196 FERC ¶ 61,198
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Laura V. Swett, Chairman;
David Rosner, Lindsay S. See,
Judy W. Chang, and David LaCerte.

ISO New England Inc. Docket No. ER26-3176-000

ORDER ACCEPTING TARIFF REVISIONS

(Issued September 14, 2026)

1. On July 16, 2026, pursuant to section 205 of the Federal Power Act (FPA),[1] ISO New England Inc. (ISO-NE) and the New England Power Pool (NEPOOL) Participants Committee (together, Filing Parties) submitted revisions to the ISO-NE Transmission, Markets and Services Tariff (Tariff)[2] to make changes to ISO-NE's Day-Ahead Ancillary Services (DA A/S) market and Day-Ahead Energy market (together, Day-Ahead market).[3] We accept Filing Parties' proposed Tariff records, effective October 22, 2026, as discussed below.

I. Background

2. In 2024, the Commission accepted ISO-NE's Day-Ahead Ancillary Services Initiative (DASI) filing (Initial DASI Filing), effective March 1, 2025.[4] This filing created the DA A/S market, which serves to procure and price ancillary reserve products needed to meet the region's operating reserve and load forecast requirements, ensuring physical energy is available to satisfy expected Real-Time load.[5] The DA A/S market is designed to ensure the transmission system is positioned to reliably meet ISO-NE's next-day operating plan, while compensating and incentivizing resources to be prepared to perform by delivering energy in Real-Time if called upon. The DA A/S market is run the

[1] 16 U.S.C. § 824d.

[2] See Appendix for Tariff records accepted in this order.

[3] Capitalized terms not defined have the meaning ascribed to them in the Tariff.

[4] *ISO New Eng. Inc.*, 186 FERC ¶ 61,076 (2024) (DASI Order).

[5] Transmittal at 7.

day prior to the relevant operating day to procure Day-Ahead options on Real-Time energy.[6]

3. The DA A/S market includes three Flexible Response Services: (1) the Day-Ahead Ten-Minute Spinning Reserve; (2) the Day-Ahead Ten-Minute Non-Spinning Reserve; and (3) the Day-Ahead 30 Minute Operating Reserve.[7] Flexible Response Services are used in response to a power system disturbance (often referred to as a contingency). DASI also introduced the Energy Imbalance Reserve, which enables ISO-NE to call on resources to operate above their Day-Ahead schedule within 60 minutes to bridge the energy gap[8] between cleared Day-Ahead physical energy supply and forecasted demand.[9] Both the Flexible Response Services and Energy Imbalance Reserves are settled through a two-part, financial "call option" tied to Real-Time energy hub prices.[10] Resources that clear DA A/S awards (for any of the DA A/S products under the Flexible Response Services or Energy Imbalance Reserve) receive an upfront credit equal to the DA A/S clearing price and incur a close-out charge when the Real-Time Hub Locational Marginal Price (LMP) exceeds the Strike Price for a given hour.[11] The Strike Price for each hour is the expected Real-Time Hub Price, plus a $10 per megawatt-hour (MWh) base strike price adder, and is published prior to clearing the Day-Ahead market. The Gaussian Mixture Model produces a distribution of potential Real-Time LMPs, calculates the Expected Close-Out costs,[12] and is used to derive the Strike Price.[13]

4. The DA A/S market design includes a mitigation framework where the Internal Market Monitor (IMM) reviews DA A/S offers and imposes mitigation for offers that fail

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[6] *Id*. at 8.

[7] *See* Tariff, § III. 1 (76.0.0) (Day-Ahead Flexible Response Services Demand Quantities); Tariff, III. 3 (33.0.0), § III.3.2.1(a)(2) (ISO Energy Market and Day-Ahead Ancillary Services Market).

[8] In the energy market, a Day-Ahead energy gap exists when day-ahead obligations from physical assets are less than the forecasted load. *See* Transmittal at 8.

[9] *Id*. at 7-8.

[10] *Id*. at 8.

[11] *See id*. at 8 & n.27.

[12] The Expected Close-Out cost is an estimate of the close-out charge for each hour and is a key input for mitigation tests for DA A/S offers. *Id*. at 9.

[13] Transmittal at 8-9.

both the Conduct Test and the Impact Test.[14] The Conduct Test, using the Conduct Test threshold, identifies offers that may be inconsistent with competitive behavior. The Impact Test, using the Impact Test threshold, assesses the ability of offers flagged by the Conduct Test to adversely impact market prices.[15] An offer that fails both tests is mitigated by replacing the submitted offer price with the Benchmark Level – a reference price that is intended to represent a competitive offer for the given resource. The Expected Close-Out cost is a key input impacting calculations for the Conduct Test threshold, the Impact Test threshold, and the Benchmark Level.

5. The DA A/S market design also incorporated the Forecast Energy Requirement (FER) constraint, which ensures that cleared Day-Ahead physical energy supply and Energy Imbalance Reserves meet or exceed ISO-NE's forecasted load for each hour.[16] Resources contributing to satisfaction of the FER – physical energy supply and Energy Imbalance Reserve – are compensated at the Forecast Energy Requirement Price (FER Price). The FER Price is equal to the incremental cost of procuring Energy Imbalance Reserve megawatts (MW) and additional Day-Ahead obligations to close the Day-Ahead energy gap. During settlements, the FER Price is credited to those assets holding an Energy Imbalance Reserve award or Day-Ahead energy obligation. The FER Price is charged first to exports, and the remaining FER Price is charged to those with a Real-Time load obligation.

II. Filing

6. Filing Parties propose four adjustments to ISO-NE's Day-Ahead market rules.[17] Specifically, the proposed adjustments consist of: (1) adjusting the FER Demand Quantity to better reflect the expected contribution of front-of-the-meter (FtM) wind and solar resources to meeting the FER, as specified in revised Tariff section III.1.8.4; (2) setting a floor on the Strike Price (Strike Price floor), as specified in revised Tariff section III.1.8.2; (3) adjusting the threshold for the Impact Test to have a floor of $3/MWh, as specified in Tariff section III.A.8.1.2; and (4) removing the credit adjustment to the Hourly Revenue calculation of Net Commitment-Period Compensation

[14] Filing, attach B (testimony of Anna Mazur) at 8 (Mazur Test.); *see* Transmittal at 10.

[15] ISO-NE IMM, *An Assessment of the Day-Ahead Ancillary Services Market*, at 23 (June 8, 2026), https://www.iso-ne.com/static-assets/documents/100036/imm_assessment_of_da_ancillary_services_market.pdf.

[16] Transmittal at 8.

[17] *Id*. at 1-2.

