Installed Capacity Requirement (ICR) Process Overview for CAR-Prompt

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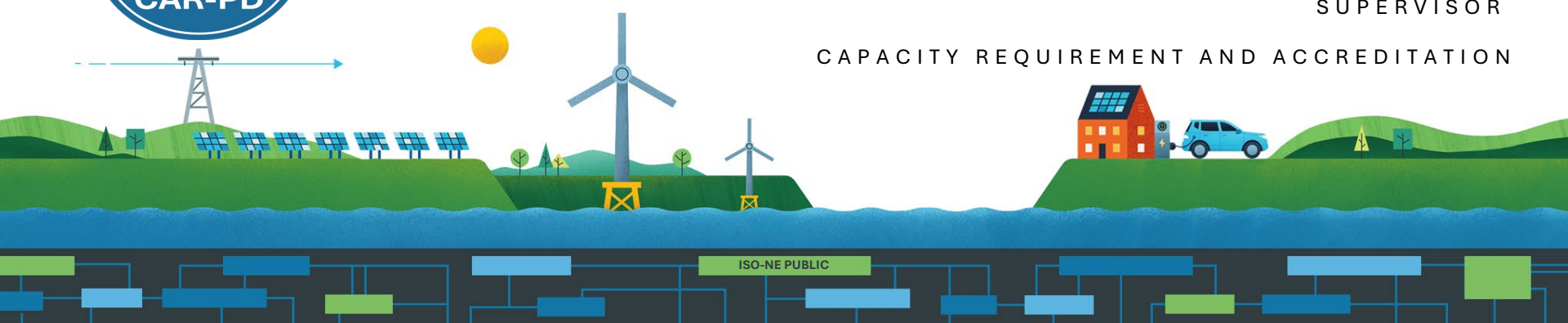


ICR Process Overview for CAR Prompt

WMPP ID: 184

Earliest Target Effective Date: Q2-Q3 2026

- The ICR is a measure of the installed resources that are projected to be necessary to meet reliability standards in light of total forecasted load requirements for the New England Control Area and to maintain sufficient reserve capacity to meet reliability standards. The ICR-related values, such as the Marginal Reliability Impact (MRI) Demand Curves, are used in the capacity auction to procure capacity
- Today's presentation discusses how the ICR process works in the current Forward Capacity Market and how it will change under a prompt auction such as how the timing will be adjusted for the ICR setting process, and the impacts of that timing change

Background

ICR-Related Values Process for Forward Capacity Market

- ICR-related values under the Forward Capacity Market are computed using General Electric's Multi-Area Reliability Simulation (GE MARS), a probabilistic simulation tool that uses a unique set of assumptions for every auction
  - The assumptions are converted into suitable models or base cases, and studies are conducted based on the established methodology*
  - Recall, ICR, Transmission Security Analysis (TSA), Local Resource Adequacy Requirement (LRA) and Local Sourcing Requirement (LSR), Maximum Capacity Limit (MCL), the MRI Demand Curves for System / Zones and Hydro Quebec Interconnection Capacity Credits (HQICC) are collectively referred to as the ICR-related values
- For the purposes of today's discussion, this process will be referenced generally as the "ICR" process which includes tie benefits and ICR-related values development

Note:

*For details on ICR-related values development, see the ICR Reference Guide

Background

How does the ICR Process work in the Forward Capacity Auction (FCA)?

The assumptions used in the current process are:

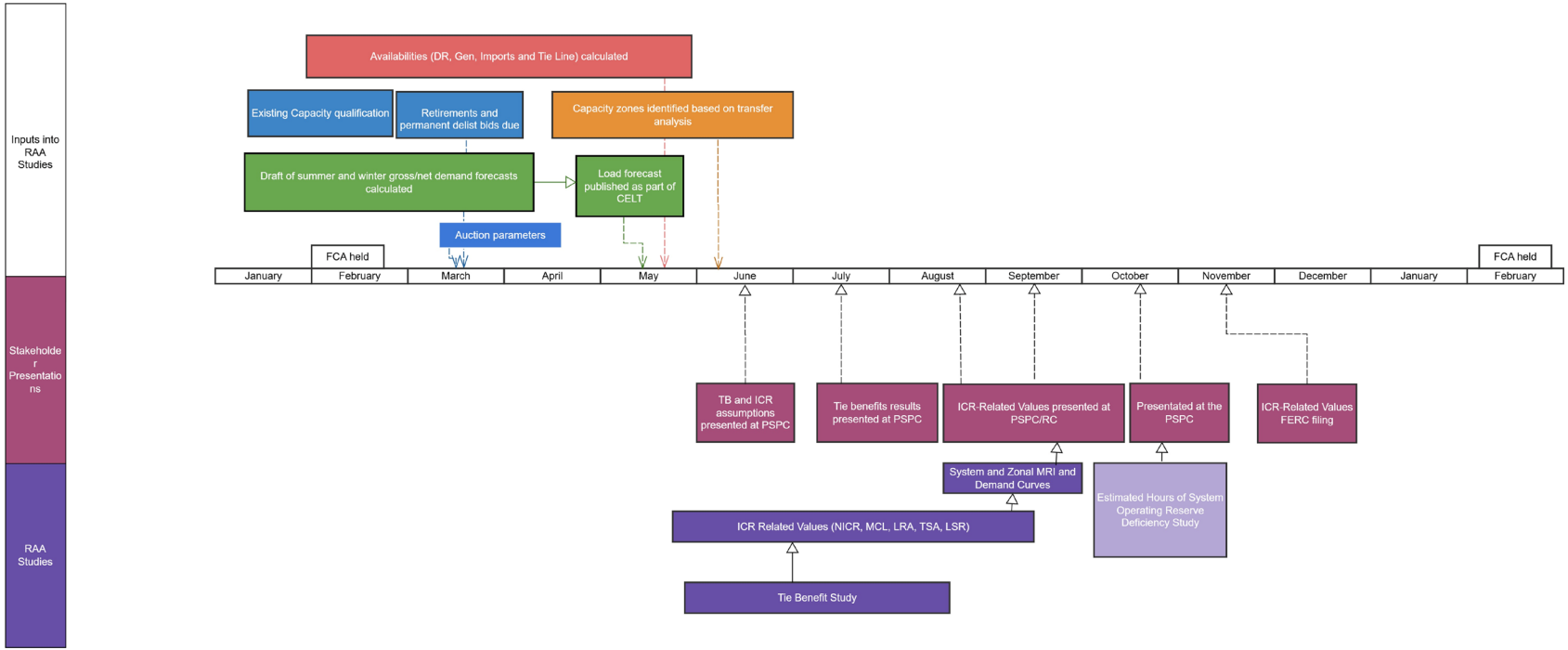
- **Capacity Resources:** Generally, the set of existing capacity resources for the current FCA that are not expected to retire
  - These resources' availability is calculated annually based on a rolling five-year historical data based on resource type
- **Transmission/Interface Limits:** Utilizes the latest transmission transfer capability limits published ahead of the ICR process
- **Load assumptions:** The load forecast that is published as part of the annual Forecast Report of Capacity, Energy, Loads, and Transmission (CELT Report)

Background

ICR Process Timeline in the FCA

- The ICR process for a particular FCA begins almost four years ahead of the capacity delivery period
- The process begins after the existing resource qualification and CELT processes are completed for that FCA cycle
- Assumptions and results are communicated to stakeholders via the Power Supply Planning Committee (PSPC) and Reliability Committee (RC) throughout the ICR development cycle
- Upon completion of the stakeholder process, the ICR-related values are filed with the FERC for approval
- The following slide provides an illustration of the ICR process timeline for the FCA

ICR Process Timeline for the FCA



How does the ICR Process change in a Prompt Auction?

