



May 25, 2007

**VIA HAND DELIVERY**

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
Room 1A-East, First Floor  
888 First Street, N.E.  
Washington, D.C. 20426

**Re: ISO New England Inc., Docket No. ER07-\_\_\_-000, Filing of Limited FCM Rule Change to Extend Composite Offer Deadline, Motion for An Extension of Time to File July 15 Report, and Request for Shortened Comment Period**

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act (“FPA”),<sup>1</sup> ISO New England Inc. (the “ISO”) hereby submits a limited change (“Limited FCM Rule Change”) to the Forward Capacity Market (“FCM”)<sup>2</sup> Market Rules (“FCM Rules”) conditionally accepted by the Federal Energy Regulatory Commission (“FERC” or “Commission”) on April 16, 2007<sup>3</sup> in order to extend to July 2, 2007 the deadline for composite offers. A composite offer is the vehicle that allows two or more Resources (such as a demand side summer only Resource and a supply-side Resource with a higher winter than summer rating) to combine their capacity into a single offer. Under the FCM Rules, composite offers in the first Forward Capacity Auction (“FCA”) must be submitted by June 15, 2007.<sup>4</sup> Extending the deadline for submitting composite offers in the first FCA to July 2, 2007 will create additional opportunities for participation by such resources in the market.

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<sup>1</sup> 16 U.S.C. § 824d (2000).

<sup>2</sup> Capitalized terms used but not otherwise defined in this filing have the meanings ascribed thereto in the ISO’s Transmission, Markets and Services Tariff, FERC Electric Tariff No. 3 (the “Tariff”), the Second Restated New England Power Pool Agreement, and the Participants Agreement.

<sup>3</sup> *ISO New England, Inc.*, 119 FERC ¶ 61,045 (2007)(“April 16 Order”).

<sup>4</sup> Market Rules, Sections III.13.1.5; III.13.1.10.

The ISO is filing the Limited FCM Rule Change in advance of formal voting on the filing by NEPOOL because the extension provided in the rule change, to have effect, must be granted on or before June 15, 2007. Stakeholders representing supply side and demand side Resources have been working together and with NEPOOL and the ISO to facilitate composite offers and maximize the benefits of this bidding option. They requested more time for their efforts, and received significant support for that request in the NEPOOL Markets Committee meetings and stakeholder meetings in which this issue was discussed, provided that such additional time would not delay the first FCA or have any adverse impact on the auction results. The ISO concluded that it could accommodate an extension to July 2, 2007, of the deadline for composite offers and the supporting data that is required with composite offers to the extent New Generating Capacity Resources and New Demand Resources include an offer below 0.75 times the Cost of New Entry (“CONE”). To permit the ISO the time it needs to review materials in connection with such bids, New Generating Capacity Resources and New Demand Resources seeking to submit composite offers will still be required to complete their initial qualification materials by June 15, 2007 but will be able to submit updated offers below 0.75 times CONE and cost materials with their July 2 composite offer submittal.

Because this filing cannot await formal notice to and vote of NEPOOL, this submission is made by the ISO as an “Exigent Circumstances” filing under Section 11.2 of the Participants Agreement, as discussed further in Section V, below. There has, however, been considerable communication on this issue with stakeholders, and plans are underway to finalize that stakeholder process. Notification of the intent to make this filing was circulated to all Market Participants on May 19, 2007.<sup>5</sup> The Notice to Participants sought stakeholder comments and, to date, no opposition has been voiced. The ISO has reviewed this filing with the elected officers of the NEPOOL Participants Committee. The matter has been raised by and discussed with stakeholders at both the May 8-9, 2007 NEPOOL Markets Committee meeting and the May 15, 2007 ISO Composite Offer Workshop. The Limited FCM Rule Change has been scheduled for vote by the Markets Committee at its next meeting on May 31, and the Participants Committee at its next meeting on June 8. Based on input and feedback to date, the ISO anticipates that the Limited FCM Rule Change will be broadly supported by Market Participants. State regulators have been informed of this change recently and, to date, no opposition has been voiced by the state Commissions.

The ISO also requests, pursuant to Rule 2008 of the Commission’s Rules of Practice and Procedure, an extension of the due date for filing a report on the status of the composite offer process, currently due on July 15, 2007 (“July 15 Report”)<sup>6</sup> to August 2, 2007. If the Commission approves the Limited FCM Rule Change, good cause will exist to grant an extension of time to permit the ISO a full month after submission of composite offers to file a report thereon.

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<sup>5</sup> Memorandum to NEPOOL Participants Committee Members and Alternates and NEPOOL Markets Committee, RE: Composite Bidding -- Notice of Intent For Exigent Circumstances Filing under Section 11.2 of Participants Agreement (May 19, 2007).

<sup>6</sup> April 16 Order at P 152.

In addition, given the urgency of this matter, the ISO requests that the Commission abbreviate the period for filing responsive pleadings to the instant filing to four business days from the date of this filing, or June 1, 2007, and to rule expeditiously by June 14, 2007 so that the benefits of the extension can be realized.

## **I. 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 the New England wholesale electricity markets pursuant to the Tariff and the Transmission Operating Agreement with the New England transmission owners. In its capacity as an RTO, the ISO has the responsibility to protect the 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 Council.

All correspondence and communications in this proceeding should be addressed to:

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## **II. Background**

Pursuant to the FCM Settlement approved by the Commission,<sup>7</sup> on February 15, 2007, the ISO filed the FCM Rules for implementing the Settlement.<sup>8</sup> As relevant to this filing, the FCM Rules set forth the requirements and deadlines for resources to qualify as capacity resources and participate in the FCM. In particular, the FCM Rules require that composite offer forms, as well as qualification packages for all New Generating Capacity Resources, New Import Capacity Resources and New Demand Resources, and information supporting any offers that will be below 0.75 times CONE for New Generating Capacity Resources and New Demand

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<sup>7</sup> *Devon Power LLC*, 115 FERC ¶ 61,340 (2006), *reh'g denied*, 117 FERC ¶ 61,133 (2006).

<sup>8</sup> FCM Settlement at Section 3.A. *See also* Filing Containing Revisions to Market Rules Implementing the FCM Settlement Agreement, Docket No. ER07-546-000 *et al.* (February 15, 2007).

Resources, be submitted to the ISO on or before June 15, 2007, for the first FCA.<sup>9</sup> In the April 16 Order, the Commission required the ISO to submit a report on the status of the composite offer process by July 15, 2007.<sup>10</sup>

### III. Standard of Review

The ISO files this Limited FCM Rule Change under Section 205 of the FPA. As the ISO noted in its February 15 Filing,<sup>11</sup> Section 3.A of the Settlement provided that the ISO “pursuant to its authority under Section 205” would “file with the Commission necessary changes to the Tariff to implement the FCM.” Section 3.B of the Settlement provided that “[t]he Market Rules shall be consistent with, and in furtherance of, all the terms contained in this Settlement Agreement...” Importantly, as noted in the February 15 Filing, this provision clearly recognized that the development of Market Rules implementing the Settlement would necessarily extend beyond the specific language of the Settlement itself, to details not specifically set forth in the Settlement.<sup>12</sup> Among the many details submitted in the February 15 Filing, the ISO proposed a process and a deadline for submission of composite offers. By this filing, the ISO now proposes to change these details.

