results of the Forward Capacity Auction and reconfiguration auctions, the total CTR fund will be calculated as the difference between the charges to load serving entities with Capacity Load Obligations and the payments to Capacity Resources as follows: The system-wide sum of the product of each Capacity Zone's Net Regional Clearing Price and absolute value of each Capacity Zone's Capacity Load Obligations, as calculated in Section III.13.7.5.1, minus the sum of the monthly capacity payments to Capacity Resources within each zone, as adjusted for PER.

Each Capacity Zone established in the Forward Capacity Auction (as determined pursuant to Section III.13.2.3.4) will be assigned its portion of the CTR fund.

For CTRs resulting from an export constrained zone, the assignment will be calculated as the product of: (i) the Net Regional Clearing Price for the Capacity Zone to which the applicable interface limits the transfer of capacity minus the Net Regional Clearing Price for the Capacity Zone from which the applicable interface limits the transfer of capacity; and (ii) the difference between the absolute value of the total Capacity Supply Obligations obtained in the exporting Capacity Zone, adjusted for Capacity Supply Obligations associated with Self-Supplied FCA Resources, and the absolute value of the total Capacity Load Obligations in the exporting Capacity Zone.

For CTRs resulting from an import constrained zone, the assignment will be calculated as the product of: (i) the Net Regional Clearing Price for the Capacity Zone to which the applicable interface limits the transfer of capacity minus the Net Regional Clearing Price for the absolute value of the Capacity Zone from which the applicable interface limits the transfer of capacity; and (ii) the difference between absolute value of the total Capacity Load Obligations in the importing Capacity Zone and the total Capacity Supply Obligations obtained in the importing Capacity Zone, adjusted for Capacity Supply Obligations associated with Self-Supplied FCA Resources.

III.13.7.5.4.2. Allocation of Capacity Transfer Rights.

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

For Capacity Zones established in the Forward Capacity Auction as determined pursuant to Section III.13.2.3.4, the CTR fund shall be allocated among load serving entities using their Capacity Load Obligation (net of HQICCs) described in Section III.13.7.5.1. Market Participants with CTRs specifically allocated under Section III.13.7.5.3.6 will have their specifically allocated CTR MWs netted from their Capacity Load Obligation used to establish their share of the CTR fund.

(a) **Connecticut Import Interface**. The allocation of the CTR fund associated with the Connecticut Import Interface shall be made to load serving entities based on their Capacity Load Obligation in the Connecticut Capacity Zone.

(b) **NEMA/Boston Import Interface**. Except as provided in Section III.13.7.5.3.6 of Market Rule 1, the allocation of the CTR fund associated with the NEMA/Boston Import Interface shall be made to load serving entities based on their Capacity Load Obligation in the NEMA/Boston Capacity Zone.

III.13.7.5.4.3. Allocations of CTRs Resulting From Revised Capacity Zones.
This subsection applies to Capacity Commitment Periods beginning prior to June 1, 2022.

The portion of the CTR fund associated with revised definitions of Capacity Zones shall be fully allocated to load serving entities after deducting the value of applicable CTRs that have been specifically allocated. Allocations of the CTR fund among load serving entities will be made using their Capacity Load Obligations (net of HQICCs) as described in Section III.13.7.5.3.1. Market Participants with CTRs specifically allocated under Section III.13.7.5.3.6 will have their specifically allocated CTR MWs netted from the Capacity Load Obligation used to establish their share of the CTR fund.

(a) **Import Constraints.** The allocation of the CTR fund associated with newly defined import-constrained Capacity Zones restricting the transfer of capacity into a single adjacent import-constrained Capacity Zone shall be allocated to load serving entities with Capacity Load Obligations in that import-constrained Capacity Zone.

(b) **Export Constraints.** The allocation of the CTR fund associated with newly defined export-constrained Capacity Zones shall be allocated to load serving entities with Capacity Load Obligations on the import-constrained side of the interface.

III.13.7.5.4.4. Specifically Allocated CTRs Associated with Transmission Upgrades.
(a) A Market Participant that pays for transmission upgrades not funded through the Pool PTF Rate and which increase transfer capability across existing or potential Capacity Zone interfaces may request a

specifically allocated CTR in an amount equal to the number of CTRs supported by that increase in transfer capability.

(b) The allocation of additional CTRs created through generator interconnections completed after February 1, 2009 shall be made in accordance with the provisions of the ISO generator interconnection or planning standards. In the event the ISO interconnection or planning standards do not address this issue, the CTRs created shall be allocated in the same manner as described in Section III.13.7.5.4.2.

(c) Specifically allocated CTRs shall expire when the Market Participant ceases to pay to support the transmission upgrades.

(d) CTRs resulting from transmission upgrades funded through the Pool PTF Rate shall not be specifically allocated but shall be allocated in the same manner as described in Section III.13.7.5.4.2.

(e) **Maine Export Interface**. Casco Bay shall receive specifically allocated CTRs of 325 MW across the Maine Export Interface for as long as Casco Bay continues to pay to support the transmission upgrades. Each municipal utility entitlement holder of a resource constructed as a Pool-Planned Unit in Maine shall receive specifically allocated CTRs across the Maine Export Interface equal to the applicable seasonal claimed capability of its ownership entitlements in such unit as described in Section III.13.7.5.4.5.

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

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

(a) In import-constrained Capacity Zones, in recognition of longstanding life of unit contracts, the municipal utility entitlement holder of a resource constructed as Pool-Planned Units shall receive an initial allocation of CTRs equal to the most recent seasonal claimed capability of the ownership entitlements in such unit, adjusted for any designated self-supply quantities as described in Section III.13.1.6.2. Municipal utility entitlements are set as shown in the table below and are not transferrable.

	Millstone 3	Seabrook	Stonybrook GT 1A	Stonybrook GT 1B	Stonybrook GT 1C	Stonybrook 2A	Stonybrook 2B	Wyman 4	Summer (MW)	Winter (MW)
Nominal Summer (MW)	1155.001	1244.275	104.000	100.000	104.000	67.400	65.300	586.725		
Nominal Winter (MW)	1155.481	1244.275	119.000	116.000	119.000	87.400	85.300	608.575		
Danvers	0.2627%	1.1124%	8.4569%	8.4569%	8.4569%	11.5551%	11.5551%	0.0000%	58.26	63.73
Georgetown	0.0208%	0.0956%	0.7356%	0.7356%	0.7356%	1.0144%	1.0144%	0.0000%	5.04	5.55
Ipswich	0.0608%	0.1066%	0.2934%	0.2934%	0.2934%	0.0000%	0.0000%	0.0000%	2.93	2.37
Marblehead	0.1544%	0.1351%	2.6840%	2.6840%	2.6840%	1.5980%	1.5980%	0.2793%	15.49	15.64
Middleton	0.0440%	0.3282%	0.8776%	0.8776%	0.8776%	1.8916%	1.8916%	0.1012%	10.40	11.07
Peabody	0.2969%	1.1300%	13.0520%	13.0520%	13.0520%	0.0000%	0.0000%	0.0000%	57.69	60.26
Reading	0.4041%	0.6351%	14.4530%	14.4530%	14.4530%	19.5163%	19.5163%	0.0000%	82.98	92.77
Wakefield	0.2055%	0.3870%	3.9929%	3.9929%	3.9929%	6.3791%	6.3791%	0.4398%	30.53	32.64
Ashburnham	0.0307%	0.0652%	0.6922%	0.6922%	0.6922%	0.9285%	0.9285%	0.0000%	4.53	5.22
Boylston	0.0264%	0.0849%	0.5933%	0.5933%	0.5933%	0.9120%	0.9120%	0.0522%	4.71	5.35
Braintree	0.0000%	0.6134%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	7.63	7.63
Groton	0.0254%	0.1288%	0.8034%	0.8034%	0.8034%	1.0832%	1.0832%	0.0000%	5.81	6.61
Hingham	0.1007%	0.4740%	3.9815%	3.9815%	3.9815%	5.3307%	5.3307%	0.0000%	26.40	30.36
Holden	0.0726%	0.3971%	2.2670%	2.2670%	2.2670%	3.1984%	3.1984%	0.0000%	17.01	19.33
Holyoke	0.3194%	0.3096%	0.0000%	0.0000%	0.0000%	2.8342%	2.8342%	0.6882%	15.34	16.63