(NCPC), as specified in Tariff section III.F.2.3.1.3.[18] Filing Parties state that the proposed Tariff revisions do not alter the basic design or purpose of the DA A/S market and are intended to update key parameters of the DA A/S market design based on observed outcomes since its implementation in March 2025, with the goal of making the design more efficient and cost-effective.[19] Moreover, Filing Parties note that the proposals to reduce the FER Demand Quantity and to add a Strike Price floor are directly responsive to the recommendations of the IMM.[20] ISO-NE requests that the Commission permit Filing Parties' filing to become effective on September 14, 2026, with an implementation date of October 22, 2026.

7. Below, we address each of Filing Parties' proposed adjustments to ISO-NE's Day-Ahead market rules in turn.

III. Notice and Responsive Pleadings

8. Notice of the filing was published in the *Federal Register*, 91 Fed. Reg. 45805 (July 21, 2026), with interventions and protests due on or before August 6, 2026.

9. The Maine Public Utilities Commission and the Massachusetts Department of Public Utilities filed notices of intervention.

10. Timely motions to intervene were filed by Avangrid Networks, Inc. and Avangrid Power, LLC; CPV Towantic, LLC; Dominion Energy Services, Inc.; Electric Power Supply Association; FirstLight Power, Inc. (FirstLight); H.Q. Energy Services (U.S.) Inc.; Maine Office of the Public Advocate; Massachusetts Attorney General; Massachusetts Municipal Wholesale Electric Company; New England Consumer-Owned Systems (NECOS)[21] and Energy New England, LLC (ENE); New England Power

[18] *Id.* at 2.

[19] *Id.* at 2.

[20] *Id.* at 3 (citing ISO-NE IMM, *Memorandum re: Recommended Changes to the Day-Ahead Ancillary Services Market* (Feb. 4, 2026) (IMM Memo)).

[21] NECOS consist of Belmont Municipal Light Department, Block Island Utility District, Braintree Electric Light Department, Clear River Electric and Water District, Concord Municipal Light Plant, Danvers Electric Division, Georgetown Municipal Light Department, Groveland Electric Light Department, Hingham Municipal Lighting Plant, Holden Municipal Light Department, Hudson Light & Power Department, Littleton Electric Light & Water Departments, Merrimac Municipal Light Department, Midcoast Regional Redevelopment Authority, Middleton Electric Light Department, North Attleborough Electric Department, Norwood Municipal Light Department, Rowley Municipal Lighting Plant, Stowe Electric Department, Taunton Municipal Light

Generators Association Inc. (NEPGA); New England States Committee on Electricity (NESCOE); New Hampshire Office of Consumer Advocate; Rhode Island Division of Public Utilities and Carriers; Shell Energy North America (US) LP and Rhode Island State Energy Center, LP; and Vistra Corp.

11. Motions to intervene out-of-time were filed by Potomac Economics, Ltd., in its capacity as the External Market Monitor for ISO-NE (EMM); ENGIE North America Inc.; and New Hampshire Department of Energy.

12. Supportive comments were filed by Identified End Users,[22] the Internal Market Monitor (IMM), NECOS and ENE, NESCOE, and EMM.

13. NEPGA and FirstLight filed protests.

14. On August 18, 2026, FirstLight filed an answer to IMM's comments.

15. On August 21, 2026, ISO-NE filed an answer.

16. On August 25, 2026, NEPGA filed an answer to ISO-NE's answer.

IV. Discussion

A. Procedural Matters

17. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2025), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

18. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d), we grant the late-filed motions to intervene given their interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

19. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2025), prohibits an answer to a protest unless otherwise ordered by the

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Department, Town of Wallingford, Connecticut, Department of Public Utilities, Electric Division, Wellesley Municipal Light Plant and Westfield Gas & Electric Light Department.

[22] Identified End Users consist of Acadia Center; the Maine Office of the Public Advocate; Massachusetts Attorney General; Massachusetts Municipal Wholesale Electric Company; the New Hampshire Office of the Consumer Advocate; PowerOptions, Inc.; and the Rhode Island Division of Public Utilities and Carriers.

decisional authority. We accept the answers filed in this proceeding because they have provided information that assisted us in our decision-making process.

B. Substantive Matters

20. As discussed below, we find that Filing Parties' proposed Tariff revisions are just and reasonable and not unduly discriminatory or preferential, and we therefore accept the Tariff records, effective October 22, 2026. We note that there is a discrepancy between the proposed effective date in eTariff and the implementation date requested in the filing.[23] To ensure that the Tariff sheets on file with the Commission reflect that ISO-NE will continue to operate under its existing Tariff rules until the implementation date described in Filing Parties' transmittal letter, we set the effective date of the revised Tariff sheets to that implementation date (i.e., October 22, 2026) such that the proposed Tariff revisions will only be effective upon implementation.

1. General Comments in Support of Filing

21. Several commenters generally support the proposed Tariff revisions. Identified End Users urge the Commission to swiftly approve the filing to provide relief to consumers.[24] Identified End Users contend that the high DA A/S market costs have exacerbated an energy cost crisis for New England consumers, noting that the IMM found that lower-than-expected program participation and higher-than-expected offer prices resulted in approximately $292 million in unnecessary consumer costs in the first year of the program that provided no additional reliability benefit.[25] Identified End Users argue that, while they acknowledge that the DA A/S market provides some reliability benefits, ISO-NE has failed to quantify the incremental benefits of the program in comparison to its high costs.[26] Identified End Users state that the Commission accepted the DA A/S market under the presumption that it would be done in a cost-effective manner without undue increases in costs and argue that it is not just and reasonable for the DA A/S program to cost 30% more than it should cost. Identified End Users state that they appreciate that ISO-NE is acting swiftly to address these inefficiencies.

22. NECOS and ENE state that the Commission should find that Filing Parties' proposed adjustments will correct unanticipated flaws in the initial design of the DA A/S

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[23] In the transmittal to the filing, ISO-NE requests an effective date of September 14, 2026, with an implementation date of October 22, 2026. Transmittal at 8.

[24] Identified End Users Comments at 1-2.

[25] *Id.* at 8-9 (citing IMM Memo at 4).