The Settlement also provides that during the period from March 6, 2006 to the earlier of September 5, 2008 or the date on which the prices for the second FCA become final, “the ISO shall retain its authority under Section 205 of the FPA to file modifications of the Market Rules **that address the terms of the Settlement Agreement...**”<sup>13</sup> If the ISO proposes such modifications, it is required, under Section 4.A. of the Settlement, to demonstrate that “failure to implement the proposed change in the market rule would have a negative effect on (1) system reliability or security, or (2) the competitiveness or efficiency of the Forward Capacity Market...”<sup>14</sup> It is unclear whether this provision of the Settlement controls the instant filing, given that the proposed Limited FCM Rule Change relates to a rule that does not “address the terms of the Settlement Agreement,” requiring the ISO to make the showing set forth in Section 4.A of the Settlement. The ISO believes that the appropriate standard of review is whether the changed rate schedule provisions are just and reasonable under Section 205. However, the Commission need not reach the issue of the appropriate standard of review in this instance, because the ISO is making this filing under the “Exigent Circumstances” provisions of Section 11.2 of the Participants Agreement, and as shown below in Section V, satisfaction of the Exigent Circumstances standard also satisfies the standard set forth in Section 4.A of the Settlement: as set forth in Section IV and V below, the Limited FCM Rule Change will enhance the ability of resources to pair and submit composite offers, thus increasing the opportunities for participation in the FCM by composite resources and increasing the competitiveness of the overall market.

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<sup>9</sup> Market Rules, Sections III.13.1.1.2.2.3(a); III.13.1.4.2.4.

<sup>10</sup> April 16 Order at P 152.

<sup>11</sup> February 15 Filing at 4.

<sup>12</sup> *Id.* at 5.

<sup>13</sup> FCM Settlement at Section 4.A (emphasis added).

<sup>14</sup> *Id.*

#### **IV. The Proposed Limited Modification to FCM Market Rules Is Just and Reasonable and Should Be Approved**

Pursuant to the FCM Rules, separate Resources may seek to participate together in the FCA. Without the Limited FCM Rule Change sought in this filing, resources interested in submitting a composite offer are required to submit a composite offer form by the New Capacity Qualification Deadline, which is June 15, 2007 for the first FCA.<sup>15</sup> Any offer below 0.75 times CONE from a New Generating Capacity Resource or a New Demand Resource must also include supporting documentation in the New Capacity Qualification Package demonstrating that the offer is consistent with the resource's long run average costs, for review by the Internal Market Monitoring Unit ("INTMMU").<sup>16</sup>

Composite offers are a new product introduced in New England in the FCM. These offers were designed to broaden participation in the market and to enable maximum participation by seasonal resources – particularly demand resources. As explained in the February 15 Filing:

To accommodate seasonal demand and supply resources, the concept of composite bids was developed in the Settlement to enable resources to combine to maximize their annual value in the market (for example, by combining the higher winter output of a combined cycle plant with summer capacity from a demand resource that reduces air conditioning load). Additionally, seasonal resources can participate in seasonal or monthly reconfiguration auction.<sup>17</sup>

Because the FCM is an annual market and resources may not participate on a monthly or seasonal basis, owners of summer-only demand resources have expressed concern with regard to their ability to participate in the FCM.<sup>18</sup> As pledged in the February 15 Filing, the ISO has been working with interested stakeholders to "facilitate the creation of composite offers through such means as providing information or conducting informal workshops."<sup>19</sup> Interested parties have been working with the ISO both in the NEPOOL stakeholder process and through informal discussions. In addition, the ISO convened a Composite Offer Workshop on May 15, 2007 to provide additional information to interested parties. Further, NEPOOL counsel has worked with

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<sup>15</sup> Market Rules, Sections III.13.1.5; III.13.1.10.

<sup>16</sup> *Id.* at Sections III.13.1.1.2.2.3(a); III.13.1.4.2.4.

<sup>17</sup> February 15 Filing at 19.

<sup>18</sup> *See e.g.*, Motion to Intervene of Comverge, Inc., Docket No. ER07-546-000 (March 8, 2007); Motion to Intervene, Comments, and Protest of Conservation Services Group, Inc., Docket No. ER07-546-000 (March 8, 2007); Motion to Intervene and Comment of EnerNOC, Inc., Docket Nos. ER07-546-000 *et al.*, (March 8, 2007); Protest of Comverge, Inc., the Conservation Law Foundation, Connecticut Office of Consumer Counsel, The E Cubed Company, LLC., Massachusetts Division of Energy Resources, New Hampshire Public Utilities Commission, Northeast Energy Efficiency Partnerships, and National Association of Energy Services Companies (collectively, "DR Coalition"), Docket No. ER07-546-000 (March 8, 2007).

<sup>19</sup> February 15 Filing at 19.

several existing and future NEPOOL Participants to develop a draft composite offer agreement template that Market Participants can use to facilitate the execution of composite offers. During the abovementioned meetings and discussions, NEPOOL stakeholders expressed concern that, absent an extension of the June 15 deadline for submitting composite offers, parties may not have sufficient time to negotiate and submit composite offers.

Modifying the FCM Rules to extend the deadline for submittal of composite offer forms for the first FCA will facilitate the pairing of resources, including seasonal demand resources, thus maximizing the opportunities for participation in the FCM by demand resources. There was near-unanimous support expressed generally by the interested stakeholders participating in the May 8-9 Markets Committee meeting and the May 15, 2007 Composite Offer Workshop for an extension of some kind in order to maximize the opportunity for potential bidders to come together and submit composite offers without delaying the schedule for implementation of the FCA. Moreover, the INTMMU has concluded that extending the composite offer form submittal deadline until July 2, 2007 will not jeopardize its ability to conduct the requisite analysis otherwise required by the FCM Rules.

For the first FCA, all new resources, even those expecting to participate in a composite offer, must submit a New Capacity Qualification Package by June 15, 2007. To the extent that a New Generating Capacity Resource or New Demand Resource intends to submit an offer below 0.75 times CONE, it must submit sufficient documentation for the INTMMU to determine whether the offer is consistent with the resource's long-run average costs.<sup>20</sup> However, offers composed of separate resources may result in a lower or higher total cost recovery requirement than what was originally included in the New Capacity Qualification Package and the New Demand Resource Qualification Package submitted pursuant to Sections III.13.1.1.2.2.3(a) and III.13.1.4.2.4. Thus, to the extent that a New Generating Capacity Resource or New Demand Resource submitting a composite offer seeks to submit an offer below 0.75 times CONE in the first FCA, the bidders may include with the composite offer form by July 2, 2007 a revised offer below 0.75 times CONE and data justifying the offer. The ISO seeks modification of Sections III.13.1.1.2.2.3(a) and III.13.1.4.2.4 to reflect that a revised offer below 0.75 times CONE and the data to support the different bid may be included with the composite offer form due by July 2, 2007.

Accordingly, the ISO requests that the Commission accept the proposed limited modification in the instant filing. The ISO requests an effective date of June 14, 2007 for the Limited FCM Rule Change.