Hudson	0.1056%	1.6745%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.3395%	24.05	24.12
Hull	0.0380%	0.1650%	1.4848%	1.4848%	1.4848%	2.1793%	2.1793%	0.1262%	10.70	12.28
Littleton	0.0536%	0.1093%	1.5115%	1.5115%	1.5115%	3.0607%	3.0607%	0.1666%	11.67	13.63
Mansfield	0.1581%	0.7902%	5.0951%	5.0951%	5.0951%	7.2217%	7.2217%	0.0000%	36.93	42.17
Middleborough	0.1128%	0.5034%	2.0657%	2.0657%	2.0657%	4.9518%	4.9518%	0.1667%	21.48	24.45
North Attleborough	0.1744%	0.3781%	3.2277%	3.2277%	3.2277%	5.9838%	5.9838%	0.1666%	25.58	29.49
Pascoag	0.0000%	0.1068%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	1.33	1.33
Paxton	0.0326%	0.0808%	0.6860%	0.6860%	0.6860%	0.9979%	0.9979%	0.0000%	4.82	5.53
Shrewsbury	0.2323%	0.5756%	3.9105%	3.9105%	3.9105%	0.0000%	0.0000%	0.4168%	24.33	26.23
South Hadley	0.5755%	0.3412%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	10.89	10.90
Sterling	0.0294%	0.2044%	0.7336%	0.7336%	0.7336%	1.1014%	1.1014%	0.0000%	6.60	7.38
Taunton	0.0000%	0.1003%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	1.25	1.25
Templeton	0.0700%	0.1926%	1.3941%	1.3941%	1.3941%	2.3894%	2.3894%	0.0000%	10.67	12.27
Vermont Public Power Supply Authority	0.0000%	0.0000%	2.2008%	2.2008%	2.2008%	0.0000%	0.0000%	0.0330%	6.97	7.99
West Boylston	0.0792%	0.1814%	1.2829%	1.2829%	1.2829%	2.3041%	2.3041%	0.0000%	10.18	11.69
Westfield	1.1131%	0.3645%	9.0452%	9.0452%	9.0452%	13.5684%	13.5684%	0.7257%	67.51	77.27

This allocation of CTRs shall expire on December 31, 2040. If a resource listed in the table above retires prior to December 31, 2040, however, its allocation of CTRs shall expire upon retirement. In the event that the NEMA zone either becomes or is forecast to become a separate zone for Forward Capacity Auction purposes, National Grid agrees to discuss with Massachusetts Municipal Wholesale Electric Company ("MMWEC") and Wellesley Municipal Light Plant, Reading Municipal Light Plant and Concord Municipal Light Plant ("WRC") any proposal by National Grid to develop cost effective transmission improvements that would mitigate or alleviate the import constraints and to work cooperatively and in good faith with MMWEC and WRC regarding any such proposal. MMWEC and WRC agree to support any proposals advanced by National Grid in the regional system planning process to construct any such transmission improvements, provided that MMWEC and WRC determine that the proposed improvements are cost effective (without regard to CTRs) and will mitigate or alleviate the import constraints.

(b) The value of CTRs specifically allocated pursuant to this Section shall be calculated as the product of: (i) the Capacity Clearing Price, or, if applicable, the lower of (1) the Capacity Clearing Price and (2) the administratively-determined payment rate (due to "Inadequate Supply" or "Insufficient Competition") that applies to certain resources for Forward Capacity Auctions conducted prior to June 2015 for the Capacity Zone to which the applicable interface limits the transfer of capacity minus the Capacity Clearing Price, or, if applicable, minus the lower of (1) the Capacity Clearing Price and (2) the administratively-determined payment rate (due to "Inadequate Supply" or "Insufficient Competition") that applies to certain resources for Forward Capacity Auctions conducted prior to June 2015 for the Capacity Zone from which the applicable interface limits the transfer of capacity, and; (ii) the MW quantity of the specifically allocated CTRs across the applicable interface.

III.13.7.5.5. Forward Capacity Market Net Charge Amount.

The Forward Capacity Market net charge amount for each Market Participant as of the end of the Obligation Month shall be equal to the sum of: (a) its Capacity Load Obligation charges; (b) its revenues from any applicable specifically allocated CTRs; (c) its share of the CTR fund (for Capacity Commitment Periods beginning prior to June 1, 2022); and (d) any applicable export charges.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

ISO New England Inc. and New England Power Pool Participants Committee	)	**Docket No. ER19-____-000**

PREPARED TESTIMONY OF RYAN MCCARTHY
ON BEHALF OF
ISO NEW ENGLAND INC.

I. WITNESS IDENTIFICATION

Q: Please state your name, position and business address.

A: My name is Ryan McCarthy. I am employed by ISO New England Inc. (the "ISO") as a Lead Analyst in the Market Development Department. My business address is One Sullivan Road, Holyoke, Massachusetts 01040.

Q: Please describe your educational background and work experience.

A: I have been a Lead Analyst in the Market Development Department at the ISO since August 2013. In this role, I am responsible for the design and development of the ISO-administered markets. Prior to joining the ISO, I held various commercial power-marketing positions in the energy market industry, including over four years as a power trader and portfolio manager at NRG Energy and two years as vice president in the power trading division of Citibank Global Commodities. Additionally, I spent five years as an equity options trader on the floor of the Philadelphia Stock Exchange for Timber Hill, LLC. I hold a B.A. in

Economics from Lycoming College.

II. PURPOSE AND ORGANIZATION

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to support and explain the proposed changes to the market rules governing what happens when a resource with a Capacity Supply Obligation ("CSO") has not been able to demonstrate the ability to meet its CSO. The testimony begins by providing background information describing the actions available to capacity suppliers with resources that have not shown the ability to meet their CSO under the current rules. Next, the testimony explains the objective of the proposed changes and the major design components. Lastly, the testimony describes each of the design elements, including why each element is proposed, the economic rationale for the market mechanics and how the mechanics ensure that the design objectives are met.

In the remainder of this testimony, the market rule changes in the instant filing are referred to as the "CSO Cover Changes."

III. DESCRIPTION OF THE CURRENT MARKET RULES GOVERNING CAPACITY RESOURCES THAT ARE NOT ABLE TO SATISFY THEIR CAPACITY SUPPLY OBLIGATIONS

Q: Describe the general structure of the Forward Capacity Market.

