

Capacity Auction Reforms



The capacity market helps ensure the region **has the power it needs** by driving investment in energy resources and securing obligations from them to supply electricity or reduce demand. It's part of a suite of wholesale electricity markets that pay for all of the services essential to a reliable power system.

In collaboration with stakeholders, ISO New England is redesigning the capacity market to improve **reliability and cost-effectiveness** as the resource mix evolves.

The Capacity Auction Reforms (CAR) project has **two phases**, each of which requires approval from the Federal Energy Regulatory Commission (FERC) before the first auction in 2028.

Prompt

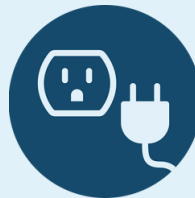
Past capacity auctions were held more than three years before the delivery period. Future auctions will be held about a month before delivery. Benefits include:



- **Better forecasts:** Up-to-date projections for supply and demand allow the ISO to establish more accurate auction parameters and resource owners to make better-informed decisions about their costs for selling capacity.
- **No “phantom” entry:** Resources must be operational before they can sell capacity. This ensures they enhance system reliability and that consumers get what they pay for.
- **Simplicity:** The shorter schedule streamlines administration for the ISO and participation for resource owners.

Deactivation

The process through which resources exit the market will shorten from four years to one. The ISO will continue performing reviews intended to deter attempts at market manipulation and safeguard against deactivations that jeopardize transmission security.



Seasonal

Summer and winter present different system reliability risks. Resources also have different performance characteristics in each season. CAR addresses these differences by holding separate auctions for two six-month periods (May to October and November to April), procuring the right mix of resources for each. Past auctions covered a 12-month period, from June to May.



Accreditation

ISO-NE is taking a closer look at how individual capacity resources contribute to overall system reliability. New accreditation standards will determine how much capacity each resource may sell at auction. Considerations include:



- **Substitutability:** Each resource is unique, with different performance characteristics under various system conditions. Accreditation accounts for this while allowing for an apples-to-apples comparison between resources in terms of their reliability contributions.
- **Pipeline constraints:** During periods of extreme cold, when more natural gas is used for heating buildings, natural gas power plants may have limited access to fuel. As a result, gas-fired resources with firm contracts or alternative fuel choices provide greater reliability value than those without. This difference will be reflected in auction outcomes.