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<sup>20</sup> Market Rules, Sections III.13.1.1.2.2.3(a); III.13.1.4.2.4.

## V. Exigent Circumstances

Given the quickly approaching deadline for submission of composite offer forms, there is insufficient time to utilize the Participant Processes (described in Section 11 of the Participants Agreement) to obtain advisory stakeholder input from NEPOOL through its Market and Participant Committee voting process. Accordingly, this filing is made under the "Exigent Circumstances" provisions of Section 11.2 of the Participants Agreement.

Section 11.2 states:

11.2 Exigent Circumstances. In Exigent Circumstances, ISO may unilaterally, upon written notice to the Participants Committee and Individual Participants, file with the Commission pursuant to Section 205, if necessary, and implement a new or amended Market Rule, Operating Procedure, Manual, Reliability Standard, provision of the Information Policy (subject to 11.3), General Tariff Provision, or Non-TO OATT Provision..

"Exigent Circumstances" is defined in Section 1.1 of the Participants Agreement as circumstances such that the ISO determines in good faith that failure to immediately implement a change (i) would substantially and adversely affect (A) System reliability or security, or (B) the competitiveness or efficiency of the New England Markets, and (ii) invoking the procedures set forth in the Participant Processes would not allow for timely redress of the ISO's concerns.

Given the history described above, the ISO has made the good faith determinations required in Section 11.2 of the Participants Agreement that Exigent Circumstances are presented here. As noted, the deadline for filing composite offer forms is June 15, 2007. Potential bidders are, for the first time, seeking to enter into contractual arrangements to combine physical, seasonal resources into an annual capacity product. Parties need additional time to formalize their business arrangements or the competition in the first FCA may suffer and there may be materially less participation in the FCA by desirable Demand Response Resources. The Limited FCM Rule Change reflects a means to enhance this participation without adversely impacting the Market by causing a delay and without compromising the INTMMU's process to analyze all composite offers that are bid below 0.75 times CONE. Thus, a failure to amend the FCM Rules to extend the deadline as reflected in the Limited FCM Rule Change will have a substantial and adverse effect on the competitiveness or efficiency of the New England Markets.

While the Participant Processes cannot be conducted under these pressing circumstances, the ISO has conferred with the officers of the NEPOOL Participants Committee to inform them about the issues presented and the substance of this filing. The ISO has provided written notice of this filing (via electronic copy) to the Secretary of the NEPOOL Participants Committee, as required by Section 11.2 of the Participants Agreement.

## **VI. Request for Waiver of 60-Day Prior Notice Requirement**

Pursuant to Section 35.11 of the Commission's rules and regulations, 18 C.F.R. § 35.11 (2006), the ISO requests waiver of the 60-day notice requirement<sup>21</sup> to permit the Limited FCM Rule Change to take effect on June 14, 2007. Good cause exists to permit this waiver. Waiver will permit extension of the current deadline of June 15, 2007, thus permitting more potential bidders to participate in the first FCA. As noted, the ISO has reviewed this matter with the elected officers of the NEPOOL Participants Committee.

## **VII. Request for Extension of Time**

The ISO also requests an extension of the deadline for submitting the July 15 Report. Good cause exists to grant this request. If the Commission grants the Limited FCM Rule Change and extends the deadline for submitting composite offer forms to July 2, 2007, it should similarly extend the deadline for compilation of the Commission's reporting requirement to August 2, 2007, to provide the ISO with the same amount of time to develop a full report as was provided in the February 15 Filing. The ISO requests that the Commission grant this extension.

## **VIII. Request for Expedited Treatment**

Also, as previously noted above, the ISO requests expedited treatment of this filing, and requests that the Commission rule by June 14, 2007. A shortened comment date of four business days from the date of this filing, or June 1, 2007, will facilitate the Commission's expedited consideration of the filing.

## **IX. 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.<sup>22</sup> However, the proposed Tariff provisions associated with the implementation of the FCM are not traditional "rates" and the ISO is not a traditional investor-owned utility. Therefore, to the extent necessary, the ISO requests waiver of Section 35.13 of the Commission's regulations. Notwithstanding its request for waiver, the ISO submits the additional information enumerated below in substantial compliance with relevant provisions of Section 35.13.

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

- ◆ This transmittal letter;
- ◆ Attachment 1: Memorandum to NEPOOL Participants Committee and NEPOOL Markets Committee and Alternates;

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<sup>21</sup> FPA Section 205(d), 16 U.S.C. § 824d(d) (2000); 18 C.F.R. § 35.3 (2006).

<sup>22</sup> 18 C.F.R. § 35.13 (2006).

- ♦ Attachment 2: Blacklined Tariff Sheets reflecting the changes proposed by this filing;
- ♦ Attachment 3: Revised Tariff Sheets reflecting the changes proposed by this filing; and
- ♦ Attachment 4: 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) – The ISO requests that the modification of the ISO Tariff become effective on June 14, 2007. As previously discussed, the ISO believes it has shown good cause to warrant waiver of the sixty-day notice requirement under Section 205(d) of the FPA, 16 U.S.C. § 824d(d), and 18 C.F.R. § 35.11.

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 posted on the ISO's website at [http://www.iso-ne.com/regulatory/ferc/nepool/gov\\_ptcpts\\_eserved.pdf](http://www.iso-ne.com/regulatory/ferc/nepool/gov_ptcpts_eserved.pdf). A paper 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, and to the New England Conference of Public Utility Commissioners ("NECPUC"). The names and addresses of these governors and regulatory agencies are shown in Attachment 3. In accordance with Commission rules and practice, there is no need for the Governance Participants or the entities identified on Attachment 3 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 this transmittal letter.

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

35.13(b)(6) - The ISO's approval of these changes is evidenced by this filing. For NEPOOL to join in the filing, the Participants Committee would have had to approve the Limited FCM Rule Changes by a Participant Vote equal to, or in excess of, sixty percent. Due to Exigent Circumstances described above, however, the Limited FCM Rule Changes have not gone through the full Participant Process. The ISO anticipates that NEPOOL will advise the Commission if and as appropriate of any actions taken by it with respect to the Limited FCM Rule Changes.

35.13(b)(7) - The ISO has no 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.

**X. Conclusion**

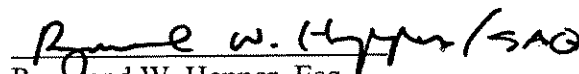
The ISO requests that the Commission approve the Limited FCM Rule Change as submitted and without modification and that the Commission shorten the period for filing responses to this filing to four business days from the date of this filing, or June 1, 2007, and rule expeditiously thereafter. The ISO also requests that the Commission extend the date for filing the July 15 Report to August 2, 2007.

Please acknowledge receipt of the foregoing by date-stamping and returning to our messenger the enclosed extra copies of this filing.

Respectfully submitted,



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Counsel for ISO New England Inc.