A: The ISO administers a Forward Capacity Market that procures resources for the purpose of meeting the New England region's reliability and resource adequacy planning standards. Resources are procured initially through Forward Capacity Auctions ("FCAs") that are held on an annual basis three years in advance of each Capacity Commitment Period ("CCP"). A Capacity Commitment Period is the 12-month delivery period that begins on June 1 of each year. Each FCA results in a mix of both new and existing resources clearing the auction and receiving a CSO for the CCP that begins a little more than three years later. Following each FCA, a capacity supplier may increase or decrease a resource's CSO through reconfiguration auctions or bilateral transfers with other capacity suppliers (in the market rules, these bilateral transfers are called Capacity Supply Obligation Bilaterals ("CSO Bilaterals"). During a CCP, the performance of resources with a CSO is measured during any Capacity Scarcity Conditions and a capacity supplier may receive a charge if a resource is not able to perform at its expected output level.

Q: Are capacity resources always able to demonstrate the ability to meet the CSO they obtained in the Forward Capacity Market?

A: No. For a variety of reasons, capacity resources that obtained a CSO in the Forward Capacity Market may not able to demonstrate the ability to meet their CSO when the CCP begins three years later.

For example, a new resource may experience problems during construction that delays its entry into commercial operation. The non-commercial resource may enter service sometime during the CCP or, in some cases, may not enter service at all during the CCP. Similarly, a new or existing resource that is in commercial operation prior to a CCP also may not be able to perform consistent with its CSO due to physical problems that limit its ability to provide energy or demand reductions. For example, a commercial resource could have a physical problem that requires a significant outage to address the problem and limits the resource's output for an extended period.

Q: What actions may a capacity supplier take when a capacity resource is not able to meet its CSO?

A: If a capacity supplier determines that its resource may not be able to meet its CSO, the capacity supplier may seek to "cover" the CSO prior to the start of the start of the CCP (or for months during the CCP) by submitting a demand bid in a reconfiguration auction or by entering into a CSO Bilateral.

If a capacity supplier chooses to submit a demand bid in a reconfiguration auction, the demand bid expresses the highest price that the capacity supplier is willing to pay to cover the CSO (note that a demand bid may include multiple price-quantity pairs). If a demand bid clears (*i.e.*, the bid price is at or above the auction-clearing price), the capacity supplier sheds its CSO. If a demand bid does not clear (*i.e.*, the bid price is below the auction-clearing price), the capacity supplier retains its CSO. Regardless of the auction-clearing outcome, a capacity supplier has full control of the price and quantity of its demand bid.

As an alternative to participation in a reconfiguration auction, a capacity supplier may enter into a CSO Bilateral. A CSO Bilateral is an agreement with another capacity supplier to transfer a CSO between eligible resources for a mutually-agreed price for a monthly or annual period.

In summary, reconfiguration auctions and CSO Bilaterals both provide a means for a capacity supplier to "cover" for all or part of a CSO that a resource may not be able to meet.

Q: For what time periods can a capacity supplier cover a CSO?

A: Reconfiguration auctions provide the opportunity to seek to cover a CSO for annual and monthly time periods. CSO Bilaterals can be entered into for annual, seasonal or monthly time periods. These mechanisms allow participants to cover their CSO for an annual period or specific months within the period.

Q: Explain how a capacity supplier could cover a CSO for an annual period, that is, for a full CCP.

A: Annual reconfiguration auction are (as their name suggests) for annual time periods. Annual reconfiguration auctions are held at specific times during the years preceding the associated CCP. The first annual reconfiguration auction is held approximately 30 months prior to the associated CCP. The second annual reconfiguration auction is held approximately 18 months prior to the associated CCP. The third annual reconfiguration auction is held approximately three months before the associated CCP. Prior to each annual reconfiguration auction, a capacity supplier also has the option to submit any CSO Bilaterals that it has entered into.

As an additional detail, it should be noted that annual CSO Bilaterals are replaced by a different type of bilateral agreement, known as Annual Reconfiguration Transactions, starting with the eleventh CCP (2020/2021) pursuant to tariff changes that were accepted by the Commission on February 28, 2018 (*see* Docket No. ER18-455).

Q: How can a capacity supplier cover a CSO for a sub-annual period?

A: Monthly reconfiguration auctions and monthly CSO Bilaterals provide a capacity supplier the opportunity to seek to transfer a resource’s CSO to another resource for a single month. Monthly reconfiguration auctions are held approximately two months prior to the start of each month of a CCP. Monthly CSO Bilaterals are submitted during the same time period.

Capacity suppliers also are able to submit two additional forms of sub-annual CSO Bilaterals ahead of the third annual reconfiguration auction for each CCP.

First, for the tenth CCP (2019-2020), a capacity supplier may submit a seasonal CSO Bilateral for a multi-month seasonal period. The seasonal CSO Bilateral is eliminated after the tenth CCP as part of the Annual Reconfiguration Transaction-related tariff changes accepted by the Commission in Docket No. ER18-455.

Second, a capacity supplier may use an early submission process to submit CSO Bilaterals for one or more months for a new resource that is expected to have a delayed in-service date. The early submission of monthly CSO Bilaterals allows capacity suppliers with resources that are not expected to be in service prior to the start of the CCP (for CCPs occurring through the tenth CCP), or before the last day in the CCP (for CCPs occurring on or after the eleventh CCP), to submit monthly CSO Bilaterals ahead of third annual reconfiguration auction in order to cover the months that the resource is not expected to be in service.

Q: How do the current market rules address situations in which a resource may not be able to meet its CSO?

A: There are two distinct sets of market rules that govern how resources that may not be able to meet their CSO are treated in the Forward Capacity Market. The first of these rules governs the treatment of new (non-commercial) resources, and the second governs the treatment of new or existing commercial resources. Each of these rules is described in detail below.

Q: How does the ISO determine that a new (non-commercial) resource is not expected to meet its CSO?

A: The market rules for non-commercial resources specify milestones that a resource must complete in order to demonstrate to the ISO that the resource is ready and able to meet its CSO. These milestones are known as critical path schedule milestones ("CPS milestones"). All of the milestones must be completed by Tariff-prescribed dates (prior to the start of the CCP for CCPs occurring through the tenth CCP, or before the last day in the CCP for CCPs occurring on or after the eleventh CCP) in order to demonstrate that the resource is able to meet its CSO. Section III.13.3 of Market Rule 1 requires the ISO to assess whether all or part of a non-commercial resource will be able to meet its CPS milestones by the Tariff-prescribed dates.

In order to determine a non-commercial resource's ability to meet its CPS milestones by the appropriate date, the ISO reviews critical path schedule reports that are submitted by capacity suppliers. In some cases, the ISO also may engage with a capacity supplier in a number of meetings during the period leading up to the start of the CCP. The remainder of this testimony refers to the process of submission and review of CPS reports and/or CPS milestone meetings as "CPS milestone reviews."

Through the CPS milestone reviews, the ISO acquires information on a non-commercial resource's development schedule and milestone status. In addition to providing the ISO with relevant project documents, CPS milestone reviews also provide the ISO with information concerning two key aspects of a non-commercial resource's ability to meet its CSO. First, the meetings provide an opportunity for capacity suppliers to present information confirming the CPS milestones that the resource has already completed. Second, the critical path schedule meetings provide a forum for the capacity supplier to discuss and provide information on development schedules for the remaining, to-be-completed CPS milestones.

CPS milestone reviews typically take place on a quarterly basis, with the last review occurring in late January or early February prior to the start of the CCP. Shortly following the last CPS milestone review, the ISO determines, based on the information shared in the CPS milestone reviews, whether a resource is expected to be able to meet all its CPS milestones by the start of the applicable CCP.

