

# Capacity Auction Reforms (CAR) Proposal Information

This document summarizes where content related to CAR proposal workstreams is captured in presentation material across the NEPOOL Technical Committees and the NEPOOL Budget & Finance Subcommittee. It also summarizes areas of additional interest raised by committee stakeholders on a given subject. The workstreams captured include:

- CAR – Deactivation Design Material
- CAR – Prompt Design Material
- CAR – Seasonal/ Accreditation Key Directional Design Decisions

Last Update: March 7, 2025

## **CAR – Deactivation Design Material**

Content	Summary	More Detailed Information	Additional Stakeholder Topics of Interest
Design Objectives	Objective 1 - Efficient deactivation decisions Objective 2 - Cost-effective deactivation response Objective 3 - Simplicity	January 2025 MC <ul style="list-style-type: none"> <li>• <a href="#">Slides 9-14</a> (objectives guiding design)</li> </ul>	-
Notification Timeline	The proposed notification deadline is 2 years ahead of the start of a Capacity Commitment Period (CCP).	January 2025 MC <ul style="list-style-type: none"> <li>• <a href="#">Slides 15-20</a> (rationale for 2 years ahead of CCP)</li> </ul> February 2025 MC <ul style="list-style-type: none"> <li>• <a href="#">Slides 4-5</a> (further rationale for 2 years ahead of CCP)</li> <li>• <a href="#">Slides 6-7</a> (how the notification timeline allows for a market response)</li> </ul>	<ul style="list-style-type: none"> <li>• Additional rationale for using a longer notification timeframe than other regions like NYISO and MISO</li> <li>• Considerations for shortening the two-year lead time: non-wire solutions, SATOAs</li> </ul>
Notification Submissions	All resources will utilize the same deactivation process and notification submissions will be binding.	February 2025 MC <ul style="list-style-type: none"> <li>• <a href="#">Slides 10-14</a> (design introduction)</li> </ul> March 2025 MC <ul style="list-style-type: none"> <li>• <a href="#">Page 9, Repowering in the ISO Interconnection Procedures and the FCM, and Considerations related to Capacity Auction Reforms</a> memo (repowering vs. deactivation)</li> </ul>	<ul style="list-style-type: none"> <li>• Deactivation under scenarios such as: mothball and future return to service provisions</li> <li>• Deactivation details such as: early deactivations (e.g., use of reconfiguration auctions or bilaterals to trade-out of obligations and deactivate earlier), treatment of incurred costs and performance</li> </ul>

			<p>obligations for deactivating resources (between notification and deactivation date)</p> <ul style="list-style-type: none"> <li>• Considerations for emergency deactivation (e.g. catastrophic resource failure that did not submit a deactivation notice), withdrawing notice prior to deactivation (e.g. dramatic change in market conditions), a non-binding intent to deactivate option, ability to adjust the requested deactivation date</li> <li>• Deactivation interactions with other processes such as interconnection studies</li> </ul>
Information Release	The ISO will publicly release all submitted deactivations within 10 business days following a notification deadline.	<p>February 2025 MC</p> <ul style="list-style-type: none"> <li>• <a href="#">Slides 18-19</a> (design introduction)</li> </ul>	-
Resource MW Reductions (CNRC, NRC, QC)	Deactivations will reduce the MW capability for the submitting resource on its deactivation date.	<p>February 2025 MC</p> <ul style="list-style-type: none"> <li>• <a href="#">Slides 20-21</a> (design introduction)</li> </ul> <p>March 2025 MC</p> <ul style="list-style-type: none"> <li>• <a href="#">Slide 6</a> (clarify CNR/NR adjustments for partial deactivations)</li> </ul>	<ul style="list-style-type: none"> <li>• Deactivation impacts by resource types such as partial deactivation for resources with seasonal values, import interconnection rights</li> <li>• Details on the timing and triggers of interconnection service termination</li> </ul>
Reliability Reviews	The ISO will analyze deactivations for local transmission security within 90 days from the deactivation submission deadline.	<p>March 2025 MC</p> <ul style="list-style-type: none"> <li>• <a href="#">Slides 4-7</a> (design detail)</li> </ul>	-
Market Power Assessment (MPA) and Mitigation	<p>Elements of the proposed MPA and mitigation process include:</p> <p>Cost workbook – Collect a deactivating resource’s future costs, expected revenues, and market assumptions to evaluate the resource’s economic situation</p>	<p>March 2025 MC</p> <ul style="list-style-type: none"> <li>• <a href="#">Slides 9-11</a> (overview and comparison with FCA framework)</li> <li>• <a href="#">Slides 13-17</a> (need for MPA and mitigation)</li> <li>• <a href="#">Slides 19-23</a> (process overview)</li> <li>• <a href="#">Slides 25-28</a> (cost workbook introduction)</li> <li>• <a href="#">Slides 30-34</a> (conduct test introduction)</li> </ul>	-