Dated: May 25, 2007

**ATTACHMENT 1**

**Memorandum to NEPOOL Participants Committee and  
NEPOOL Markets Committee and Alternates**



May 19, 2007

**TO:** NEPOOL Participants Committee Members and Alternates  
**CC:** NEPOOL Markets Committee Members and Alternates  
**FROM:** Raymond Hepper, Vice President and Assistant General Counsel,  
ISO New England Inc.  
David T. Doot, NEPOOL Counsel

**RE:** Composite Bidding -- Notice of Intent For Exigent Circumstances Filing under Section 11.2 of Participants Agreement

This memorandum is to notify Participants of plans for an ISO New England Inc. ("ISO") filing with the FERC that is planned for the end of next week in order to allow potential bidders an extended period, through July 2, 2007, to submit composite bids for the First Capacity Auction under the Forward Capacity Market. Because time is of the essence, there will not be time for formal NEPOOL action on this change in advance of the filing. Accordingly, this memorandum provides the appropriate notice to the New England Power Pool ("NEPOOL") Participants Committee pursuant to Section 11.2 of the Participants Agreement, that the ISO will be filing an appropriate Market Rule 1 revision unilaterally. That revision will be forwarded under separate cover to the NEPOOL Participants Committee and the NEPOOL Markets Committee early next week.

The extension of the submittal deadline for composite bids is in response to concerns expressed by NEPOOL stakeholders at the Markets Committee meeting on May 8-9, 2007 and at the ISO's Composite Offer Workshop on May 15, 2007, as well as several informal discussions among interested entities, that, absent an extension, parties may not have sufficient time to negotiate and submit composite offers. Those discussions reflected near-unanimous support for an extension in order to maximize the chance for potential bidders to assemble composite bids without delaying the schedule for FCM implementation.

By extending the deadline until July 2, rather than the one month previously discussed at the Markets Committee, the Internal Market Monitoring Unit ("INTMMU") has concluded that it would not need to impose any limitation on the bidding levels for the composite bids. With the longer extension that was being discussed, the INTMMU was concerned that without knowing the potential number of composite offers it might not have enough time to conduct the review required for any composite bid that reflected a bid from a Composite Resource at a price below 0.75 CONE. In response, Market Participants addressed this matter directly with the INTMMU, which concluded following discussions with the Market Participants that an extension to and including July 2, in the Composite Resource bid submission deadline would not jeopardize its ability to conduct the analysis otherwise required by the FCM rules. Accordingly, the Market

Rule revision will only extend the Composite Resource bidding deadline and will not otherwise alter or change any of the existing Market Rules.

NEPOOL Counsel will work to achieve formal action on this proposal by the Markets and Participants Committees at their next regularly scheduled meetings and to reflect the results of those actions quickly thereafter in a presumptively supportive filing with the FERC. To the extent that any Participant has a concern or question with respect to this matter, please advise NEPOOL Counsel Dave Doot (860-275-0102; [dt\\_doot@daypitney.com](mailto:dt_doot@daypitney.com)) or Michelle Gardner (617-345-4697; [mcgardner@daypitney.com](mailto:mcgardner@daypitney.com)), or any of the Markets Committee or Participants Committee officers directly and quickly.

**ATTACHMENT 2**  
**Blacklined Tariff Sheets**

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<b>III.13.1.4.3.1.3</b>	<b>Measurement and Verification Documentation of Demand Reduction Values .....</b>	<b>7312P</b>
<b>III.13.1.4.3.1.3.1</b>	<b>Incomplete Performance Data to Determine Demand Reduction Values .....</b>	<b>7312P</b>
<b>III.13.1.4.3.1.3.2</b>	<b>ISO Review of Measurement and Verification Documents .....</b>	<b>7312Q</b>
<b>III.13.1.4.3.1.3.3</b>	<b>Measurement and Verification Costs .....</b>	<b>7312R</b>
<b>III.13.1.5</b>	<b>Offers Composed of Separate Resources .....</b>	<b>7312S</b>
<b>III.13.1.6</b>	<b>Self-Supplied FCA Resources.....</b>	<del>7312T.01</del> <b>7312T</b>
<b>III.13.1.6.1</b>	<b>Self-Supplied FCA Resource Eligibility .....</b>	<b>7312U</b>
<b>III.13.1.6.2</b>	<b>Locational Requirement for Self-Supplied FCA Resources .....</b>	<b>7312V</b>
<b>III.13.1.7</b>	<b>Internal Market Monitoring Unit Review of Offers and Bids.....</b>	<b>7312V</b>
<b>III.13.1.8</b>	<b>Publication of Offer and Bid Information .....</b>	<b>7312W</b>
<b>III.13.1.9</b>	<b>Financial Assurance .....</b>	<b>7312X</b>
<b>III.13.1.9.1</b>	<b>Financial Assurance for New Generating Capacity Resources and New Demand Resources Participating in the Forward Capacity Auction.....</b>	<b>7312X</b>
<b>III.13.1.9.2</b>	<b>Financial Assurance for New Generating Capacity Resources and New Demand Resources Clearing in a Forward Capacity Auction.....</b>	<b>7312Y</b>
<b>III.13.1.9.2.1</b>	<b>Failure to Provide Financial Assurance or to Meet Milestone.....</b>	<b>7312Y</b>
<b>III.13.1.9.2.2</b>	<b>Release of Financial Assurance.....</b>	<b>7312Z</b>
<b>III.13.1.9.2.2.1</b>	<b>Release of Financial Assurance for New Demand Resources On-line Prior to the Relevant Capacity Commitment Period.....</b>	<b>7313</b>
<b>III.13.1.9.2.3</b>	<b>Forfeit of Financial Assurance .....</b>	<b>7313A</b>
<b>III.13.1.9.2.4</b>	<b>Financial Assurance for New Import Capacity Resources.....</b>	<b>7313A</b>
<b>III.13.1.9.3</b>	<b>Qualification Process Cost Reimbursement Deposit .....</b>	<b>7313A</b>

the quantity offered as the price decreases. Offers from New Generating Capacity Resources below 0.75 times CONE are subject to review by the Internal Market Monitoring Unit pursuant to Section III.13.1.1.2.6 and must include the additional documentation described in that Section. During the Forward Capacity Auction, at each price below 0.75 times CONE, a New Generating Capacity Resource may not offer more capacity than submitted in its New Capacity Qualification Package (as revised in the composite offer form, if applicable, as described below and in Section III.13.1.5) at that price. Any offer below 0.75 times CONE from a New Generating Capacity Resource that was not submitted in the New Capacity Qualification Package (as revised in the composite offer form, if applicable, as described below and in Section III.13.1.5) will be removed from the Forward Capacity Auction. For the first Forward Capacity Auction only, where the New Generating Capacity Resource is the resource providing capacity for the summer period as part of an offer composed of separate resources, and where a composite offer form is submitted after the New Capacity Qualification Deadline, offers below 0.75 times CONE and supporting

documentation from that resource must be submitted with the composite offer form. Such offers and documentation will supersede information regarding offers below 0.75 times CONE and supporting documentation submitted with the New Capacity Qualification Package, as described in Section III.13.1.5. A New Generating Capacity Resource that is not part of an offer composed of separate resources may not change offers below 0.75 times CONE or supporting documentation after the New Capacity Qualification Deadline.

