

ISO news

For Customers of
ISO New England

May 14, 2010
Issue 188

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Please address inquiries to:
MkTraining@iso-ne.com

Financial Assurance Changes for June 1, 2010 are Announced

Changes to the Financial Assurance Policy (FAP) associated with the Forward Capacity Market (FCM) will be effective June 1, 2010, subject to approval by the Federal Energy Regulatory Commission (FERC). Also effective on the same date are changes to the consequences of a bank's failure to pay on letters of credit. All of these changes are detailed in filing [ER10-942-000](#). The FAP is contained in Section I, General Terms and Conditions, of the [Transmission, Markets, & Services Tariff](#), which is available on the ISO New England Web site. The tariff changes fall into the categories detailed below.

- *Clarifying that the entity responsible for financial assurance in the FCM is the Lead Market Participant for a resource*

The revised FAP will clarify that a Designated FCM Participant is the Lead Market Participant for a resource transacting in any Forward Capacity Auction, Reconfiguration Auction, or Capacity Supply Obligation (CSO) Bilateral. In addition, language has been added to provide that if the Lead Market Participant for a resource changes, then the new Lead Market Participant for the resource will become the Designated FCM Participant and, accordingly, will be required to provide the financial assurance required for the FCM.

- *Modifying the calculation of financial assurance requirements for Capacity Charges in the FCM*

The current *Load Serving Entity (LSE) Capacity Charge Requirement* will be replaced with the *FCM Capacity Charge Requirement*. The new calculation is the product of the Estimated Capacity Load Obligation multiplied by the Estimated Net Regional Clearing Price ("ENRCP") for the applicable Capacity Zone. The use of this new calculation for FCM Capacity Charge Requirements will produce a more precise estimate of ISO New England's default exposure for capacity charges throughout the month, which in turn will allow the proper collateralization of those charges.

• *Continued on next page*

Get Ready for Changes to the Forward Reserve Market

Changes that affect the assignment of resources for the Forward Reserve Market (FRM) will become effective June 1, 2010, with the opening of the Forward Capacity Market (FCM). The changes were detailed in joint ISO New England and NEPOOL filing in docket [ER09-1766-000](#), which was accepted by the Federal Energy Regulatory Commission (FERC) in December 2009. The changes focus on the eligibility of a resource to participate in the FRM and on the timing for submitting a Forward Reserve Obligation assignment.

• *Continued on page 3*

Financial Assurance Changes for June 1, 2010 Are Announced...*Continued from page 1*

- *Conforming the suspension provisions for Non-Municipal Market Participants with respect to certain bilateral transactions*
The revised FAP will detail that when a Non-Municipal Market Participant has provided the financial assurance required for a CSO Bilateral, then that CSO Bilateral will not be deemed terminated if that Non-Municipal Market Participant is suspended.
- *Amending the financial assurance provisions related to termination of a CSO in the FCM*
This change addresses current inconsistencies between the FAP and Section III - Market Rule 1 of the Transmission, Markets & Services Tariff related to termination by conforming FAP language to that of Market Rule 1. Pursuant to the amended language in the FAP, ISO New England will draw down the financial assurance provided by the Designated FCM Participant if a CSO is terminated under Market Rule 1. Also, new language is being added to the FAP to state that if the Designated FCM Participant has not provided enough financial assurance to cover the amount due by such Designated FCM Participant with respect to the Non-Commercial Capacity being terminated under Market Rule 1 (or that would have been due but for the Designated FCM Participant's positive Credit Limit), then ISO New England will issue an invoice to the Designated FCM Participant for that amount.
- *Making additional clean-up changes related to FCM*
 - Replacing the term *Bilateral Transaction* with *Capacity Supply Obligation (CSO) Bilateral*
 - Deleting language related to Installed Capability Transactions, which will no longer exist after June 1, 2010
 - Making non-substantive clean-up changes to the provision that if only a portion of a resource is declared commercial, then the Designated FCM Participant is still required to include an amount attributable to any remaining Non-Commercial Capacity in the calculation of its financial assurance requirement
- *Establishing consequences for a bank's failure to honor one or more letters of credit issued or confirmed in favor of ISO New England*

If a bank fails to honor one or more letters of credit, ISO New England will issue a notice of such failure to the NEPOOL Budget and Finance Subcommittee, all members and alternates of the Participants Committee, the New England governors and utility regulatory agencies, and the billing and credit contacts for all Market Participants. Further, if a bank fails to honor either the terms of one letter of credit twice or the terms of two letters of credit in a rolling 730-day period, then the bank will no longer be eligible to issue or confirm letters of credit in favor of ISO New England and any letters of credit already issued or confirmed by such bank in favor of ISO New England will not be renewed.