[26] *Id*. at 9-10.

market and ensure the market's costs are just and reasonable.[27] NECOS and ENE argue that the costs of the market have been significantly higher than anticipated, at $921 million according to the IMM,[28] and that the costs of over-commitment or over-clearing is born by consumers.[29] NECOS and ENE contend that since ISO-NE found that the proposed adjustments would have reduced the first year incremental costs of DA A/S by $292 million,[30] adjusting the FER Demand Quantity and the Strike Price will help ease the burden of higher energy costs for New England ratepayers. NECOS and ENE state that ISO-NE has met its burden under FPA section 205 and that the Commission should approve the filing.[31] Additionally, NECOS and ENE state that the Commission should not disturb the regional choice made by a majority of New England stakeholders, noting broad support in the stakeholder process.[32] Moreover, NECOS and ENE state that evidence submitted by ISO-NE and supported by the IMM's analysis show that modifications to the DA A/S market are required.[33]

23. NESCOE also supports the filing.[34] NESCOE explains that it has been working with ISO-NE, the IMM, and stakeholders to understand the reason for the higher-than-expected prices in the market and develop potential solutions.[35] NESCOE states that it agrees with the IMM's findings[36] and also agrees that ISO-NE has appropriately responded to and implemented the IMM's recommendations in the filing.[37] NESCOE agrees with Filing Parties that the proposed changes will make the market design more efficient and cost-effective without altering the basic design or underlying purpose of the

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[27] NECOS and ENE Comments at 10-11.

[28] *Id.* at 11 (citing IMM Memo at 3).

[29] *Id*. at 11 (citing Ewing Test. at 10).

[30] *Id.* at 12 (citing Transmittal at 5).

[31] *Id.* at 20.

[32] *Id.* at 12-13.

[33] *Id.* at 14.

[34] NESCOE Comments at 1.

[35] *Id.* at 4.

[36] *Id.* (citing IMM Memo at 2, 6, 10).

[37] NESCOE Comments at 4.

DA A/S market.[38] NESCOE reiterates that according to the IMM,[39] such changes are needed to improve efficiency and ensure a better balance between the costs and benefits of the DA A/S market, without negative impacts on reliability.[40] NESCOE notes that the filing received broad support at NEPOOL, with support from five of six sectors and no opposing votes from the transmission, end user, and publicly-owned entity sectors.[41]

2. FER Demand Quantity

a. Filing Parties' Proposal

24. Filing Parties propose to adjust the FER Demand Quantity,[42] which serves as an input to the Day-Ahead market, in order to more accurately reflect the expected reliability contribution of FtM wind and solar generators in the Real-Time Energy market.[43] Specifically, Filing Parties propose to revise the calculation of the FER Demand Quantity to subtract the forecast Real-Time energy output of FtM wind and solar resources, as adjusted for any expected operating conditions, less the total energy supply and ancillary services from such resources forecast to clear in the Day-Ahead market.[44] Filing Parties explain that, within the first year of the DA A/S market, it has been observed that the FER constraint in the Day-Ahead market tends to underestimate the contribution of FtM wind and solar supply as compared to ISO-NE's Day-Ahead reliability assessment under its Reserve Adequacy Analysis (RAA).[45] Filing Parties state that, on average, FtM wind

[38] *Id.* at 4 (citing Transmittal at 2).

[39] IMM Memo at 2.

[40] NESCOE Comments at 4.

[41] *Id.* at 5.

[42] The FER Demand Quantity is currently based on ISO-NE's load forecast, which reflects the physical energy supply ISO-NE expects to need to meet next-day energy demand. Tariff, § I.1 (76.0.0), § III.1.8.4, Market Operations.

[43] Transmittal at 13.

[44] *See* Proposed Tariff, I.1 (77.0), § III.1.8.4 (Forecast Energy Requirement Demand Quantity).

[45] The RAA is a standard reliability evaluation conducted in the Day-Ahead timeframe after clearing the Day-Ahead market, which ensures that ISO-NE has an operating plan capable of satisfying next-day reliability requirements. In the RAA process, FtM wind and solar tend to be relied upon at output levels consistent with ISO-

and solar resources clear approximately 40% of their expected Real-Time output in the Day-Ahead market.[46] Filing Parties explain that such underestimation can lead to commitment of additional generation or procurement of more physical supply in the Day-Ahead market than necessary to satisfy the Real-Time load forecast, resulting in a costly market inefficiency.

25. Filing Parties contend that, if their proposed adjustment had been implemented at the inception of the DA A/S market, it would have reduced ISO-NE's hourly load forecast that is used to calculate the FER Demand Quantity by 422 MW on average.[47] According to Filing Parties, they do not expect the proposed adjustment to the FER Demand Quantity to result in increased out-of-market commitments or uplift payments or to negatively impact system reliability.[48] Instead, Filing Parties state that they expect the proposal to improve efficiency, preserve incentives, and reflect FtM and behind-the-meter wind and solar resources more consistently by ensuring both are accounted for in the FER constraint based on expected output. Filing Parties also state that the proposed adjustment is adaptive because as FtM wind and solar resources increase (or decrease) their Day-Ahead market participation, the adjustment to the FER Demand Quantity will naturally shrink (or rise).[49] Filing Parties explain that the FER Demand Quantity proposal is directly responsive to the recommendations of the IMM and will indirectly address concerns of some stakeholders about the unanticipated high costs of the DA A/S market through improved overall efficiency.[50]

b. Comments and Protests

26. Several commenters support the Filing Parties' proposal to adjust the calculation of the FER Demand Quantity. Identified End Users believe the FER Demand Quantity should reflect the full expected Real-Time contribution of all resources on the system in order to prevent unnecessary and costly overcommitment or over-clearing of resources.[51] Identified End Users argue that the proposed revisions will not increase out-of-market

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NE's resource-specific Real-Time forecasts. Transmittal at 13.

[46] *Id*. at 13.

[47] *Id*. at 15.

[48] *Id*. at 15-16, attach. A (Testimony of Benjamin Ewing), at 11 (Ewing Test.).

[49] *Id*. at 14.

[50] *Id*. at 2-3, 12.

[51] Identified End Users Comments at 11-12.

commitments, produce uplift costs, or negatively impact reliability, but will instead result in ISO-NE procuring resources in the DA A/S market based on actual reliability needs.[52] Identified End Users state that ISO-NE has long used the RAA process to produce reliable next-day operating plans and that relying on the RAA here will reduce costly and unnecessary overcommitment or over-clearing of resources. NECOS and ENE state that the Commission should find the proposed adjustment to the calculation of the FER Quantity Demand just and reasonable and that the proposal will reduce the overall cost of the DA A/S market.[53]

27. The IMM explains that the proposed adjustment to the calculation of the FER Demand Quantity will reduce the hourly load forecast by the portion of expected FtM wind and solar output that is forecasted to occur in Real-Time but that is not expected to clear the Day-Ahead market as energy supply or ancillary services. The IMM contends that this update corrects an accounting mismatch between the RAA and Day-Ahead market FER constraint and appropriately aligns the system's treatment of expected FtM wind and solar output in the Day-Ahead market with its treatment in ISO-NE's subsequent reliability analyses. The IMM explains that FtM wind and solar resources will continue to receive the FER Price for energy and Energy Imbalance Reserves that clear the Day-Ahead market. The IMM explains that uncleared offers will continue to not receive FER compensation, and the adjustment will become smaller as the cleared energy and Energy Imbalance Reserve awards of FtM wind and solar resources increase.[54]

28. In its protest, NEPGA argues that Filing Parties failed to justify the proposed adjustment to the calculation of the FER Demand Quantity.[55] NEPGA states that the DA A/S market design is predicated on market participants taking on financial obligations in the Day-Ahead market to meet Real-Time obligations.[56] NEPGA contends that this proposal would revert to relying on out-of-market expectations to complete the day-ahead operating plan, abandoning the entirely market-based day-ahead operating plan that ISO-NE previously championed.[57] Specifically, NEPGA contends that Filing Parties fail to address the contradiction between their proposal to reduce the FER

[52] *Id*. at 13-14.