Unit shall determine whether the offer is consistent with the long run average costs of that resource net of expected net revenues other than capacity revenues. In estimating expected net revenue from other markets, the Internal Market Monitoring Unit shall consider whether any contract revenues relied on by the New Generating Capacity Resource reasonably represent the market price for the non-capacity products or services provided. If the Internal Market Monitoring Unit determines that the offer is not consistent with the long run average costs net of expected net revenues other than capacity revenues, as described above, then the amount of capacity clearing from that offer shall be considered Out-of-Market Capacity for purposes of determining the applicability of the Alternative Capacity Price Rule, as discussed in Section III.13.2.7.8. Sufficient documentation and information must be included in the resource's qualification package (as revised in the composite offer form, if applicable, as described in Sections III.13.1.1.2.2.3(a) and III.13.1.5) to allow the Internal Market Monitoring Unit to make such a determination. Such documentation should include all relevant financial estimates and cost projections for the project, including the project's pro-forma financing support data.

**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

**Resources.** The provisions regarding review by the Internal Market Monitoring Unit (Section III.13.1.1.2.6) shall not apply, and offers from New Import Capacity Resources shall instead be reviewed by the Internal Market Monitoring Unit as follows:

**III.13.1.3.5.6.1. Offers from Import Capacity**

**Generally.** The Internal Market Monitoring Unit shall review each offer from Existing Import Capacity Resources and New Import Capacity Resources. An offer from an Existing Import Capacity Resource or a New Import Capacity Resource shall be rejected if the Internal Market Monitoring Unit determines that the bid is an attempt to manipulate the Forward Capacity Auction.

**III.13.1.3.5.6.2. Offers from New Import**

**Capacity Resources Below 0.75 Times CONE.** The Internal Market Monitoring Unit shall review each offer from a New Import Capacity Resource below 0.75 times CONE to determine whether the offer is consistent with the opportunity cost of that New Import Capacity Resource, and sufficient documentation and information must be included in the resource's New Capacity Qualification Package (as revised in the composite offer form, if applicable, as described in Sections III.13.1.1.2.2.3(a) and III.13.1.5) to allow the Internal Market Monitoring Unit to make such a determination. If the new import is

and Capacity Clearing Price continue to apply.

**III.13.1.4.2.3. Consistency of the New Demand Resource Qualification Package and New Demand Resource Show of Interest Form.**

The ISO shall review the Project Sponsor's New Demand Resource Qualification Package for consistency with its New Demand Resource Show of Interest Form. The New Demand Resource Qualification Package may not contain material changes relative to the New Demand 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 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; (iv) a change in the total 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); (vi) a change in the treatment as an Existing Demand Resource for the first Forward Capacity Auction; or (viii) a misrepresentation of the interconnection status of a Distributed Generation project.

**III.13.1.4.2.4. Offers From New Demand Resources Below 0.75 Times CONE.** ~~All New Demand~~

(a) All New Demand Resources that might submit offers in the Forward Capacity Auction at prices below 0.75 times CONE must have included such offers in the New Demand Resource Qualification Package in the form of a supply curve (up to five price-quantity pairs) for all prices below 0.75 times CONE. The supply curve may in no case increase the quantity offered as the price decreases. During the Forward Capacity Auction, at each price below 0.75 times CONE, a New Demand Resource may not offer more capacity than submitted in its New Demand Resource Qualification Package (as revised in the composite offer form, if applicable, as described below and in Section III.13.1.5) at that price. Any offer below 0.75 times CONE from a New Demand Resource that was not submitted during qualification will be removed from the Forward Capacity Auction. ~~The Internal Market Monitoring Unit shall review each offer from New Demand Resources below 0.75 times CONE. The Internal Market Monitoring Unit shall determine whether the offer is consistent with the long run average costs of that resource net of expected net revenues for its Demand Reduction Value other than capacity revenues. In estimating expected net revenues other than capacity revenues, the Internal Market Monitoring Unit shall consider whether any contract revenues relied on by the New Demand Resource reasonably represent the market price for the non-capacity products or services provided. If the Internal Market Monitoring Unit determines~~

~~that the offer is not consistent with the long run average costs net of expected net revenues for its Demand~~ For the first Forward Capacity Auction only, where the New Demand Resource is the resource providing capacity for the summer period as part of an offer composed of separate resources, and where a composite offer form is submitted after the New Capacity Qualification Deadline, offers below 0.75 times CONE and supporting documentation from that resource must be submitted with the composite offer form. Such offers and documentation will supersede information regarding offers below 0.75 times CONE and supporting documentation submitted with the New Demand Resource Qualification Package, as described in Section III.13.1.5. A New Demand Resource

that is not part of an offer composed of separate resources may not change offers below 0.75 times CONE or supporting documentation after the New Capacity Qualification Deadline.

- (b) The Internal Market Monitoring Unit shall review each offer from New Demand Resources below 0.75 times CONE. The Internal Market Monitoring Unit shall determine whether the offer is consistent with the long run average costs of that resource net of expected net revenues for its Demand Reduction Value other than capacity revenues. In estimating expected net revenues other than capacity revenues, the Internal Market Monitoring Unit shall consider whether any contract revenues relied on by the New Demand Resource reasonably represent the market price for the non-capacity products or services provided. If the Internal Market Monitoring Unit determines that the offer is not consistent with the long run average costs net of expected net revenues for its Demand

Reduction Value other than capacity revenues, as described above, then the amount of capacity clearing from that offer shall be considered Out-of-Market Capacity for purposes of determining the applicability of the Alternative Capacity Price Rule, as discussed in Section III.13.2.7.8. Sufficient documentation and information must be included in the resource's qualification package (as revised in the composite offer form, if applicable, as described in Sections III.13.1.4.2.4(a) and III.13.1.5) to allow the Internal Market Monitoring Unit to make such a determination. Such documentation should include all relevant financial estimates and cost projections for the project, including the project's pro-forma financing support data. The long run average cost of a New Demand Resource shall be that resource's total cost (including opportunity costs, as appropriate) minus the customer's avoided electric energy charge at the point of delivery, on a levelized, net present value basis over the resource's Measure Life.

#### **III.13.1.4.2.5. Notification of Qualification for Demand Resources.**

**III.13.1.4.2.5.1. Evaluation of Demand Resource Qualification Materials.** The ISO shall review the information submitted by Existing Demand Resources and New Demand 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

Forward Capacity Auction 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 ~~C~~composite O~~ffer F~~orm by the New Capacity Qualification Deadline, except that for the first Forward Capacity Auction only, the deadline for submission of the composite offer form shall be July 2, 2007. 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) 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) of the Capacity Commitment Period, multiple resources may be combined to supply the amount of capacity offered, provided that the resources together meet or exceed the amount of the offer in all months of the winter period.
- (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.
- (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.