The Web-based training module entitled *Financial Assurance for the Forward Capacity Market* has been revised for the June 1 FAP changes and is available now from the [Financial Assurance](#) training materials area on the ISO New England Web site. If you have questions on the Financial Assurance changes described above, contact Customer Support at 413-540-4220 or custserv@iso-ne.com. ●●●

Forward Capacity Market Dates to Remember

Listed by Capacity Commitment Period

2013-2014

August 2, 2010 Forward Capacity Auction begins

2014-2015

March 15 - May 14, 2010 Show of Interest window open

Note: The above are listed as a courtesy and not inclusive of all Forward Capacity Market dates. Refer to Section III.13 of the Transmission, Markets & Services Tariff and ISO New England Manuals M-20: Installed Capacity and M-MVDR: Measurement and Verification of Demand Reduction Value from Demand Resources for complete Forward Capacity Market details or call ISO New England Customer Support at (413) 540-4220.

Get Ready for Changes to Forward Reserve Market...*Continued from page 1*

Resources are not required to have a capacity supply obligation (CSO) in order to be assigned an FRM obligation. A Market Participant must offer into the real-time energy market the portion of its resource's capability to which a Forward Reserve Obligation has been assigned at or above the Forward Reserve Threshold Price. A Market Participant that assigns a resource to a Forward Reserve Obligation for capability that is not subject to a CSO must make that resource subject to ISO New England's dispatch instructions during the entire operating day. A Market Participant may not use a resource's capability that is assigned to provide Forward Reserves to support an external transaction sale during that operating day.

Effective with the implementation of the FCM on June 1, a Market Participant must complete the assignment of a resource to their Forward Reserve Obligations prior to the close of the re-offer period (i.e., 18:00 / 6:00 p.m.) the day before the operating day. For example, for June 1, 2010, the assignment must be completed on May 31 by 18:00 (6:00 p.m.). The revised Web-based training module, [Forward Reserve Market Asset Assignment User Interface](#), was posted to the ISO New England Web site on May 3, 2010, and contains this submission time change for assignments for June 1, 2010, and after.

If you have questions on changes that affect the Forward Reserve Market as a result of the June 1, 2010 implementation of the Forward Capacity Market, contact Customer Support at 413-540-4220 or custserv@iso-ne.com.●●●

Morning Report and Seven Day Forecast Updated for the Forward Capacity Market

Certain new operational data pertaining to the Forward Capacity Market will be available June 1, 2010, on the ISO New England Web site in the [Morning Report](#) and [Seven Day Forecast](#).

The modifications to the Morning Report will be minimal and are listed below. Explanations of the changes will be provided in detail on June 1, 2010, in the Web-based "Morning Report Explained" report. Specifically, the title and data in two lines of Section 3, *Operating Capacity Analysis*, will change.

- The title of line 3.A will change to *Total Capacity Supply Obligation (CSO)*. The data displayed will be the sum of the CSO megawatts for all internal ISO New England generating resources.
- The title of line 3.B will change to *Capacity Additions EcoMax Bid > CSO*. The data displayed on this line will be the sum of the positive differences between generators' Economic Maximum Limit (EcoMax) bid for the peak hour and their CSO value.

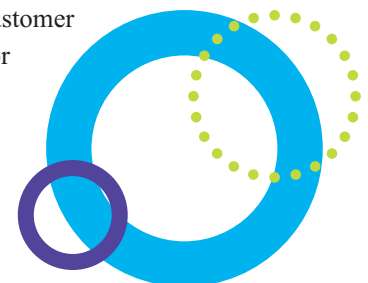
Changes to the Seven Day Forecast are more extensive, and details will be available in the Web-based "Seven-Day Forecast Explained" report on June 1, 2010. In summary:

- The data row titled *De-Listed Capacity Included in Total* will be removed.
- The current data row titled *Total Installed Capacity* will change to *Total Capacity Supply Obligation*. The data will be the sum of CSO values of internal ISO New England

generating resources for the relevant month. It replaces the sum of Seasonal Claimed Capabilities for internal generating resources. A new data row titled *Anticipated De-list MW Offered* will be added. This new data row will represent the portion of generator(s) not subject to a CSO but anticipated to be offered into the energy markets. The values displayed will be based on historical trends.