- **Capacity Resources:** The capacity resources included in the ICR process will be the set of resources that acquired a Capacity Supply Obligation (CSO) in any prior primary auction and is reduced for any known deactivations
  - For prompt auction, this will be resources that were commercial before the prior primary auction
  - The resources' availability will continue to be calculated annually
    - These values are expected to be more accurate with the prompt design due to lower uncertainty regarding predictions that will naturally come from the shorter time span compared to the three-year forward market

- **Transmission/Interface limits:** The ICR process will continue to use the most recent transmission topology/interface limits for the Capacity Commitment Period (CCP) as of when the ICR process is initiated
  - These values are directionally expected to be more accurate because more recent topology will be recognized for the purposes of calculating ICR

- **Load assumptions:** The ICR process will continue to use the most recent load forecast available for the CCP as of when the ICR process is initiated

What do these changes mean to the ICR process in a Prompt Auction?

ICR Schedule:

- The ICR process for the prompt auction will start about one year before the CCP, which is three years later than the ICR process start date for the forward market
- Assumptions and results will continue to be communicated to stakeholders via the PSPC and RC throughout the ICR development cycle and final values will be filed with FERC

Capacity Resources:

- The set of capacity resources that will be included in the ICR process is the set that was cleared in any prior primary auction, adjusted for any deactivations
- The process will utilize preliminary capacity values calculated at the start of the ICR process to serve as the required resource capability input

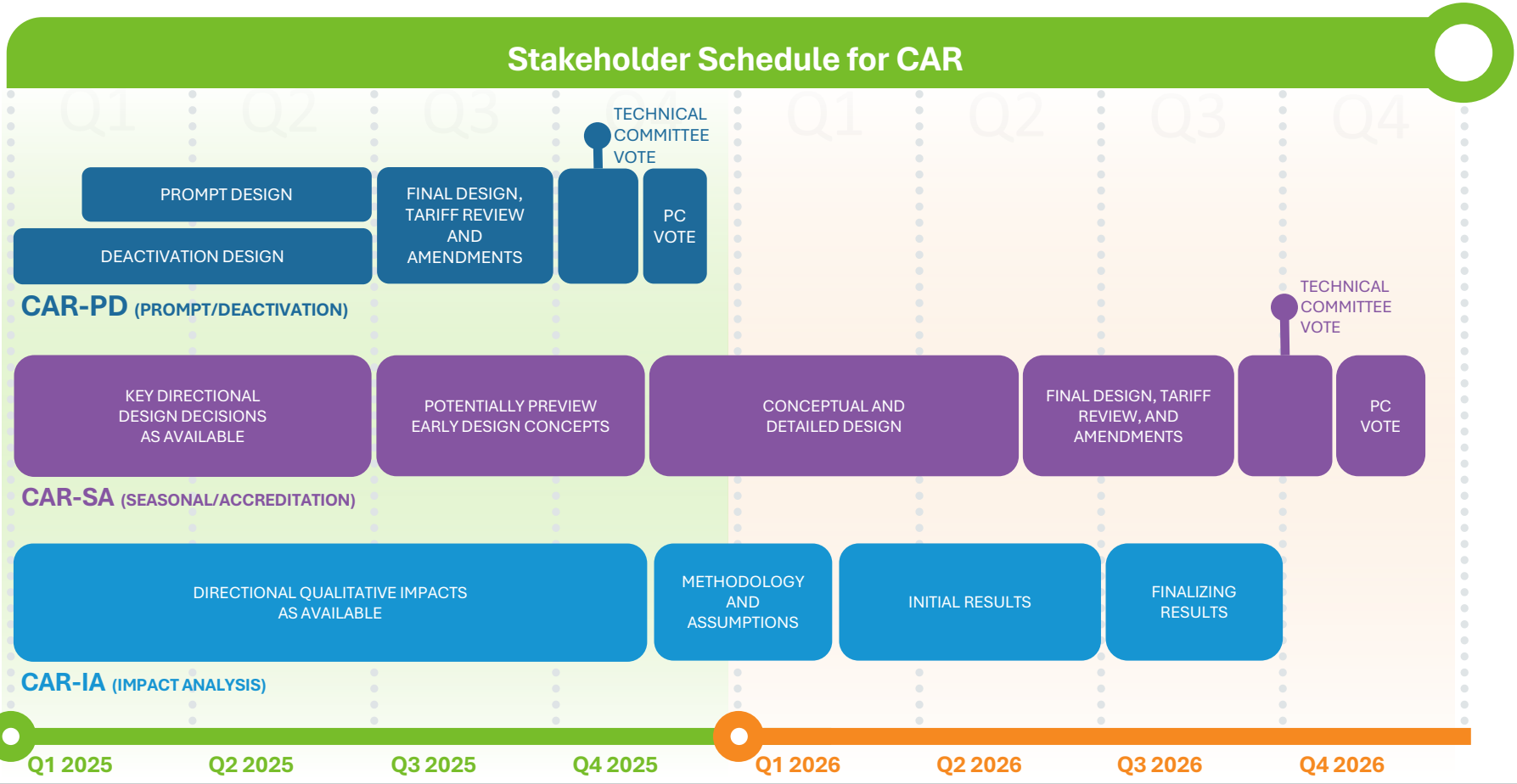
The ICR Setting Process Remains Similar Under CAR-Prompt