- (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 a bid 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 bid must be located in a Capacity Zone that is not export-constrained.
- (f) If a bid is composed of separate resources, and is for capacity in an export-constrained Capacity Zone, then each resource comprising the bid must be located inside of the export-constrained Capacity Zone or be located in any non-export constrained Capacity Zone.
- (g) For the first Forward Capacity Auction only, in the case of an offer composed of separate resources having a New Generating Capacity Resource, New Import Capacity Resource, or New Demand Resource as the resource providing capacity in the summer period, a composite offer form submitted after the New Capacity Qualification Deadline must include all offers below 0.75 times CONE for the resource and complete supporting documentation for those offers, as described in Sections III.13.1.1.2.6, III.13.1.3.5.6.2, and III.13.1.4.2.4(b), as appropriate. Such offers must be in the same form as offers below 0.75 times CONE submitted in the New Capacity Qualification Package, as described in Sections III.13.1.1.2.2.3(a), or the New Demand Resource Qualification Package, as described in Section III.13.1.4.2.4(a), as appropriate. Such offers below 0.75 times CONE and supporting

~~III.13.1.6. Self-Supplied FCA Resources. Where a Project Sponsor elects to designate all or a portion of a New Generating Capacity~~

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~~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 financial assurance 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~~

documentation may be new or different from the offers below 0.75 times CONE and supporting documentation that were provided by the Project Sponsor for that resource in its New Capacity Qualification Package or New Demand Resource Qualification Package. Where a composite offer form is submitted after the New Capacity Qualification Deadline, information regarding offers below 0.75 times CONE and supporting documentation that was submitted with the New Capacity Qualification Package or New Demand Resource Qualification Package will not be considered, and only information regarding offers below 0.75 times CONE and supporting documentation submitted with the composite offer form will be considered. (Even if the offers and documentation are unchanged between the New Capacity Qualification Package or New Demand Resource Qualification Package and the submission of the composite offer form, they must nonetheless be resubmitted with the composite offer form). Offers below 0.75 times CONE that are submitted in the composite offer form are subject to review by the Internal Market Monitoring Unit pursuant to Section III.13.1.1.2.6, Section III.13.1.3.5.6.2, or Section III.13.1.4.2.4(b), as appropriate, and must also include the additional documentation described in those Sections.

**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 financial assurance 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

Capacity Zone, the sum of the quantities offered for all New Generating Capacity Resources, New Import Capacity Resources, and New Demand Resources within the Capacity Zone at the highest price in a round may in no event be greater than the sum of the quantities offered for all New Generating Capacity Resources, New Import Capacity Resources, and New Demand Resources at the lowest price in the previous round. For any offeror, where the sum of the quantities offered for all New Generating Capacity Resources, New Import Capacity Resources, and New Demand Resources within a Capacity Zone is reduced to zero, the offeror's participation in the Forward Capacity Auction within this Capacity Zone is terminated, and the offeror may not offer within this Capacity Zone in subsequent rounds of the auction.

- (v) For a New Generating Capacity Resource, New Import Capacity Resource, or New Demand Resource that submitted an offer at prices below 0.75 times CONE in the New Capacity Qualification Package (as revised in the composite offer form, if applicable, as described in Section III.13.1.5), the amount of capacity offered at each price below 0.75 times CONE in a New Capacity Offer submitted during the Forward Capacity Auction may not exceed the amount of capacity offered at each price below 0.75

times CONE in the New Capacity Qualification Package (as revised in the composite offer form, if applicable, as described in Section III.13.1.5). Such capacity may be subject to the Alternative Capacity Price Rule, as described in Section III.13.2.7.8. A New Generating Capacity Resource, New Import Capacity Resource, or New Demand Resource that did not submit any offer at prices below 0.75 times CONE in the New Capacity Qualification Package (as revised in the composite offer form, if applicable, as described in Section III.13.1.5) may not submit a New Capacity Offer during the Forward Capacity Auction at prices below 0.75 times CONE. The amount of capacity included in each New Capacity Offer at each price shall be included in the aggregate supply curves at that price as described in Section III.13.2.3.3.

- (b) **Bids from Existing Capacity Resources Accepted in Qualification.** Static De-List Bids, Permanent De-List Bids, and Export Bids from Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Resources submitted and accepted in the qualification process (or as directed by the Commission) shall be automatically bid into the appropriate round(s) of the Forward Capacity Auction, such that each such resource's summer Qualified Capacity will be included in the aggregate supply curves as described in Section III.13.2.3.3. until any Static De-List Bid, Permanent De-List Bid, or Export Bid clears in the Forward Capacity

**ATTACHMENT 3**  
**Revised Tariff Sheets**

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<b>III.13.1.4.3.1.3</b>	<b>Measurement and Verification Documentation of Demand Reduction Values .....</b>	<b>7312P</b>
<b>III.13.1.4.3.1.3.1</b>	<b>Incomplete Performance Data to Determine Demand Reduction Values .....</b>	<b>7312P</b>
<b>III.13.1.4.3.1.3.2</b>	<b>ISO Review of Measurement and Verification Documents .....</b>	<b>7312Q</b>
<b>III.13.1.4.3.1.3.3</b>	<b>Measurement and Verification Costs .....</b>	<b>7312R</b>
<b>III.13.1.5</b>	<b>Offers Composed of Separate Resources .....</b>	<b>7312S</b>
<b>III.13.1.6</b>	<b>Self-Supplied FCA Resources.....</b>	<b>7312T.01</b>
<b>III.13.1.6.1</b>	<b>Self-Supplied FCA Resource Eligibility .....</b>	<b>7312U</b>
<b>III.13.1.6.2</b>	<b>Locational Requirement for Self-Supplied FCA Resources .....</b>	<b>7312V</b>
<b>III.13.1.7</b>	<b>Internal Market Monitoring Unit Review of Offers and Bids.....</b>	<b>7312V</b>
<b>III.13.1.8</b>	<b>Publication of Offer and Bid Information .....</b>	<b>7312W</b>
<b>III.13.1.9</b>	<b>Financial Assurance .....</b>	<b>7312X</b>
<b>III.13.1.9.1</b>	<b>Financial Assurance for New Generating Capacity Resources and New Demand Resources Participating in the Forward Capacity Auction.....</b>	<b>7312X</b>
<b>III.13.1.9.2</b>	<b>Financial Assurance for New Generating Capacity Resources and New Demand Resources Clearing in a Forward Capacity Auction.....</b>	<b>7312Y</b>
<b>III.13.1.9.2.1</b>	<b>Failure to Provide Financial Assurance or to Meet Milestone.....</b>	<b>7312Y</b>
<b>III.13.1.9.2.2</b>	<b>Release of Financial Assurance.....</b>	<b>7312Z</b>
<b>III.13.1.9.2.2.1</b>	<b>Release of Financial Assurance for New Demand Resources On-line Prior to the Relevant Capacity Commitment Period.....</b>	<b>7313</b>
<b>III.13.1.9.2.3</b>	<b>Forfeit of Financial Assurance .....</b>	<b>7313A</b>
<b>III.13.1.9.2.4</b>	<b>Financial Assurance for New Import Capacity Resources.....</b>	<b>7313A</b>
<b>III.13.1.9.3</b>	<b>Qualification Process Cost Reimbursement Deposit .....</b>	<b>7313A</b>