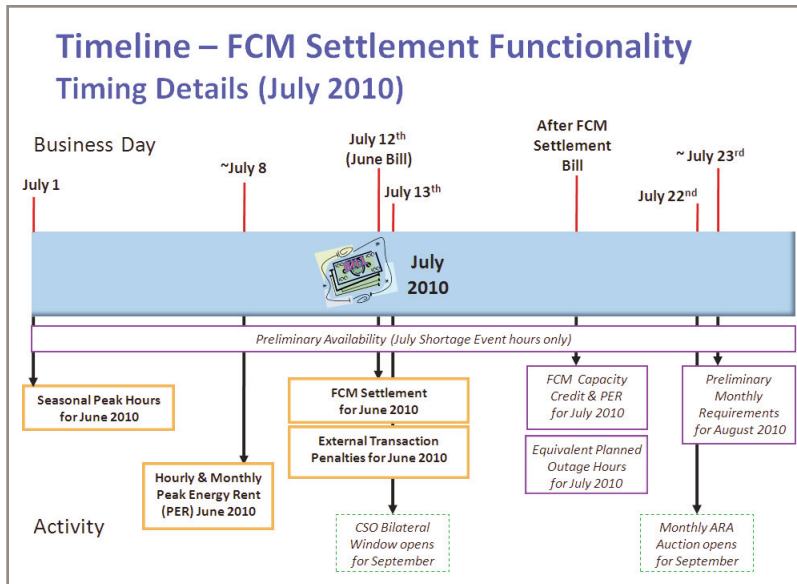
- The data calculation in the row titled *Total Generation Available* will be changed to include CSO values.
- Two new data rows titled *Available Real-Time Demand Response* and *Available Real-Time Emergency Generation* will also be added. The values in these rows will represent the available relief that can be obtained from Real-Time Demand Response Resources and Real-Time Emergency Generation Resources with CSOs.

An updated [Acquiring Operational Data](#) document is now available on the ISO New England Web site and includes details about all the changes listed above. If you have questions about the upcoming changes to the Morning Report or Seven-Day Forecast report, contact Customer Support at 413-540-4220 or custserv@iso-ne.com.●●●



First Forward Capacity Market Obligation... *Continued from page 4*

The remaining MIS settlement reports, including FCM performance adjustments and charges, will be released no later than July 12, 2010.



ISO News issues 185, 186, and 187 have detailed many of the FCM-related settlement specific reports. Past issues of the ISO News are available from the ISO New England Web site under [News & Issues > ISO Newsletters > ISO News](#).

If you have questions about MIS reports related to the initial June 2010 FCM settlement or any MIS report, contact Customer Support at 413-540-4220 or custserv@iso-ne.com. ●●●

New Process Announced for Submittal of Real-Time High Operating Limit Values

Submission of Real-Time High Operating Limit (RTHOL) values by the Lead Participant for any resource for which a Market Participant is submitting an Economic Maximum Limit (EcoMax) value to ISO New England will be a requirement after the Federal Regulatory Energy Commission (FERC) approves implementation of the RTHOL in Section III – Market Rule 1 of the ISO New England Transmission, Markets & Services Tariff.

In anticipation of FERC approval and for the June 1, 2010 operating day, ISO New England requests that on May 31, 2010, Lead Participants submit RTHOL data values using the new *Real-Time High Operating Limit Submittal Form* only when there are

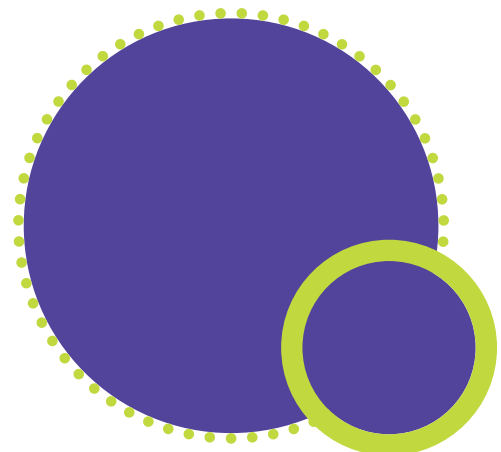
megawatts (MW) available above the EcoMax offer data for the relevant date and hour. In other words, if the Lead Participant has offered in EcoMax values that represent the physical capability of the generator, no form submittal is needed.