Q: Under the current rules, what happens if the ISO determines that a non-commercial resource is not expected to meet all of its CPS milestones?

A: If the ISO determines under the current rules that a non-commercial resource *will not* meet its remaining CPS milestones by either the <u>start</u> of the relative CCP for CCPs occurring on or before the tenth CCP, or by the <u>end</u> of the CCP for periods on or after the eleventh CCP, *and* the capacity supplier has not taken action to cover the CSO (for the full period or the portion of the period for which all or part of the resource is not expected to be in service) prior to the third annual reconfiguration auction (held in March prior to the start of the CCP), then the ISO will submit a "mandatory demand bid" on the capacity supplier's behalf into the third annual reconfiguration auction. Under the current rules, mandatory demand bids are submitted at the Forward Capacity Auction Starting Price for the deficient quantity of CSO *for all months in the CCP*.

Conversely, if the ISO determines that a non-commercial resource *will* meet its remaining CPS milestones by either the start of the relative CCP for CCPs occurring on or before the tenth CCP, or by the end of the CCP for CCPs on or after the eleventh CCP, no action is taken by the ISO to submit a mandatory demand bid into the third annual reconfiguration auction.

Q: How does the ISO determine that an existing (commercial) capacity resource is not expected to meet its CSO?

A: Section III.13.4.2.1.3 of Market Rule 1 specifies criteria that a commercial capacity resource must satisfy in order to be considered able to meet its CSO during the CCP. Specifically, the rules provide for measuring an existing (commercial) resources' ability to demonstrate its CSO by comparing the resource's seasonal Qualified Capacity for the third annual reconfiguration auction, as applicable, to the amount of resource's monthly CSO. If the difference between these two values exceeds the criteria specified in Section III.13.4.2.1.3, then the resource is deemed as not meeting its CSO and as having incurred a "significant decrease" (provided that the capacity supplier does not submit a plan identifying how it will correct the difference).

Q: Under the current rules, what happens if the ISO determines that a commercial resource has triggered the significant decrease provisions?

A: If a commercial resource has triggered the significant decrease provisions of the current rules, *and* the capacity supplier does not take action ahead of the third annual reconfiguration auction to cover the resource's CSO, then a mandatory demand bid is submitted into the third annual reconfiguration auction for the resource at the Forward Capacity Auction Starting Price for all months of the CCP.

Q: If a capacity supplier has not covered for a capacity resource that is not able to meet its CSO, how do the FCM's pay-for-performance rules apply?

A: Both commercial and non-commercial resources with a CSO are subject to non-performance charges. Under the FCM's pay-for-performance rules, a resource that does not meet its share-of-system obligation (also called its "load adjusted CSO"), regardless of the reason, is assigned charges proportionate to the resource's under-performance during a Capacity Scarcity Condition.

In brief, under the pay-for-performance design, capacity resources must cover a quantity of energy and reserves greater than or equal to their load-adjusted CSO during each Capacity Scarcity Condition during the CCP. If a resource is able to meet or exceed its load-adjusted CSO, no charges are assessed. If a resource is not able to meet its load-adjusted CSO, then the resource is subject to charges under the pay-for-performance rules.

If a capacity supplier has covered a resource's CSO *prior to* the occurrence of a Capacity Scarcity Condition (either by transferring it to another resource, or by shedding it), then the resource would not be subject to non-performance charges under the pay-for-performance rules.

IV. DESIGN OBJECTIVES

Q: What is the purpose of the CSO Cover Changes?

A: The objective of CSO Cover Change design is to ensure that capacity suppliers with resources that are not expected to meet their CSO during a future period (on an annual or monthly basis) will take appropriate actions necessary to cover their CSO. In order to meet this objective, the CSO Cover Changes propose two key design components.

First, acknowledging that project development schedules are subject to significant changes and recognizing that capacity suppliers have the most current and best understanding of their projects' development schedules, the design seeks to shift the responsibility to determine whether to cover a CSO (and for what period to cover the CSO) from the ISO to the capacity supplier. This component is referred to as ("design component one") for the remainder of this testimony.

Second, the design seeks to provide reasonable financial incentives for capacity suppliers that do not expect that a resource will be able to meet its CSO to take action to “cover” the CSO when appropriate. This design component is required in order to ensure that capacity suppliers with “at-risk” resources have proper incentives to cover their CSOs because, per design component one, the ISO will no longer be taking action on behalf of the capacity supplier. As discussed below, the appropriate financial incentives are achieved by providing for a clear, economically sound, “failure to cover” charge-rate mechanism that will apply until the resource is able to demonstrate its CSO. The financial incentive component of the design is referred to as (“design component two”) for the remainder of this testimony.

Q: With respect to design component one, what concerns has the ISO identified regarding the ISO’s information at the times it must make decisions about a resource’s ability to meet its CSO?

A: Design component one acknowledges that the inherent uncertainty in project development schedules directly affects the data and schedule forecasts that the ISO collects via the CPS milestone reviews, which in turn affects the ISO’s assessment of a resource’s ability to meet its CSO.

While the ISO’s assessment of the ability of a resource to meet its CSO is made with the best information available at the time (in late January or early February preceding the start of the CCP), that information is subject to material changes and the ISO’s forward-looking decisions concerning a resource’s ability to meet its CSO may be predicated on information that is no longer relevant to the revised project development schedule. Stated in other words, a resource’s project development schedule is subject to change through the development cycle, while the ISO's assessment of a resource's ability to meet its CSO is fixed and is not subject to revision if the information about the development cycle changes prior to the start of the CCP and/or throughout the CCP.

Q: Please provide an example of a resource that has material changes in its CPS milestone forecast?

A: Consider a capacity supplier that fully expects to have all construction completed on its proposed resource by the end of February preceding the tenth CCP and conveys that information to the ISO during the last CPS monitoring review. As mentioned earlier, the rules applicable to the tenth CCP require the ISO to determine that the resource will meet all of its CPS milestones by the start of the CCP. Also assume that in April, after the last CPS monitoring review, the capacity supplier is made aware that it will be unable to complete the project construction, due to previously unknown problems, until August (*i.e.*, after the start of the CCP). Having an estimated in-service date that was prior to the start of the CCP and then modifying that expectation to reflect an in-service date that is after the start of the CCP is an example of a material change in CPS milestone forecasts.

Q: Why are material changes in CPS milestone forecasts problematic under the current design?

A: Building from the example provided in the previous question, based on the existing rules, and provided all other milestones were met, the resource would be considered ready to meet its CSO by the start of the CCP at the time the ISO made its decision despite the fact that information that was revealed in March clearly demonstrated the opposite. Under these circumstances, the ISO *would not* submit a mandatory demand bid on the resource's behalf (*i.e.*, "cover" the obligation) in the third annual reconfiguration auction and the capacity supplier would need to decide whether to cover the CSO, through what mechanism and for what periods.

The opposite outcome is also possible. A resource may have a schedule that implies a CPS milestone completion date that is after the Tariff-prescribed deadline for CPS milestone completion, only to have a milestone shift to an earlier completion date. In this case, the resource *would* have a mandatory demand bid submitted on its behalf by the ISO when in fact the resource was actually able to meet its CSO.

Both situations highlight inefficient market outcomes associated with the existing, subjective, decision-making process that the ISO is required to use to determine whether a resource is expected to be able to meet its CSO and the subsequent ISO action to require (or not require) the use of a mandatory demand bid.