the quantity offered as the price decreases. Offers from New Generating Capacity Resources below 0.75 times CONE are subject to review by the Internal Market Monitoring Unit pursuant to Section III.13.1.1.2.6 and must include the additional documentation described in that Section. During the Forward Capacity Auction, at each price below 0.75 times CONE, a New Generating Capacity Resource may not offer more capacity than submitted in its New Capacity Qualification Package (as revised in the composite offer form, if applicable, as described below and in Section III.13.1.5) at that price. Any offer below 0.75 times CONE from a New Generating Capacity Resource that was not submitted in the New Capacity Qualification Package (as revised in the composite offer form, if applicable, as described below and in Section III.13.1.5) will be removed from the Forward Capacity Auction. For the first Forward Capacity Auction only, where the New Generating Capacity Resource is the resource providing capacity for the summer period as part of an offer composed of separate resources, and where a composite offer form is submitted after the New Capacity Qualification Deadline, offers below 0.75 times CONE and supporting

documentation from that resource must be submitted with the composite offer form. Such offers and documentation will supersede information regarding offers below 0.75 times CONE and supporting documentation submitted with the New Capacity Qualification Package, as described in Section III.13.1.5. A New Generating Capacity Resource that is not part of an offer composed of separate resources may not change offers below 0.75 times CONE or supporting documentation after the New Capacity Qualification Deadline.

Unit shall determine whether the offer is consistent with the long run average costs of that resource net of expected net revenues other than capacity revenues. In estimating expected net revenue from other markets, the Internal Market Monitoring Unit shall consider whether any contract revenues relied on by the New Generating Capacity Resource reasonably represent the market price for the non-capacity products or services provided. If the Internal Market Monitoring Unit determines that the offer is not consistent with the long run average costs net of expected net revenues other than capacity revenues, as described above, then the amount of capacity clearing from that offer shall be considered Out-of-Market Capacity for purposes of determining the applicability of the Alternative Capacity Price Rule, as discussed in Section III.13.2.7.8. Sufficient documentation and information must be included in the resource's qualification package (as revised in the composite offer form, if applicable, as described in Sections III.13.1.1.2.2.3(a) and III.13.1.5) to allow the Internal Market Monitoring Unit to make such a determination. Such documentation should include all relevant financial estimates and cost projections for the project, including the project's pro-forma financing support data.

**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

**Resources.** The provisions regarding review by the Internal Market Monitoring Unit (Section III.13.1.1.2.6) shall not apply, and offers from New Import Capacity Resources shall instead be reviewed by the Internal Market Monitoring Unit as follows:

**III.13.1.3.5.6.1. Offers from Import Capacity**

**Generally.** The Internal Market Monitoring Unit shall review each offer from Existing Import Capacity Resources and New Import Capacity Resources. An offer from an Existing Import Capacity Resource or a New Import Capacity Resource shall be rejected if the Internal Market Monitoring Unit determines that the bid is an attempt to manipulate the Forward Capacity Auction.

**III.13.1.3.5.6.2. Offers from New Import Capacity Resources Below 0.75 Times CONE.**

The Internal Market Monitoring Unit shall review each offer from a New Import Capacity Resource below 0.75 times CONE to determine whether the offer is consistent with the opportunity cost of that New Import Capacity Resource, and sufficient documentation and information must be included in the resource's New Capacity Qualification Package (as revised in the composite offer form, if applicable, as described in Sections III.13.1.1.2.2.3(a) and III.13.1.5) to allow the Internal Market Monitoring Unit to make such a determination. If the new import is

and Capacity Clearing Price continue to apply.

**III.13.1.4.2.3. Consistency of the New Demand Resource Qualification Package and New Demand Resource Show of Interest Form.**

The ISO shall review the Project Sponsor's New Demand Resource Qualification Package for consistency with its New Demand Resource Show of Interest Form. The New Demand Resource Qualification Package may not contain material changes relative to the New Demand 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 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; (iv) a change in the total 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); (vi) a change in the treatment as an Existing Demand Resource for the first Forward Capacity Auction; or (viii) a misrepresentation of the interconnection status of a Distributed Generation project.

**III.13.1.4.2.4. Offers From New Demand Resources Below 0.75 Times CONE.**

- (a) All New Demand Resources that might submit offers in the Forward Capacity Auction at prices below 0.75 times CONE must have included such offers in the New Demand Resource Qualification Package in the form of a supply curve (up to five price-quantity pairs) for all prices below 0.75 times CONE. The supply curve may in no case increase the quantity offered as the price decreases. During the Forward Capacity Auction, at each price below 0.75 times CONE, a New Demand Resource may not offer more capacity than submitted in its New Demand Resource Qualification Package (as revised in the composite offer form, if applicable, as described below and in Section III.13.1.5) at that price. Any offer below 0.75 times CONE from a New Demand Resource that was not submitted during qualification will be removed from the Forward Capacity Auction. For the first Forward Capacity Auction only, where the New Demand Resource is the resource providing capacity for the summer period as part of an offer composed of separate resources, and where a composite offer form is submitted after the New Capacity Qualification Deadline, offers below 0.75 times CONE and supporting documentation from that resource must be submitted with the composite offer form. Such offers and documentation will supersede information regarding offers below 0.75 times CONE and supporting documentation submitted with the New Demand Resource Qualification Package, as described in Section III.13.1.5. A New Demand Resource

that is not part of an offer composed of separate resources may not change offers below 0.75 times CONE or supporting documentation after the New Capacity Qualification Deadline.

- (b) The Internal Market Monitoring Unit shall review each offer from New Demand Resources below 0.75 times CONE. The Internal Market Monitoring Unit shall determine whether the offer is consistent with the long run average costs of that resource net of expected net revenues for its Demand Reduction Value other than capacity revenues. In estimating expected net revenues other than capacity revenues, the Internal Market Monitoring Unit shall consider whether any contract revenues relied on by the New Demand Resource reasonably represent the market price for the non-capacity products or services provided. If the Internal Market Monitoring Unit determines that the offer is not consistent with the long run average costs net of expected net revenues for its Demand

Reduction Value other than capacity revenues, as described above, then the amount of capacity clearing from that offer shall be considered Out-of-Market Capacity for purposes of determining the applicability of the Alternative Capacity Price Rule, as discussed in Section III.13.2.7.8. Sufficient documentation and information must be included in the resource's qualification package (as revised in the composite offer form, if applicable, as described in Sections III.13.1.4.2.4(a) and III.13.1.5) to allow the Internal Market Monitoring Unit to make such a determination. Such documentation should include all relevant financial estimates and cost projections for the project, including the project's pro-forma financing support data. The long run average cost of a New Demand Resource shall be that resource's total cost (including opportunity costs, as appropriate) minus the customer's avoided electric energy charge at the point of delivery, on a levelized, net present value basis over the resource's Measure Life.

#### **III.13.1.4.2.5. Notification of Qualification for Demand Resources.**

**III.13.1.4.2.5.1. Evaluation of Demand Resource Qualification Materials.** The ISO shall review the information submitted by Existing Demand Resources and New Demand 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

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Forward Capacity Auction 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 by the New Capacity Qualification Deadline, except that for the first Forward Capacity Auction only, the deadline for submission of the composite offer form shall be July 2, 2007. 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) 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) of the Capacity Commitment Period, multiple resources may be combined to supply the amount of capacity offered, provided that the resources together meet or exceed the amount of the offer in all months of the winter period.
- (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.
- (c) The summer Qualified Capacity of an offer composed of separate resources shall be the summer Qualified Capacity

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of the single resource that will provide the Capacity Supply Obligation during the summer period.