Until the eMarket user interface is modified to allow for electronic submission of RTHOL information, Lead Participants can submit hourly RTHOL values by e-mail using the RTHOL form which is posted on the ISO New England Web site under [Generation & Resources > Real-Time Operating Limit](#). Instructions for submittal of RTHOL values are included with the form.

The revised Manual 11 - Market Operations, Section 2.5.3 that will be effective with the implementation of the Forward Capacity Market defines RTHOL as the maximum available output, in MW, of a resource during non-emergency conditions, for each hour of the operating day as reflected in the resource's offer data. The value represents the highest output the resource can attain based on real-time operating conditions, the physical operating characteristics, and operating permits.

As a reliability limit, RTHOL will be displayed only to ISO New England Operations department and RTHOL will not be used by the unit dispatch system (UDS) energy/reserve co-optimization system or in the settlement of the day-ahead or real-time markets.

If you have questions about the submittal process of Real-Time High Operating Limit values for the June 1, 2010, operating day, contact Customer Support at 413-540-4220 or custserv@iso-ne.com. ●●●



Register Now...Continued from page 4

REGISTER NOW!

WEM Training Classes Begin in June

WEM 301 -- Advanced Wholesale Electricity Market

November 16-17, 2010
Hotel Northampton, Northampton, MA
[Register Now](#)

This two-day course provides an advanced treatment of energy market topics including Locational Marginal Pricing (LMP), energy reserve co-optimization in real time, and Financial Transmission Rights (FTRs). Unlike WEM 201, this course concentrates on the mathematical models used in market clearing and power system control, and is intended primarily for analysts, modelers, and traders. Others who want to understand how different models and technical solutions can affect business and policy decisions may also benefit from this 300-level course. Prior attendance at WEM 201, *Intermediate Wholesale Electricity Markets*, or significant experience in the energy market is recommended. Though not required, knowledge of basic calculus, optimization, and power engineering is helpful.

For a list of remaining 2010 training sessions, refer to the [Course Schedule](#) on the ISO New England Web site.

Reminder: By subscribing to the ISO Training list, you will receive prompt notification of any new market training events as they are announced. [Join now!](#)

If you have any questions regarding any of the information above, e-mail the Market Training Team at MkTraining@iso-ne.com. ●●●

Daily Offer Threshold Price in the Forward Capacity Market

Beginning June 1, 2010, an Import Capacity Resource with a Capacity Supply Obligation (CSO) must offer a megawatt amount equal to their CSO into the day-ahead and real-time energy markets as one or more external transactions for every hour of each operating day.

The external transaction(s) must be offered at the external interface where the Import Capacity Resource cleared in the Forward Capacity Auction. If the external transaction is price-based, the energy must be offered each hour at or below the greater of:

- the offer threshold for the operating day;
- the offer threshold determined for the prior operating day; and
- for any priced external transactions from the New York Control Area, the corresponding hourly day-ahead New York ISO location-based marginal price at the source interface.

If the energy is not offered according to the requirements of the ISO New England [Transmission, Markets & Services Tariff](#), Section III.13.7.2.7.2, the Import Capacity Resource is subject to availability penalties.

Starting on May 25, 2010, ISO New England will publish the daily offer threshold price by no later than 10:00 a.m. for the operating day. There will be only one threshold price per operating day that will apply to all interfaces. Information about downloading the daily offer threshold price can be found in the Acquiring Operational Data document posted on the ISO New England Web site under [Support > Data Retrieval](#).

Details about Forward Capacity Market competitive import requirements can be found on the ISO New England Web site in the filing ([ER10-902-000](#)) ISO New England and NEPOOL made to the Federal Energy Regulatory Commission on March 17, 2010.