	<p>Conduct test - Analyze the cost workbook to determine whether the deactivation is consistent with the resource's economics</p> <p>Net portfolio benefit (NPB) test - If the resource is determined in the conduct test to be profitable beyond the deactivation date, assess the NPB for the participant from deactivating it</p> <p>Mitigation - If there are positive NPB, assess a Market Power Charge (MPC) and file with FERC</p>	<ul style="list-style-type: none"> <li>• <a href="#">Slides 36-40</a> (NPB test introduction)</li> <li>• <a href="#">Slides 42-46</a> (mitigation introduction)</li> <li>• <a href="#">Slides 55-56</a> (conduct test examples)</li> <li>• <a href="#">Slides 57-64</a> (NPB test example)</li> </ul>	
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**CAR – Prompt Design Material**

Content	Summary	More Detailed Information	Additional Stakeholder Topics of Interest
Auction Design & Structure	The capacity auction will take place shortly before the capacity commitment period, reflecting more accurate information about projected electricity supply and demand. The auction structure will use a sealed bid format.	March 2025 MC <ul style="list-style-type: none"> <li>• <a href="#">Slides 10-15</a> (prompt capacity market overview)</li> <li>• <a href="#">Slides 17-20</a> (sealed bid format)</li> <li>• <a href="#">Pages 1-12, Repowering in the ISO Interconnection Procedures and the FCM, and Considerations related to Capacity Auction Reforms</a> memo</li> </ul>	-
Treatment of Capacity that is not yet In Service	To effectively and directly address market and reliability concerns related with phantom capacity, resources will have to demonstrate that they are in service ahead of the auction before they can sell capacity.	March 2025 <ul style="list-style-type: none"> <li>• <a href="#">Slides 22-25</a> (design introduction)</li> </ul>	-
Competitive Offer and Price Formation	<p>A resource’s competitive capacity offer price should consider the incremental costs associated with taking on a CSO.</p> <p>The capacity clearing price is set at the intersection of the capacity supply and demand curves. The demand curve is derived using capacity’s MRI-based reliability value. The supply curve is determined by competitively priced supply offers.</p>	March 2025 <ul style="list-style-type: none"> <li>• <a href="#">Slides 27-39</a> (offer formation, includes derivation of competitive offer price examples)</li> <li>• <a href="#">Slides 41-53</a> (price formation, includes discussion on the role of price expectations in investment decisions)</li> </ul>	-
Activity Schedule	Key dates and deadlines associated with the prompt auction.	March 2025 MC <ul style="list-style-type: none"> <li>• <a href="#">Slide 8-9</a> (overview)</li> </ul>	-

**CAR-Seasonal, Accreditation (CAR-SA) Key Directional Design Decisions**

Content	Summary	More Detailed Information	Additional Stakeholder Topics of Interest
Sequential Auction Framework	For CCP 19, the capacity auction for each season will be conducted independently (i.e., sequentially). Participants will submit auction parameters for a single season that is then run ahead of that season.	October 2024 MC <ul style="list-style-type: none"> <li>• <a href="#">Slides 15-16</a> (rationale)</li> </ul> November 2024 MC <ul style="list-style-type: none"> <li>• <a href="#">Slides 5-14</a> (further rationale)</li> </ul>	-
Seasonal Structure	The proposed seasonal auction structure for CAR-SA: <ul style="list-style-type: none"> <li>• Summer season: May 1 – October 31</li> <li>• Winter season: November 1 – April 30</li> </ul>	March 2025 MC <ul style="list-style-type: none"> <li>• <a href="#">Slide 3</a> (seasonal structure for CAR-SA)</li> <li>• <a href="#">Slides 4-8</a> (decision factors)</li> </ul>	-