Q: With respect to design component two, what concerns does the ISO have about the existing incentives for capacity suppliers to cover their CSOs when appropriate?

A: The existing incentives to cover a CSO are largely based on the pay-for-performance design, which may result in a capacity supplier taking action to cover its CSO. However, there are three aspects of the pay-for-performance design that may not provide sufficient incentives for capacity suppliers to cover a CSO that they do not expect to meet.

Q: Explain the first concern of the pay-for-performance design as it relates to incentives to cover a CSO?

A: The first concern materializes through the incorporation of a mechanism that limits a resources' maximum financial loss, due to non-performance, during Capacity Scarcity Conditions. As the name suggests, this mechanism, known as the annual "stop-loss" threshold, limits the amount of charges that can be incurred by a resource during Capacity Scarcity Conditions in a CCP.

This stop-loss aspect of the pay-for-performance design weakens the incentives to cover a CSO in two forms. First, on an annual basis, the charges incurred up to the annual "stop-loss" threshold *can be less* than the maximum dollar amount to cover the (annual) CSO position. Because the replacement cost of CSO in the annual reconfiguration auction can exceeded the maximum loss a resource can incur under the pay-for-performance design (*viz*., the "stop-loss" threshold), participants are only incentivized to submit demand bids in an amount up to the maximum potential loss (the "stop-loss" threshold) rather than taking more expensive necessary actions to cover their CSO prior to the CCP.

Q: Provide an example of the concerns you describe in the previous question?

A: To highlight this circumstance, consider an extreme example that clearly demonstrates how the inclusion of the "stop-loss" threshold in the pay-for-performance design diminishes the incentives to cover the CSO of non-performing resources ahead of the CCP.

By way of background, first note that the annual "stop-loss" calculation equals the sum of three times the difference between the Forward Capacity Auction Starting Price (the highest price at which the FCA can clear) and the Capacity Clearing Price from the FCA and revenues associated with the product of the Capacity Clearing Price and the cleared CSO quantity.

In this example, assume that the Capacity Clearing Price equals $4.00/kW-month and the Forward Capacity Auction Starting Price has a value of $12.00/kW-month. Under these conditions, the maximum amount that a resource can lose under the pay-for-performance design is the sum of three times the difference between the Forward Capacity Auction Starting Price and the Capacity Clearing Price and the annual revenues associated with the CSO. The annual revenues associated with the CSO are calculated as the product of the Capacity Clearing Price and the CSO. In this example, that value is three times $8.00/kW-month plus twelve times $4.00/kW-month or, more simply, $72.00/kW-year. When $72.00/kW-year rate is expressed in an annual reconfiguration auction demand bid to cover the CSO, the bid would be no more than $6.00/kW-month

($72.00/kW-year divided by 12 months) to replace the capacity, as that is the maximum amount of charges the resource can be assigned under the pay-for-performance design. The cost to cover this CSO could exceed the $6.00/kW-month annualized pay-for-performance maximum loss. Under this set of circumstances, the capacity supplier would only be willing to replace the capacity at a bid of up to the $6.00/kW-month. The capacity supplier would be financially better off if the resource retains its CSO if the cost to cover exceeded the $6.00/kW-month level, and to retain the associated pay-for-performance risk of the CSO, even if the resource could not perform. This is an outcome that is inconsistent with design objective two of the CSO Cover Changes, which seeks to have capacity suppliers take the necessary actions to cover their CSOs when resources are not expected to be in service.

Second, on a monthly basis during the CCP, if market conditions arise such that a resource was assigned a charge in an amount greater than the annual stop-loss threshold, *and* the capacity supplier did not choose to cover the resource's CSO in future months (in a reconfiguration auction or through a CSO Bilateral), then that resource would only be subject charges up to the previously reached "stop-loss" threshold. When a resource has pay-for-performance charges greater than the "stop-loss" threshold, the capacity supplier with that resource has diminished financial incentives to cover the CSO that it does not expect to meet in future months. This occurs because any charges associated with the resource's non-performance are passed on to other capacity suppliers with resources having a CSO.

Q: Explain the second concern with the pay-for-performance design as related to incentives to cover a CSO?

A: The second concern involves the situation in which the Capacity Clearing Price reflects conditions of ample capacity supply and the relatively low probability of Capacity Scarcity Conditions. As expectations of Capacity Scarcity Conditions are lowered, the risk associated with non-performance also is also reduced. In the context of incentives, there must be an expectation of Capacity Scarcity Conditions in order for the pay-for-performance incentive structure to materially influence the decision to cover a CSO for annual or monthly periods.

Q: Explain the final concern with the pay-for-performance design as related to incentives to cover a CSO?

A: The "phase-in" of the Performance Payment Rate over a six-year period weakens the pay-for-performance incentive structure. By way of background, the Performance Payment Rate is the rate that non-performing resources with a CSO are charged under the pay-for performance design. At the beginning of the "phase-in" period, the Performance Payment Rate is set at $2,000/MWh for the ninth, tenth and eleventh CCPs. Subsequently the Payment Performance Rate increases to $3,500/MW for the twelfth, thirteenth and fourteenth CCPs. Eventually, the Performance Payment Rate becomes fully "phased-in" at a rate of 5,455/MWh beginning with the fifteenth CCP.

The lower transition rate requires more Capacity Scarcity Conditions to occur in order to achieve the same incentive outcome as the fully phased in rate. Under these circumstances, resources unable to meet their CSO may have limited incentives to cover their CSO and instead would rather retain their CSO (and the associated revenues) and pay the penalties at the lower rate. This outcome is counter to the objective of the CSO Cover Changes that seeks to have capacity suppliers with resources that are unable to meet their CSOs take actions to cover their CSOs prior to the CCP.

Q: Returning to the design objective of the CSO Cover Changes, please elaborate on how design component one and design component two are inter-related?

A: When project development milestone dates materially change from the schedules presented to the ISO during the last CPS milestone review, the ISO's determination concerning a resource's expected ability to meet the remaining CPS milestones can be made with stale information. The inability to perfectly foresee all future schedule changes, which may not even be anticipated by the capacity supplier during the CPS milestone review, means that the expectations the ISO had when it made its determination prior to the period may be inaccurate after the fact (*i.e.*, when new information becomes available later).

Realizing that capacity suppliers inherently have the most current and most accurate understanding of their resources' development timelines, it is reasonable and appropriate to meet design component one by shifting the responsibility to determine whether to cover a CSO from the ISO to capacity suppliers. However, in order to achieve this outcome, proper financial incentives must be in place since there may be inadequate incentives in the absence of the existing mandatory demand bid approach. In order to have proper financial incentives in place, the CSO Cover Changes would institute a new "failure to cover" charge (discussed in detail later in this testimony) to address the gap in financial incentives that would otherwise occur. The "failure to cover" charge will ensure that under all market conditions capacity suppliers will have strong incentives to cover their CSOs when appropriate. If a resource is not able to meet or cover its CSO, then a capacity supplier will be charged a cost that is aligned with the replacement cost of capacity.

These newly proposed charges in the CSO Cover Change design will be allocated back to load in a similar manner to what would have happened if the resource had covered their CSO through a reconfiguration auction.

Q: Does the CSO Cover Change design change the expectation that a capacity supplier should cover their CSO if they do not expect to be able to meet it?