[53] NECOS and ENE Comments at 17.

[54] IMM Comments at 9.

[55] NEPGA Protest at 2.

[56] *Id.* at 8.

[57] *Id.* at 9.

Demand Quantity and ISO-NE's prior position that marginal cost pricing is necessary to send appropriate price signals, as well as ISO-NE's prior reasoning that the most cost-effective and reliable day-ahead operating plan is one satisfied entirely through financial commitments.[58]

29. NEPGA explains that, previously, the Day-Ahead market did not include a constraint on Day-Ahead demand for energy, pricing Day-Ahead energy below its marginal cost in intervals where bid-in demand was insufficient to meet the load forecast.[59] NEPGA asserts that Filing Parties' proposal would now do ex-ante what ISO-NE previously did ex-post, reducing the load forecast based on expectations of (i.e., relying on) Real-Time energy production from uncommitted intermittent resources prior to the clearing of the market rather than accounting for ISO-NE's expectations in the day-ahead operating plan after the market clearing.[60] NEPGA explains that both as an ex-ante and ex-post measure, the MW of energy ISO-NE expects to be available in Real-Time lack the financial consequences of any Real-Time deviations from those expectations. NEPGA argues that FtM wind and solar resources are unable or unwilling to assume the risk of non-production for this 60% of energy capability at the marginal cost, yet this proposal has ISO-NE assume that risk within the day-ahead operating plan.[61]

30. NEPGA argues that Filing Parties also fail to address the significant effect this proposal will have on the market incentives that Filing Parties have deemed as important for a successful DA A/S market.[62] NEPGA argues that the DA A/S market clearing prices over its first year of operation were the product of economic, marginal, competitive offer prices, satisfying this design objective. NEPGA argues that the instant proposal, however, would have eliminated approximately 30% of these revenues had it been in effect over the first year of the DA A/S market.[63]

31. NEPGA adds that Commission acceptance of Filing Parties' proposal would not constitute reasoned decision-making because it contradicts ISO-NE's prior reasoning that the most cost-effective and reliable day-ahead operating plan is one satisfied entirely

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[58] *Id*. at 17.

[59] *Id.*

[60] *Id.* at 13-14.

[61] *Id*. at 2.

[62] *Id.* at 16.

[63] *Id*.

through financial commitments and consequences, not only in part.[64] NEPGA contends that, when the Commission departs from its prior reasoning in finding that a rate is just and reasonable, the Commission, relying on evidence produced by the section 205 filing party, must explain its reasoning in accepting it.[65] NEGPA cites to *MISO* and *PJM Power Providers Group*[66] for the proposition that a reversal by the Commission may be arbitrary and capricious if the Commission does not meaningfully address its prior concerns.[67]

32. NEPGA argues that the Commission may reject Filing Parties' proposal to reduce the FER Demand Quantity regardless of what action it takes on the remainder of the filing because it has four distinct market parameter updates, each independent from the others.[68]

33. In its answer to ISO-NE's answer, NEPGA reiterates its arguments from its original protest.[69]

c. Answer

34. In response to NEPGA's arguments against the adjustment of the calculation of the FER Demand Quantity, ISO-NE affirms that ISO-NE and the IMM have empirically observed that the Day-Ahead market is procuring more supply than is necessary to satisfy the next-day load forecast as a result of the systematic under-clearing of FtM wind and solar resources in the Day-Ahead market relative to both their forecasted and actual Real-Time output.[70] ISO-NE explains that, although the DA A/S market has created strong incentives for resources to clear their capability in the Day-Ahead timeframe,

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[64] *Id*. (citing *MISO Transmission Owners v. FERC*, 45 F.4th 248, 263 (D.C. Cir. 2022) (*MISO*).

[65] *Id*. at 18.

[66] *PJM Power Providers Grp. v. FERC*, 88 F.4th 250 (3rd Cir. 2023) (*PJM Providers Group*).

[67] NEPGA Complaint at 18-19 (citing *MISO*, 45 F.4th at 264; *PJM Power Providers Group*, 88 F.4th at 270).

[68] *Id*. at 21 (citing *NRG Power Mktg., L.L.C. v. FERC*, 862 F.3d 108, 110 (D.C. Cir. 2017) (*NRG*)).

[69] NEPGA Answer at 1-5.

[70] ISO-NE Answer at 4-5.

ISO-NE has observed that FtM wind and solar resources have not materially increased their Day-Ahead energy clearing following the DA A/S market design's implementation in 2025. Thus, ISO-NE contends that wind and solar forecasts as relied upon in ISO-NE's RAA are a much better indicator of Real-Time output than Day-Ahead awards, even with the new co-optimized Day-Ahead market. ISO-NE states that committing more supply capability than required to satisfy reliability needs in the Day-Ahead timeframe can produce two undesirable outcomes: (1) clearing more expensive supply than needed in the Day-Ahead timeframe, driving Day-Ahead prices higher than they otherwise would be if accounting for FtM wind and solar resources; and (2) when wind and solar output is produced in Real-Time at low marginal cost, the system has "too much" committed supply and Real-Time prices can be suppressed as a result.[71]

35. ISO-NE contends that Filing Parties' proposed changes to the DA A/S market are not arbitrary, as argued by NEPGA, as they are based on findings by the IMM and align with the Commission's acknowledgement that further adjustments to DASI's design may be proposed as necessary when it initially approved the DA A/S market.[72] In response to NEPGA's argument that Filing Parties are proposing to repeat the Day-Ahead market use of out-of-market actions before the DA A/S market to satisfy the day-ahead operating plan, ISO-NE argues that NEPGA is incorrect.[73] ISO-NE contends that the Day-Ahead market will evaluate the system's ability to satisfy the expected load considering the same set of supply that is employed by the RAA reliability process. ISO-NE explains that, in the event that anticipated physical supply alone is insufficient to meet bid-in load and to meet the system's needs, any additional commitments necessary will be made through the Day-Ahead market.