- (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 a bid 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 bid must be located in a Capacity Zone that is not export-constrained.
- (f) If a bid is composed of separate resources, and is for capacity in an export-constrained Capacity Zone, then each resource comprising the bid must be located inside of the export-constrained Capacity Zone or be located in any non-export constrained Capacity Zone.
- (g) For the first Forward Capacity Auction only, in the case of an offer composed of separate resources having a New Generating Capacity Resource, New Import Capacity Resource, or New Demand Resource as the resource providing capacity in the summer period, a composite offer form submitted after the New Capacity Qualification Deadline must include all offers below 0.75 times CONE for the resource and complete supporting documentation for those offers, as described in Sections III.13.1.1.2.6, III.13.1.3.5.6.2, and III.13.1.4.2.4(b), as appropriate. Such offers must be in the same form as offers below 0.75 times CONE submitted in the New Capacity Qualification Package, as described in Sections III.13.1.1.2.2.3(a), or the New Demand Resource Qualification Package, as described in Section III.13.1.4.2.4(a), as appropriate. Such offers below 0.75 times CONE and supporting

documentation may be new or different from the offers below 0.75 times CONE and supporting documentation that were provided by the Project Sponsor for that resource in its New Capacity Qualification Package or New Demand Resource Qualification Package. Where a composite offer form is submitted after the New Capacity Qualification Deadline, information regarding offers below 0.75 times CONE and supporting documentation that was submitted with the New Capacity Qualification Package or New Demand Resource Qualification Package will not be considered, and only information regarding offers below 0.75 times CONE and supporting documentation submitted with the composite offer form will be considered. (Even if the offers and documentation are unchanged between the New Capacity Qualification Package or New Demand Resource Qualification Package and the submission of the composite offer form, they must nonetheless be resubmitted with the composite offer form). Offers below 0.75 times CONE that are submitted in the composite offer form are subject to review by the Internal Market Monitoring Unit pursuant to Section III.13.1.1.2.6, Section III.13.1.3.5.6.2, or Section III.13.1.4.2.4(b), as appropriate, and must also include the additional documentation described in those Sections.

**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 financial assurance 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

Capacity Zone, the sum of the quantities offered for all New Generating Capacity Resources, New Import Capacity Resources, and New Demand Resources within the Capacity Zone at the highest price in a round may in no event be greater than the sum of the quantities offered for all New Generating Capacity Resources, New Import Capacity Resources, and New Demand Resources at the lowest price in the previous round. For any offeror, where the sum of the quantities offered for all New Generating Capacity Resources, New Import Capacity Resources, and New Demand Resources within a Capacity Zone is reduced to zero, the offeror's participation in the Forward Capacity Auction within this Capacity Zone is terminated, and the offeror may not offer within this Capacity Zone in subsequent rounds of the auction.

- (v) For a New Generating Capacity Resource, New Import Capacity Resource, or New Demand Resource that submitted an offer at prices below 0.75 times CONE in the New Capacity Qualification Package (as revised in the composite offer form, if applicable, as described in Section III.13.1.5), the amount of capacity offered at each price below 0.75 times CONE in a New Capacity Offer submitted during the Forward Capacity Auction may not exceed the amount of capacity offered at each price below 0.75

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times CONE in the New Capacity Qualification Package (as revised in the composite offer form, if applicable, as described in Section III.13.1.5). Such capacity may be subject to the Alternative Capacity Price Rule, as described in Section III.13.2.7.8. A New Generating Capacity Resource, New Import Capacity Resource, or New Demand Resource that did not submit any offer at prices below 0.75 times CONE in the New Capacity Qualification Package (as revised in the composite offer form, if applicable, as described in Section III.13.1.5) may not submit a New Capacity Offer during the Forward Capacity Auction at prices below 0.75 times CONE. The amount of capacity included in each New Capacity Offer at each price shall be included in the aggregate supply curves at that price as described in Section III.13.2.3.3.

- (b) **Bids from Existing Capacity Resources Accepted in Qualification.** Static De-List Bids, Permanent De-List Bids, and Export Bids from Existing Generating Capacity Resources, Existing Import Capacity Resources, and Existing Demand Resources submitted and accepted in the qualification process (or as directed by the Commission) shall be automatically bid into the appropriate round(s) of the Forward Capacity Auction, such that each such resource's summer Qualified Capacity will be included in the aggregate supply curves as described in Section III.13.2.3.3. until any Static De-List Bid, Permanent De-List Bid, or Export Bid clears in the Forward Capacity

**ATTACHMENT 4**

**List of Governors and Utility Regulatory Agencies**

## LIST OF NEW ENGLAND GOVERNORS AND UTILITY REGULATORY AGENCIES

The Honorable M. Jodi Rell  
State Capitol  
210 Capitol Ave.  
Hartford, CT 06106

Connecticut Dept. of Public Utility Control  
10 Franklin Square  
New Britain, CT 06051-2605

Maine Public Utilities Commission  
State House, Station 18  
242 State Street  
Augusta, ME 04333.0018

The Honorable John E. Baldacci  
One State House Station  
Rm. 236  
Augusta, ME 04333.0001

The Honorable Deval Patrick  
Office of the Governor  
Rm. 360 State House  
Boston, MA 02133

Massachusetts Dept. of Public Utilities  
One South Station  
Boston, MA 02110

The Honorable John H. Lynch  
State House  
25 Capitol Street  
Concord, NH 03301

New Hampshire Public Utilities Commission  
21 South Fruit Street  
Ste. 10  
Concord, NH 03301.2429

The Honorable Donald L. Carcieri  
State House Room 115  
Providence, RI 02903

Rhode Island Public Utilities Commission  
89 Jefferson Blvd.  
Warwick, RI 02888

The Honorable James H. Douglas  
109 State Street, Pavilion  
Montpelier, VT 05609

Vermont Public Service Board  
112 State Street, Drawer 20  
Montpelier, VT 05620.2701

Anne C. George, President  
New England Conference of Public  
Utilities  
Commissioners, Inc.  
c/o Connecticut Dept. of Public  
Utility Control  
10 Franklin Square

Harvey L. Reiter, Esq.  
Counsel for New England Conference  
Of Public Utilities Commissioners,  
Inc.  
c/o Stinson Morrison Hecker LLP  
1150 18<sup>th</sup> Street, N.W., Ste. 800


William M. Nugent  
Executive Director  
New England Conference of Public Utilities  
Commissioners, Inc.  
500 U.S. Route 1, Ste. 21C  
Yarmouth, ME 04096

Power Planning Committee  
New England Governors' Conference Inc.  
76 Summer Street, 2<sup>nd</sup> floor  
Boston, MA 02110.1226

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## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the forgoing document and attachments upon the Governance Participants and each person identified in Attachment 3 of the attached transmittal letter, in the manner specified in the transmittal letter. Dated at Washington, DC this 25th day of May, 2007.

  
Sherry A. Quirk

May 25, 2007

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