A: No. As under the current design, capacity suppliers are expected to cover their CSO when they are not going to be able to meet their CSO. The proposed design simply changes the mechanism for how this outcome is achieved. Under the current approach, the ISO must make a decision, ahead of the CCP and based on information provided by the capacity supplier, concerning the need to submit a mandatory demand bid for a resource that has been determined to have not met their CSO for an entire one-year period. Under this approach, the mandatory demand bid covers all months of the applicable CCP and can clear at any price up to the Forward Capacity Auction Starting Price.

Under the revised design, the capacity supplier is responsible for deciding how and when to cover its CSO. Accordingly, the CSO Cover Changes include a defined financial consequence (the failure to cover charge) for capacity suppliers that have resources that are unable to meet their CSO and that do not take action to cover the resources' CSOs. The failure to cover charge rate (discussed in more detail later in the testimony) also can be based on a price that is up to the Forward Capacity Auction Starting Price, but in contrast to the existing design, the failure to cover charge is only applicable during months in which a resource has not met its CSO (rather than for an entire year). Under both design approaches, a capacity supplier that does not expect a resource to be able to meet a CSO is expected to take action to cover that resource's CSO.

V. DESCRIPTION OF THE PROPOSED CHANGES

Q: What are the design principles of the CSO Cover Changes?

A: The CSO Cover Changes adhere to two fundamental market design principles: objectivity and consistency. The first design principle, objectivity, ensures that despite changes in project development schedules, the market rules and criteria to determine a resource's ability to meet its CSO are predicated on an objective and formulaic design. The second design principle, consistency, ensures these rules and criteria will consistently be applied under all circumstances.

Q: Please explain how the proposed design will determine if a resource can meet its CSO?

A: The proposed design will no longer utilize a CPS monitoring process to determine a resource's ability to meet its CSO. Instead, the CPS monitoring process will be replaced with an objective measurement of the resource's demonstrated capability (*e.g.,* energy produced, demand reduction provided).

More specifically, each resource that has a CSO will be required to show that it has the ability to meet its CSO by demonstrating it has produced an energy quantity (including demand reductions) greater than or equal to its CSO by the end of the end of each obligation month. The aforementioned energy quantity will be determined by evaluating all of the resource's historical resource performance data beginning with the CCP starting six years prior the applicable CCP and ending as of the last day of the obligation month. The highest energy value produced over this time period will become the resource's Maximum Demonstrated Output ("MDO"). If a resource has an MDO greater than or equal to its CSO, the resource will have demonstrated the ability to meet its CSO and will not be subject to any additional charges under the CSO Cover Changes.

Conversely, if a resource has an MDO that is less than or equal to its CSO for the obligation month, the resource will not have demonstrated the ability to meet its

CSO and the capacity supplier will be charged a fixed rate for a quantity equal to the difference between the resource's CSO and its MDO. This difference between a resource's CSO and its MDO is referred to as "undemonstrated CSO" for the remainder of this testimony.

Q: If capacity suppliers with resources that have undemonstrated CSO are obligated to pay a charge for any undemonstrated quantities, how is the amount subject to a failure to cover charge determined?

A: Resources with an MDO less than their CSO will be subject to a failure to cover charge. The quantity subject to a failure to cover charge is determined by subtracting a resource's CSO from its MDO. If that value is negative (*i.e.*, MDO is less than CSO) than the difference between the CSO and MDO will be subject to the failure to cover charge.

Q: Will resources without a CSO be subject to this new charge?

A: No, resources that do not have a CSO (*i.e.*, took action to cover the obligation or never acquired an obligation) in an obligation month will not be subject to the failure to cover charge.

Q: Please explain how the proposed failure to cover charge will impact a new or existing resource that is in commercial operation prior to a CCP, but that cannot meet its CSO?

A: While the CSO Cover Changes generally are targeted at non-commercial resources, a commercial resource, under limited circumstances, may be subject to the failure to cover charges in addition to potential pay-for-performance charges. There are three conditions in which this could occur.

The first condition involves the mapping of assets to resources (which is discussed further below).

The second condition involves the circumstances in which an Existing Capacity Resource would have demonstrated diminishing capability through all of its Seasonal Claimed Capability Audits in numerically decreasing values in each year preceding FCA qualification. Under this circumstance, the median value used to qualify the resource would not be included in the time period used to determine a resource's MDO because it would be beyond the six-year MDO measurement period. If a resource does not demonstrate an energy output value, in the three years after acquiring a CSO, equal to or greater than the amount of the CSO, and the resource has numerically decreasing Seasonal Claimed Capability Audits used to qualify the resource for the FCA, then the resource could be subject to failure to cover charges.

The third condition involves circumstances in which a commercial resource has not been able to demonstrate its capability under the existing rules – this outcome *generally* results in the resource receiving a significant decrease determination (and the submission of a mandatory demand bid by the ISO) prior to the beginning of the CCP.

As mentioned earlier, the significant decrease process for commercial resources identifies capacity that is at risk of not delivering by comparing a resource's most recent Seasonal Claimed Capability Audit to its CSO. If the difference between these two values is in excess of the Tariff-specified definition of what constitutes a significant decrease, then the resource has a mandatory demand bid submitted on its behalf for the third annual reconfiguration auction at a level reflecting the amount of the decrease.

In cases in which a resource has a Seasonal Claimed Capability Audit value less than its CSO, but not in an amount that exceeds the significant decrease thresholds, then the resource (which will still have a small quantity of undemonstrated CSO) will not have a mandatory demand bid submitted on its behalf in the third annual reconfiguration auction and, unless the capacity supplier takes action, the resource retains its full CSO. Under these circumstances, if the capacity supplier did not cover the CSO on its own, the capacity supplier could receive a failure to cover charge since they had not shown the ability to demonstrate capability in line with their CSO over a six-year period. By definition, the value subject to the failure to cover charges cannot be greater than the thresholds associated with the significant decrease process.

Q: Why does the MDO use the highest energy quantity produced by the resource by the *end* of the obligation month?

A: The design takes the energy quantity produced by the resource as of the end of the month in order to provide a reasonable amount of time to demonstrate a resource's ability to meet a CSO after the start of the CCP (or start of a month during the CCP). For example, there are certain resources whose performance is highly dependent on weather conditions. These resources, while ready to demonstrate their CSO as of the first day in the obligation month, may not have experienced the weather conditions necessary to demonstrate their CSO as of the first day of the month. Providing a full month for resources to demonstrate their CSO (via the MDO) allows a reasonable amount of time for a resource to experience the weather conditions required to demonstrate their CSO.

There are also resources (such as Demand Response Resources) that are dispatched infrequently in real time and that cannot that cannot be self-scheduled. Capacity suppliers with resources that are dispatched infrequently can request an audit during an obligation month that will allow them to demonstrate an energy value that can be used in the MDO calculation. Providing a full month for this type of resources to demonstrate its CSO (via the MDO established during an audit) allows a reasonable amount of time for a capacity supplier to take the necessary actions to demonstrate the resource's CSO.

In both of these cases, the incentive for a capacity supplier to cover the resource's CSO before the start of month is preserved since capacity suppliers with undemonstrated CSO at month's end are subject to both pay-for-performance charges during the month *and* the failure to cover charge at the end of the month. The interaction of these two structures provide a clear financial signal for capacity suppliers to cover for a resource that is at risk of not meeting its CSO for an entire CCP or for an obligation month.

Q: If historical data is the determinate of a resource's ability to meet its CSO and a resource demonstrates an MDO that meets or exceeds its CSO at the start of the CCP, will the resource fully meet its requirement in that month?