36. Furthermore, ISO-NE disputes NEPGA's characterization of the proposed adjustment to the calculation of the FER Demand Quantity, explaining that the proposed adjustment will do no harm to reliability because it better aligns the Day-Ahead Market with the RAA process.[74] ISO-NE argues that while NEPGA states that ISO-NE proposes to assume the risk of non-production within the day-ahead operating plan, ISO-NE is not assuming any unprecedented or unreasonable risk.[75] ISO-NE reiterates that counting FtM wind and solar resources at their forecasted output is a longstanding practice that pre-dates the DA A/S market and has produced reliable outcomes for many years. ISO-

[71] *Id*. at 6.

[72] *Id*. at 8-9 (citing DASI Order, 186 FERC ¶ 61,076 at P 16).

[73] *Id*. at 10.

[74] *Id.* at 11.

[75] *Id.* at 12.

NE states that the proposed adjustment will not cause a less reliable day-ahead operating plan as NEPGA contends and that, instead, the operating plan will more directly align with ISO-NE's own reliability assessment.[76] ISO-NE acknowledges that the proposed adjustment will result in reliance in part on resources that do not have a corresponding Day-Ahead position but contends that this approach is just and reasonable because this specific set of FtM wind and solar resources generally has Real-Time marginal costs of $0/MWh or lower and sits at the very bottom of the supply stack; ISO-NE adds that its operators are comfortable with this kind of day-ahead operating plan.[77]

37. ISO-NE requests that the Commission deny NEPGA's request to sever the proposed adjustment to the calculation of the FER Demand Quantity from its other proposed adjustments as doing so would result in an entirely different rate design.[78] ISO-NE notes that NEPOOL stakeholders expressly voted against an amendment to sever the proposed adjustment.

d. Commission Determination

38. We find Filing Parties' proposal to adjust the FER Demand Quantity to reflect FtM wind and solar resources' Real-Time expected output to be just and reasonable and not unduly discriminatory or preferential because this proposed adjustment will reduce inefficient resource commitments and clearing of energy supply and Energy Imbalance Reserve offers in the Day-Ahead market. As Filing Parties explain, the current approach in calculating the FER Demand Quantity understates the contribution of FtM wind and solar generation towards serving ISO-NE's load relative to ISO-NE's own reliability assessment, the RAA.[79] Specifically, in the RAA, when determining whether it has an operating plan capable of satisfying next-day reliability requirements, ISO-NE accounts for the energy that it expects to be produced in Real-Time, including the expected output levels of FtM wind and solar resources consistent with ISO-NE's resource-specific Real-Time forecasts. According to Filing Parties, accounting for the expected output of these resources helps to ensure that ISO-NE does not commit resources beyond those needed to meet reliability objectives. We agree with Filing Parties that adjusting the FER Demand Quantity to similarly reflect the expected output of FtM wind and solar resources in Real-Time, less the total energy supply and ancillary services from such resources forecast to clear in the Day-Ahead market, will help to ensure that ISO-NE is not committing

[76] *Id.* at 12.

[77] *Id.* at 14.

[78] *Id*. at 14-17.

[79] Transmittal at 13-14.

resources or procuring energy in the Day-Ahead market beyond what is needed to meet its reliability needs.[80]

39. We disagree with NEPGA's argument that Filing Parties have failed to provide evidence justifying their proposal. To the contrary, the record in this proceeding presents substantial support demonstrating that Filing Parties' proposal to adjust the calculation of the FER Demand Quantity is just and reasonable.[81] Specifically, as we find directly above, Filing Parties' proposal will help to reduce unnecessary resource commitments and clearing of energy supply and Energy Imbalance Reserve offers in the Day-Ahead market, reducing costs to customers while maintaining reliability. Moreover, Filing Parties explain, and we agree, that their proposal will preserve incentives for FtM wind and solar resources to participate in the Day-Ahead market because they will continue to receive the FER Price for any energy or Energy Imbalance Reserves they clear in that market with no compensation for uncleared supply.

40. We also disagree with NEPGA's contention that this proposal contradicts ISO-NE's prior position that marginal cost pricing is necessary to send appropriate long and short-term price signals. Filing Parties' proposal to adjust the FER Demand Quantity to reflect FtM wind and solar resources' Real-Time expected output does not alter the basic design of the DA A/S market to procure and price sufficient reserves in the Day-Ahead market to reliably meet the region's next-day operating reserve and load forecast requirements. Instead, the proposal updates a key parameter of the DA A/S market design – the FER Demand Quantity – based on observed outcomes since the DA A/S market's inception in March 2025 to make that market design more efficient.[82] Further, the FER Demand Quantity is intended to represent ISO-NE's reasonable *forecast* of expected system conditions. By adjusting the FER Demand Quantity to reflect ISO-NE's reasonable expectations concerning the output of FtM wind and solar resources in Real-Time, less the total energy supply and ancillary services from such resources forecast to clear in the Day-Ahead market, Filing Parties' proposal will help to ensure that the FER Demand Quantity better reflects the actual needs of load, thereby sending more accurate market price signals.

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[80] As Filing Parties explain, if this adjustment had been implemented at the inception of the DA A/S market, it would have reduced ISO-NE's hourly load forecast that is used to calculate the FER Demand Quantity by 422 MW on average. *Id.* at 15 (citing Ewing Test. at 14).

[81] *See* Ewing Test at 13-14.

[82] *Id*. at 5. As Filing Parties note, FtM wind and solar resources have historically cleared Day-Ahead energy awards that are on average approximately 40% of their forecasted supply. Transmittal at 13 (citing Ewing Test. at 8).

41. Finally, because we find that Filing Parties have supported their proposal with substantial evidence in the record, we dismiss NEPGA's argument that acceptance here does not constitute reasoned decision-making.[83]

3. Strike Price Floor

a. Filing Parties' Proposal

42. Filing Parties propose to better align the Strike Price with the marginal energy costs for DA A/S sellers by adding a floor to the Strike Price based on a marginal cost estimate for an efficient combustion turbine (CT) generator, using an efficient representative heat rate and the least-cost fuel index, including associated regional emissions costs.[84] Filing Parties explain that the Tariff currently sets the Strike Price for each hour of the DA A/S market at the sum of the expected next-day Real-Time Hub LMP and a $10/MWh baseline adder.[85] Filing Parties explain that they recognize that setting the Strike Price involves an inherent balance between incentives and costs; a Strike Price that is too low (i.e., far lower than the expected marginal costs of producing energy) can serve to inefficiently increase costs, while a Strike Price that is too high (i.e., far greater than the expected marginal costs of producing energy) can serve to materially reduce performance incentives under the DA A/S market design.[86]

43. Filing Parties state that, in many cases, the current approach to calculating the Strike Price results in a strike price that falls well below the short-run marginal costs of the resources that have cleared the DA A/S market.[87] Filing Parties note that, based on empirical observations, DA A/S awards have been cleared primarily by CT generators

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[83] *See MISO*, 45 F.4th at 264 (finding that the Commission's reversal was arbitrary and capricious because it disregarded the basis for its prior rationale); *PJM Power Providers Group*, 88 F.4th at 270 (finding that the Commission's shift from its prior view was "neither arbitrary nor capricious and was supported by substantial evidence in the record.").