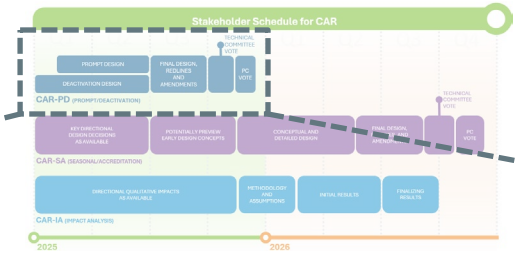
- In summary, the primary conforming change for the ICR setting process is mainly the timeframe, which in turn impacts the vintage of:
  - Data available on a set of capacity resources (including deactivations),
  - Transmission/Interface limits,
  - Load assumptions
- Under CAR-Prompt, the data will all be provided closer in time to the commitment period, which is expected to enhance the accuracy of the ICR-related values
- Development of the ICR-related values will continue to be communicated to stakeholders via the PSPC and RC with final values filed at FERC

Questions

STAKEHOLDER SCHEDULE

Stakeholder Schedule for CAR





Stakeholder Schedule for CAR

PROMPT DESIGN

DEACTIVATION DESIGN

FINAL DESIGN, TARIFF REVIEW AND AMENDMENTS

TECHNICAL COMMITTEE VOTE

PC VOTE

CAR-PD (PROMPT/DEACTIVATION)

PROVIDE QUESTIONS AND FEEDBACK ON DESIGN

CONCEPTUAL AMENDMENTS

PRESENT AMENDMENTS

Stakeholder Activity

PRESENT DESIGN & RESPOND TO FEEDBACK

PROVIDE QUESTIONS AND FEEDBACK ON AMENDMENTS

ISO Activity

Q1 2025 | Q2 2025 | Q3 2025 | Q4 2025

CAR-Prompt Topic Schedule

The list below provides a preliminary projection of when committee discussions will begin on the following CAR-Prompt topics:

Prompt Topic	Projected Start of Committee Discussions
Price Formation and Offer Formation	March 2025
Non-Commercial Participation	March 2025
Auction Design and Structure	March 2025
Activity Schedule Overview	March 2025
ICR Process	April 2025
Market Power and Mitigation	April 2025
Capacity Interconnection Service	May 2025
Resource Qualification Criteria & Process	May 2025
Activity Schedule Details	May 2025
Resource Auditing, Financial Assurance, Settlements, CSO Trading Activities	June 2025

CAR-Deactivation Topic Schedule

The list below provides a projection of when committee discussions will begin on topics related to the deactivation framework:

Deactivation Topic	Projected Start of Committee Discussions
Introduction and notification timeframe	January 2025
Additional design details on notifications and information release	February 2025
Reliability reviews	March 2025
Market power evaluation framework	March 2025
Market power evaluations detail	April 2025
Follow-ups and additional design details	May 2025
Introduce Tariff Changes	June 2025