A: Yes. As discussed earlier, a resource's ability to meet its CSO will not be determined until the last day of the obligation month. This means that resources that become commercial on or after the first day of the CCP can still demonstrate an MDO greater than or equal to their CSO during any of the remaining days in the month.

For example, consider a resource with 50 MW CSO in June that begins to produce energy on June 17 – seventeen days after the start of the obligation month. Assume that this resource was able to produce 50 MW before the end of June. Under these circumstances, the resource, despite missing the first seventeen days of the obligation month, was able to demonstrate its ability to meet its 50 MW CSO. More specifically, the resource would have an MDO of 50 MW and a CSO of 50 MW. Because only the difference between a resource's CSO (50 MW) and the resource's MDO (50 MW) are subject to failure to cover charges, in this example the resource would have no undemonstrated CSO subject to a failure to cover charge (as explained below).

Q: Building upon the example above, if a resource demonstrates the ability to meet its CSO in June, can it be assumed that the resource will *not* be assessed a failure to cover charge for the remainder of the CCP?

A: No. There could be circumstances in which the CSO or MDO could change in future months within the CCP.

As previously mentioned, a capacity resource may have its assets re-mapped (to different capacity resources) throughout the CCP and a resource's MDO is the sum of the MDOs of all of the assets associated with the resource. If the sum of the MDOs of any newly-mapped assets is less than the sum of the MDO of the previously-mapped assets, then the resource will have a lower MDO than the previous mapping produced. If the new (lower) MDO is less than the resource's CSO in the subsequent months, the difference would be subject to a failure to cover charge.

Additionally, resources can have different Qualified Capacity values in summer and winter seasons. A resource that uses its higher Qualified Capacity value in a month/season may acquire more CSO in that month/season. For example, a capacity supplier can utilize a resource's higher winter Qualified Capacity value to acquire additional CSO through a composite offer or a seasonal Capacity Supply Obligation Bilateral, if applicable – both actions resulting in a different CSO across the period.

The acquisition of additional CSO in different months/seasons can result in a previously established MDO that is less than the additional (monthly/seasonally) CSO. Under this circumstance, the resource will not have demonstrated its full (seasonal) CSO and be subject to the associated charges (as described later in this testimony) for the applicable months.

Q: Is there an opportunity to have an associated asset count toward multiple resources' MDOs?

A: No. By way of background, each resource in the Forward Capacity Market is comprised of one or more assets. A CSO is associated with a resource. A capacity supplier can "re-map" individual assets among its capacity resources from period to period or during the course of a CCP. Each resource's MDO calculation will equal the sum of all of the associated assets' MDO. If new assets are associated with the resource, or if assets are re-mapped to different resources, the resource's new MDO would be proportionate to the change in the MDO of the associated assets.

Q: Is the rate to be used to calculate a failure to cover charge administratively determined or market-based?

A: The failure to cover charge-rate is not administratively determined. Rather, it is based on market conditions using the information available as of the last (third) annual reconfiguration auction prior to the CCP.

More specifically, the aggregate undemonstrated CSO quantities will be submitted as a demand bid, by zone, in a “second run” of the third annual reconfiguration auction. The second run will not determine any changes in CSO, but will be performed solely for the purpose of determining the charge rate for each resource in a Capacity Zone for the applicable CCP.

For simplicity of discussion, the second run of the third annual reconfiguration auction that is used to determine the failure to cover charge rate is referred to as the “charge-rate run” in the remainder of the testimony.

Q: When will the ISO determine the quantities of undemonstrated CSO that will be used in the charge rate run of the third annual reconfiguration auction.

A: The ISO will determine the quantities of undemonstrated CSO as of the completion of the third annual reconfiguration auction.

Q: Why was the completion of the third annual reconfiguration selected as the point in time to determine undemonstrated CSO?

A: The ISO administers the last (third) annual reconfiguration auction in the month of March preceding the start of the CCP. This auction represents the last opportunity to buy back or “cover” a resource’s CSO for the entire CCP. If a capacity supplier does not cover its obligation in this auction, there is no other opportunity to do so for the full annual CCP.

The charge rate is determined at the conclusion of the third annual reconfiguration auction because that auction is the last opportunity for a resource to cover its entire annual CSO with certainty. While monthly reconfiguration auctions represent opportunities to cover a CSO on monthly basis, those auctions do not have demand curves based on Marginal Reliability Impact ("MRI") values that reflect the willingness to procure capacity at different price points. Because the monthly reconfiguration auctions do not utilize MRI-based demand curves, a capacity supplier seeking to shed its CSO in a monthly reconfiguration is completely dependent on the presence of a sufficiently large offsetting supply offer, at or below the submitted demand bid price, in order to shed its CSO. If this condition does not materialize, the demand bid does not clear and the resource would retain its CSO.

In contrast, annual reconfiguration auctions *do* use liquid, MRI-based demand curves. This means that in the third annual reconfiguration auction a capacity supplier can ensure, with certainty, that a demand bid submitted at the Forward Capacity Auction Starting Price will clear under all conditions. Given that the third annual reconfiguration is the last opportunity for a capacity supplier with knowledge of undemonstrated CSO to ensure that it can cover its obligation (annually), the total undemonstrated CSO that remains at the conclusion of the third annual reconfiguration auction are the appropriate CSO quantities to use to determine the charge rate.

Q: Will the charge-rate run apply immediately upon the effective date of the new design?

A: No, the charge-rate run will apply after a transition, which is necessary to provide time to implement the charge-rate run design. Specifically, implementing a design that derives a charge rate based on the second run of the third annual reconfiguration auction is an undertaking that requires software development and must be balanced against other priorities. Given the effort required to implement the charge-rate run, combined with effort to implement other high priority projects, the ISO is proposing a transition approach that will bridge the time between the CSO Cover Changes proposed effective date (during December 2018 for the tenth CCP) and the full implementation of the charge-rate run (for the thirteenth CCP). The transition charge rate will equal the highest clearing price from any annual Forward Capacity Market auction (*i.e.*, Forward Capacity Auction or any annual reconfiguration auction) for a given CCP. As discussed later, administratively set rates that do not reflect market conditions are not preferred, but the use of the transition rate for three commitment periods provides the necessary time to implement the full design.

Q: **Why is a charge rate derived from a second run of the third annual reconfiguration auction preferred to an administrative charge rate?**

A: While an administrative rate that is set independent of market fundamentals *could* serve as a proxy for the replacement cost of capacity, it is not flexible or responsive to market conditions - and therefore would generally not be able to satisfy the design component two - provide proper financial incentives for capacity suppliers to cover any CSO that they expect to be “at risk” of not being able to meet.

In order to achieve this objective, the charge rate must be based on a method that can account for a number of unknown variables under different possible market conditions. Most notably, the charge rate must be able to account for: (1) all possible undemonstrated CSO; (2) suppliers’ willingness to sell capacity at various price levels, and; (3) demand’s willingness to pay for capacity at various price levels expressed via the MRI-based demand curves. Given the use of the non-linear MRI-based demand curves in the FCAs and reconfiguration auctions, the undemonstrated CSO will be a key factor in deriving a charge rate that reflects a replacement cost of capacity.

For instance, if the first run of the third annual reconfiguration clears at a high price, even a small amount of undemonstrated CSO can have significant impact to the charge rate. This is appropriate, because under those conditions capacity is scarce and costly - and reflective of such conditions, the slope of the MRI-based demand curve becomes steep, and prices therefore increase rapidly, as cleared capacity quantities decrease. Conversely, if the first run of the third annual reconfiguration auction clears at a low price, the undemonstrated CSO will not have as large an impact on the charge rate because the slope of the demand curve is much flatter when capacity is in ample supply.