[84] Transmittal at 17.

[85] *Id*. The Tariff currently states: "For each hour of the Operating Day, the ISO shall specify the Day-Ahead Ancillary Services Strike Price in $/MWh. The value of the Day-Ahead Ancillary Services Strike Price represents an amount that is the greater of (i) $10/MWh greater than a forecast of the expected hourly Real-Time Hub Price for such hour of the Operating Day and (ii) zero." Tariff, § III.1 (76.0.0), § III.1.8.2(a).

[86] Transmittal at 9.

[87] *Id.* at 16.

and, to a lesser extent, combined cycle (CC) generators – 64.7% and 28.7% of total cleared DA A/S GWh respectively.[88] Filing Parties add that these CTs typically run on higher-cost distillate fuels (No. 2 Oil, Ultra-Low Sulfur Kerosene, Ultra-Low Sulfur Diesel, and Low Sulfur Jet Kerosene), while CCs typically run on natural gas. Additionally, Filing Parties argue that the spread between the Strike Price and higher short-run marginal costs of these resources creates a "performance-incentive gap" that cannot be fully covered by physically performing in Real-Time and, as a result, some resources elect not to participate in the DA A/S market or to reflect the risk in higher-priced DA A/S offers, thereby putting upward pressure on DA A/S clearing prices.[89]

b. Comments and Protests

44. Several commenters support the adjustment of the Strike Price floor. Identified End Users argue that the Strike Price floor should be dynamic and reflect observed system conditions.[90] Identified End Users state that the majority of DA A/S resources in the first year of the DA A/S market were CT resources with marginal costs much higher than the Strike Price, which led to lower incentives to perform, increased close-out risk, and lower incentives to participate in the DA A/S market. Similarly, NECOS and ENE contend that the proposed Strike Price floor will benefit load and the consumers who pay for the costs of DA A/S.[91] NECOS and ENE explain that the proposed Strike Price adjustment reduces the close-out charge exposure faced by CT resources that receive a majority of the DA A/S awards and that such close-out charges collected are returned to load.[92] NECOS and ENE state that the proposal moves the market design in the direction of having a reliable system at a reasonable cost, noting that ISO-NE estimates savings to consumers at approximately $23 million per year.[93]

45. The IMM contends that Filing Parties' Strike Price proposal reflects a reasonable balance between performance incentives and costs and meaningfully corrects the market

[88] Ewing Test at 17.

[89] Transmittal at 11.

[90] Identified End Users Comments at 12-13.

[91] NECOS and ENE Comments at 20.

[92] *Id*.

[93] *Id*. at 21 (citing ISO-NE, *Day-Ahead Ancillary Services Post-Implementation Adjustments, Presentation to Markets Committee*, at slide 12 (May 12-14, 2026)).

inefficiency identified by the IMM.[94] The IMM argues that the proposal retains strong performance incentives at Real-Time price levels associated with higher reliability risk because CT commitments tend to be strongly correlated with periods of elevated system reliability risk. The IMM explains that this relationship is likely to persist as the system continues to rely on fast-start, dispatchable resources to manage steep ramps and peak-load conditions. The IMM explains that, accordingly, aligning the Strike Price floor with the short-run marginal cost of a CT will better reflect system price levels associated with higher reliability risk, while improving the overall incentive-cost balance.[95] The IMM explains that DA A/S performance incentives change under Filing Parties' proposal but should be considered in the broader context of all market incentives. The IMM adds that Filing Parties' proposal maintains strong performance incentives for resources with high short-run marginal costs, including CTs, given that the methodology will set the Strike Price floor as a conservative, lower-bound estimate of the marginal costs of an oil-fired CT (tenth percentile of CTs).[96]

46. The EMM also supports the Strike Price floor proposal because it reduces the financial risk of being a Day-Ahead reserve supplier while maintaining the incentive to be available during conditions when operating reserves are more likely to be constrained or in shortage.[97] The EMM further explains that higher cost peaking units are most frequently scheduled for reserves in Real-Time because: (1) their fast start characteristics and dedicated fuel source make them highly available on short notice, while (2) their high costs make them infrequently scheduled for energy.

47. Separately, the IMM explains that it is also important to note that, although improvements to the Gaussian Mixture Model are beneficial, they do not address the source of inefficiency relating to underlying cost misalignment.[98] The IMM explains that Filing Parties' proposal addresses a structural disconnect between the Strike Price and the cost of resources providing DA A/S, whereas the Gaussian Mixture Model improvements are limited to addressing forecast accuracy. The IMM contends that, accordingly, improved forecasting does not eliminate the need for Filing Parties' proposal, which

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[94] IMM Comments at 14.

[95] *Id*. at 15.

[96] *Id*. at 16 (citing Ewing Test. at 35).

[97] EMM Comments at 3-4.

[98] IMM Comments at 18-19.

would remain necessary even if price and close-out cost forecasts were perfectly accurate.[99]

48. FirstLight protests the addition of a Strike Price floor, arguing that the change is unjust and unreasonable as it will disadvantage and discriminate against lower marginal energy cost, fast-start resources.[100] FirstLight argues that the Strike Price floor is a significant and flawed change to the DA A/S market that will do significant harm to market participants that are not distillate-fueled combustion facilities.[101] FirstLight argues that setting the Strike Price floor to reflect the short-run marginal costs of distillate-fired combustion turbines "puts a thumb on the scale" in favor of those resources, biasing the market against first line reserve resources.[102] FirstLight states that this proposal will benefit high marginal cost generators that are not likely to be dispatched in real time, while leaving first line reserve resources with minimal opportunity to be compensated for their value.[103]

49. FirstLight contends that the Strike Price floor will be binding during most of the year, with the exception of the cold winter period where natural gas prices rise above distillate oil prices.[104] FirstLight further explains that under the current rules for all months except December through February, close-out charges occur in 32.2% of hours, but under the proposed revised rules, close-out charges would only occur in 0.6% of the hours for those months.[105] FirstLight argues that due to the reduced risk of incurring close-out costs, first line reserve resources will be less competitive in the DA A/S market, and that compensation to the first line reserve resources would be limited to periods

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[99] *Id*. at 19.

[100] FirstLight Protest at 2.

[101] *Id.* at 10, 21.

[102] *Id.* at 11. FirstLight uses "first line reserve resources" to refer to low marginal energy cost fast start resources. FirstLight states that these resources will continue to be expected—under Forward Capacity Market and energy market rules—to provide first-in-line reserve activation where lower energy-priced synchronized reserve is not available. *Id*. at 2.

[103] *Id.* at 11, 15, 19.

[104] *Id.* at 13.

[105] *Id.*

where the Strike Price is much higher than their marginal cost.[106] FirstLight argues that this reduction in compensation will reduce the incentive for first line reserve resources to take costly actions to prepare to provide reserves and Real-Time physical energy.[107] Even so, FirstLight argues that first line reserve resources will be asked to continue to provide Real-Time reserve activation to meet firm load needs in excess of Day-Ahead cleared generation, no matter what level of distillate-fueled combustion turbines receive Energy Imbalance Reserve awards, and will be activated to address contingencies, no matter what level of distillate-fueled combustion turbines receive Flexible Response Services awards.[108]

50. FirstLight argues that this proposal downplays DA A/S awards cleared by other types of resources, noting that distillate-fired combustion turbine reserve resources make up less than 50% of the DA A/S sales in most months of the year.[109] FirstLight further argues that the magnitude of this impact on the Strike Price might be greater than ISO-NE's filing expects as its comparison includes oil prices prior to their significant increase starting on March 1, 2026.[110]

51. FirstLight contends that this proposed change is a significant departure from the initial principles behind the Commission-approved DA A/S market design.[111] FirstLight notes that in the original DASI filing, ISO-NE explained that since "a resource's incentive is equal to the difference in the Day-Ahead Ancillary Services seller's expected net Real-Time settlement if its resource performs (when needed) in Real-Time, versus if it is unable to perform," the "resources' incentives depend on the strike price…" and consequently "[a] higher strike price will reduce the difference, and therefore reduce a Day-Ahead Ancillary Services seller's incentive to take costly actions to improve its resource's ability to perform."[112]

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[106] *Id.* at 14.

[107] *Id.* at 15.

[108] *Id.* at 15-16.

[109] *Id.* at 15.

[110] *Id.* at 12-13.

[111] *Id.* at 11.

[112] *Id*. at 19 (citing ISO-NE, Initial DASI Filing, Docket No. ER24-275-000, at 19 (filed Oct. 31, 2023)).

52. FirstLight argues that this proposal is reactionary, noting that, based on ISO-NE's own analysis presented at a NEPOOL Markets Committee meeting, the Strike Price floor would only have reduced the costs of the DA A/S Market by about 2%.[113] Further, FirstLight argues the floor would have no impact in the most expensive winter hours, which drive most of the cost and tend to occur on the most extreme weather days on which the Strike Price floor is unlikely to bind.[114] FirstLight believes the proposed floor would produce significant market disruption and reduce performance incentives for very little cost savings.[115]

53. In addition, FirstLight argues that the Strike Price floor unduly discriminates against resources with energy offers below the Strike Price floor.[116] FirstLight highlights the importance of connecting the set of resources that ISO-NE would rely on in Real-Time economic dispatch with incentives and compensation through the ISO-NE DA A/S market.[117] FirstLight explains that under the current Strike Price formulation, resources presenting more valuable physical call options (e.g., fast start resources with energy offer prices below the proposed Strike Price floor but above the Day-Ahead LMP) are able to better hedge the close-out charge portion of their DA A/S bid than fast start resources with much higher energy offers. However, as FirstLight explains, many first line reserve resources face additional costs that, under the Strike Price floor change, make the higher value first line reserve resources less competitive DA A/S sellers when they reflect the costs of additional charging (electric storage resources) or next day fuel purchase (e.g., natural gas resources) needed to reliably perform as Day-Ahead reserve.[118] FirstLight states that when the Avoidable Input Cost component of DA A/S bids is considered, in many hours of the year first line reserve resource bids will necessarily be raised higher than the greatly diminished close-out risk component in most non-winter hours, not because they are less efficient reserves, but because the Strike Price floor has changed their relative economics.[119] FirstLight therefore argues that a rule that makes the first line

[113] *Id.* at 21.

[114] *Id.* at 22.

[115] *Id.* at 22.

[116] *Id*. at 22.

[117] *Id.* at 22-23.

[118] *Id.* at 23.

[119] *Id.* at 24.

reserve resources less competitive in this manner is not only arbitrary and inefficient, but also unduly discriminates against such resources.

54. FirstLight further argues that fixing the Strike Price floor to the marginal cost of a specific resource type would ensure that the chosen resource type remains competitive no matter the change in its fundamentals, which is preferential to that resource type.[120] According to FirstLight, under the proposed Strike Price floor, since the Strike Price would float with the marginal cost of oil units (with the exception of very high natural gas-priced periods in the winter), those units would have no need to increase their risk premiums despite a dramatic increase in fuel cost, and would thus be made artificially more competitive as a result of having been the chosen class of reserve resource by ISO-NE. FirstLight argues that this is unduly preferential towards distillate-oil fueled combustion generators.

c. Answers

55. In response to FirstLight's arguments against the proposed Strike Price floor, ISO-NE contends that the results of the market did not match expectations of the initial design and that the proper response is to fix the design.[121] ISO-NE explains that participation in the DA A/S market during its first year of operation was observed to have been lower by resources across the supply stack, and offer prices higher, than originally assumed during the design and implementation stage.[122] ISO-NE explains that these differences resulted in tighter market supply conditions, high cross-product opportunity costs, and ultimately a higher marginal cost of meeting both energy demand and operating reserve requirements. ISO-NE reiterates that a significant share of DA A/S awards have been cleared by CT generators; thus, to better align the Strike Price with the short-run marginal costs of CTs as well as other resources with high short-run marginal costs, the proposed Strike Price floor is based on a short-run marginal costs estimate for an efficient, distillate-fuel fired CT.[123]

56. ISO-NE also refutes FirstLight's argument that the proposed Strike Price floor would disadvantage and discriminate against first line reserve resources.[124] ISO-NE reiterates that the proposed Strike Price floor will lower close-out risk for all suppliers,

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[120] *Id.* at 25.

[121] ISO-NE Answer at 8.

[122] *Id*. at 6-7.

[123] *Id.* at 7.