These general properties are further complicated by the fact that there may be additional supply offers for capacity (from resources with unobligated qualified capacity) that are willing to sell at price levels above the clearing price of the third annual reconfiguration auction. Given that the charge rate is intended to reflect the replacement cost of capacity when a resource cannot meet its CSO, these potential capacity supply offers from other capacity suppliers submitted in the first run of the third annual reconfiguration must be considered to meet design component two of the CSO Cover Changes.

An administratively set rate will not effectively capture the market conditions that determine the replacement cost of capacity, and thus an approach that derives the charge rate from the charge-rate run of the third annual reconfiguration auction is an economically superior method that provides proper financial incentives to cover potential undemonstrated CSO.

Q: **What are the negative economic outcomes associated with an administrative rate set *disproportionately high* relative to the replacement cost of capacity?**

A: While selecting an administrative price that was very high (*i.e.*, the Forward Capacity Auction Starting Price) could satisfy design component one, as it would incent capacity suppliers to cover their undemonstrated CSO, this could produce a charge rate that is not commensurate with the actual cost to replace the capacity. From an economic perspective, this is inefficient for two reasons.

First, an incommensurately high charge rate, relative to the actual replacement cost of the CSO, represents an inefficient barrier to market entry that could adversely impede future resource development.

Second, if the charge rate is set inefficiently high, the increased costs should be expected to be subsequently reflected via an inefficiently high-risk premium in the de-list bids for Existing Capacity Resources and the offer prices for New Capacity Resources. This would yield unnecessarily high capacity costs to consumers.

In summary, when resources face disproportionally higher charges relative to the actual replacement cost of the service provided, those risks eventually matriculate back to the market in the form of inefficiently higher prices for consumers.

Q: **What are the negative economic outcomes associated with an administrative rate that is set *disproportionately low* relative to the replacement value of capacity?**

A; Under circumstances where the charge rate provides disproportionately low incentives relative to the replacement cost of capacity, a capacity supplier would forego covering the CSO and pay the lower charge rate in order to maximize its expected profit. This outcome is at odds with design objective two – ensure that proper financial incentives exist for capacity suppliers with undemonstrated CSO to cover if the resource is at risk of not being able to meet its CSO.

Importantly, this second objective is crucial because the proposed design's objective criteria for determining undemonstrated CSO removes the ISO from the role of making the decision of whether the resource will or will not be ready to meet its CSO by the start of the CCP, nearly a half-year hence. For example, consider a resource with a 50 MW CSO that will not be commercial for an entire CCP. If the replacement cost of the 50 MW of undemonstrated CSO is $5.00/kW-month, and an administrative charge rate is set at $1.00/kW-month, and there is a low expectation of Capacity Scarcity Conditions (and a Payment Performance Rate that is not fully "phased-in"), than the capacity supplier is not incentivized to cover the CSO as it would be more profitable to retain its CSO even though it has no expectation of performance during the CCP. This is exactly the outcome the CSO Cover Change design seeks to prevent.

Q: Why can an administratively set charge rate not produce the same outcomes?

A: The methodology used to determine the charge rate has to represent a reasonable balance of estimating the replacement cost of capacity for the upcoming CCP, while still providing proper incentives for resources to cover undemonstrated CSO. This was the key consideration in selecting the charge-rate run mechanism used to derive the charge rate.

As discussed in the prior two responses, an administratively set rate is unlikely to be consistent with capacity's replacement cost as it is not derived from market conditions and cannot appropriately account for important factors such as the total undemonstrated capacity quantities after the third annual reconfiguration auction is conducted. Such an administrate rate would have the negative economic impacts discussed earlier if it is set too high or too low relative to the replacement value of capacity.

Q: Are capacity suppliers able to shed or acquire CSO in the charge rate run of the third annual reconfiguration auction?

A: No. As noted earlier, the charge-rate run of the third annual reconfiguration auction is only used to produce a price - the market-based rate that sets the charge rate for resources with undemonstrated CSO. No CSO is transacted in this run, and capacity suppliers do not submit supply offers or demand bids to "cover" a CSO, in the charge-rate run.

Q: Will capacity suppliers be notified of any preliminarily-identified undemonstrated CSO quantities?

A: Yes. The ISO will calculate, based on its historical data for resources' performance during the prior years, a preliminary indication of any undemonstrated CSO prior to the third annual reconfiguration auction. Accordingly, capacity suppliers will receive notification of any preliminary identified undemonstrated CSO prior to the third annual reconfiguration auction. The intent of this notification is to make sure capacity suppliers are aware that their resource has undemonstrated CSO so they can take the appropriate action to cover the CSO if desired. This notification will be non-binding (meaning it does not require the capacity supplier to take specific actions in the third annual reconfiguration auction and only reflects the MDO as of the third annual reconfiguration auction not as of the end the first obligation month) and will only be used to provide notice to the applicable capacity suppliers.

VI. SETTLEMENT AND COST ALLOCATION

Q: How will any failure to cover charges be allocated in FCM settlements?

A: The allocation of the monthly failure to cover charges will be implemented to match the cost allocation rules in place for the CCP. Accordingly, the cost allocation rules for the periods preceding the implementation of the new MRI-based FCM cost allocation rules (accepted by the Commission earlier this year in Docket No. ER18-2125), which becomes effective during the thirteenth CCP, will be different that the rules after the MRI-based cost allocation methodology.

Q: Can you describe in detail both cost allocation designs?

A: For commitment periods prior to the thirteenth CCP, beginning June 1, 2022, the ISO will allocate (that is, provide a credit equal to) the sum of all monthly failure to cover charges in a specific Capacity Zone to the participants in that Capacity Zone on a Capacity Load Obligation ("CLO") ratio share. CLO ratio share in this process is defined as each participant's Capacity Load Obligation divided by the aggregated Capacity Load Obligation in the applicable Capacity Zone. Once the participant's CLO ratio share of the Capacity Zone is defined by the above process, that value is multiplied by the total amount of charges collected in that zone and the product will determine the nominal dollars allocated back to each participant.

For CCPs beginning on or after June 1, 2022, for each Capacity Zone, cost allocation will be performed by taking the participant Capacity Load Obligation in the Capacity Zone multiplied by total Zonal Failure to Cover Charges divided by Zonal Capacity Obligation.

VII. RELATED NON-SUBSTANTIVE RULE CHANGES

Q: Are there any documentation submissions that a capacity supplier has to make with the ISO resulting from the CSO Cover Changes?

A: Yes. Under the current rules, if a Capacity supplier 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" document 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. Because the CSO Cover Changes no longer rely on CPS milestones to determine a resource's readiness to meet a CSO, the instant filing removes the need for capacity suppliers to file this document.

VI. <u>THE SCHEDULE FOR IMPLEMENTING THE CSO COVER CHANGES</u>

Q: What is the proposed schedule for implementing the CSO Cover Changes?

A: The proposed effective date for the CSO Cover Changes is in December 2018, which occurs prior to FCA 13 and the third annual reconfiguration auction for FCA 10.

V. CONCLUSION

Q: Does this conclude your testimony?

A: Yes.

I declare, under penalty of perjury, that the foregoing is true and correct.

Executed on October 23, 2018.

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