[124] *Id.* at 18-19.

regardless of technology type and marginal costs. ISO-NE states that if, as a result, resources have lower costs, reducing the risk of selling DA A/S, then that is competition rather than discrimination. In response to FirstLight's argument that resources other than first line reserve resources should have their higher risks reflected in higher risk premiums in DA A/S offers, ISO-NE argues that higher risk premiums do not make a resource more likely to perform in Real-Time, and that reducing unnecessary risk exposure lowers the amount of required risk compensation, reduces transaction costs, and improves market efficiency.[125]

57. ISO-NE contends that FirstLight's assertion that the Strike Price floor will require many first line reserve resources to provide uncompensated Day-Ahead reserves conflates Real-Time energy dispatch with the DA A/S products.[126] ISO-NE explains that a lower cost resource may be dispatched in Real-Time without a DA A/S award, but it also did not assume the associated close-out charge obligation that came along with receiving that DA A/S award, and that a resource receives applicable compensation for the Real-Time energy it provides.

58. ISO-NE states that FirstLight's claim that the proposed Strike Price floor favors CT generators is unfounded because the proposal would narrow the gap between marginal cost and the Strike Price for most DA A/S sellers across multiple fuel types.[127] ISO-NE explains that resources with lower energy offer prices will be dispatched before higher-cost resources because the dispatch order always depends on relative marginal costs, rather than the Strike Price.

59. In response to the IMM's comments, FirstLight disputes the IMM's Table 1 on average energy offer data of the resource classes that received, or were otherwise eligible to receive, DA A/S awards during March 1, 2025 through February 28, 2026.[128] FirstLight states that while the IMM's Table 1 appears to suggest that there is little difference between the energy offer prices among most of the resources competing in the DA A/S market and little impact from the Strike Price floor, the use of average energy

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[125] *Id.* at 19.

[126] *Id.* at 20-22.

[127] *Id.* at 22-23 (citing IMM Comments at 6).

[128] FirstLight Answer at 2. The IMM argues that Table 1 shows that the Strike Price formulation can be misaligned with the short-run marginal costs of resources that provide DA A/S, creating a market inefficiency in which there is unhedgeable financial exposure for DA A/S suppliers and increased offer and clearing prices without producing commensurate reliability benefits, which may discourage participation of high marginal cost resources. *See* IMM Comments at 5-6 & tbl. 1.

offers in Table 1 in this manner is misleading. FirstLight reiterates that there are significant differences between first line reserve resources and distillate-fueled combustion turbines during many months of the year, in which natural gas-fired resources and electric storage resources would have much higher energy offer prices during the months of December through February due to cold weather home heating demand. FirstLight explains that energy offers of these resources are far more competitive than those of distillate-fueled combustion turbines in the other months of the year.

60. Further, FirstLight disputes the IMM's Table 1 by providing energy offer data for its Northfield Mountain Pumped Storage Facility (Northfield).[129] FirstLight contends that the Northfield data is more representative of first line reserve resources more generally in the ISO-NE footprint. FirstLight contends that there is a stark difference, masked by the IMM's use of average Day-Ahead energy offers during both winter and non-winter months, between Northfield's average Day-Ahead energy offers during the non-winter months, where the Strike Price floor is likely to bind (March 1, 2025 through November 30, 2025) at $92/MWh, and during the winter months where the Strike Price floor is unlikely to bind (December 1, 2025 through February 28, 2026) at $222/MWh.[130]

61. FirstLight also argues that while the IMM's Table 1 shows that electric storage resources had an average Day-Ahead energy offer that was higher than the Strike Price floor, Northfield's weighted average Day-Ahead energy offers, for MWh beyond amounts cleared as Day-Ahead energy during the non-winter months, are well below the Strike Price floor.[131] FirstLight explains that the IMM's Table 1 excludes the significant increase in oil prices by excluding the period from March 1, 2026 through July 31, 2026. FirstLight contends that including this period shows that during the non-winter months, Northfield's average Day Ahead energy offers were $91/MWh lower than the Strike Price floor.[132]

d. Commission Determination

62. We find that Filing Parties' proposal to set a floor on the Strike Price based on a marginal cost estimate for an efficient CT generator is just and reasonable and not unduly discriminatory or preferential because it strikes a reasonable balance between reducing the risks associated with participating in the DA A/S market – thus supporting broader

[129] *Id.* at 3 (referencing IMM Comments at 6).

[130] *Id.* at 4.

[131] *Id.* at 3-4 (citing IMM Comments at 6).

[132] *Id*. at 4.

participation – and retaining performance incentives for resources with DA A/S awards during periods of elevated system risk. As Filing Parties explain, the marginal costs of CT and CC generators have been observed to exceed the Strike Price during the first year of the DA A/S market, such that higher Real-Time prices increase close-out costs without providing any additional incentive for such resources to perform in Real-Time.[133] As such, we find that the proposed Strike Price floor is a just and reasonable means to reduce the risk of such close-out charges when they serve to disincentivize participation in the DA A/S market or increase DA A/S offer prices, providing limited reliability benefit, while still retaining the incentives that close-out charges provide for resources with DA A/S awards to perform in Real-Time at times when the system is at greatest risk.

63. We also disagree with FirstLight's argument that the Strike Price floor is unduly discriminatory to "first line reserve" resources or unduly preferential towards distillate-fueled CT resources. Although FirstLight characterizes its argument in terms of undue discrimination, FirstLight does not discuss whether the different types of resources are similarly situated, which is foundational to an undue discrimination argument.[134] Thus, we find that FirstLight has not sufficiently explained the basis for its undue discrimination claim.[135]

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[133] Transmittal at 11. Specifically, Filing Parties state that "[w]hen the Strike Price is set too low, it provides limited incremental reliability value, as resources are not economically incentivized to physically cover an obligation when the Real-Time Hub LMP exceeds the Strike Price but remains below their marginal costs." Transmittal at 16-17. In such cases, providing energy in Real-Time would impose additional economic losses on the resource, as its marginal cost would exceed the price it received for supplying that energy; consequently, it has no incentive to provide such energy and may even elect not to participate in the DA A/S market to avoid being subject to close-out charges in the first place.

[134] *See TransSource, LLC v. PJM Interconnection, L.L.C.*, 168 FERC ¶ 61,119, at P 240 (2019) ("undue discrimination can only occur when two similarly situated customers are treated differently, and there is no justification for the differing treatment . . . In other words, a finding of undue discrimination requires a showing that (1) two classes of customers are treated differently; and (2) the two classes of customers are similarly situated.".); *Solar Energy Indus. Ass'n v. Midcontinent Indep. Sys. Op., Inc.*, 185 FERC ¶ 61,186, at P 18 (2023) (to "prevail on an undue discrimination claim," the party must show that it is similarly situated to others and that any different treatment between the similarly situated entities is not justified).

[135] Nevertheless, we note that all resources in the DA A/S market are and would be treated similarly under the proposal because all resources with the required physical capability are eligible to offer into the DA A/S market and receive compensation from

64. Despite its reference to undue discrimination, FirstLight appears to be arguing that Filing Parties' proposed Strike Price floor may have an unjust and unreasonable impact on first line reserve resources because the proposal would benefit a specific resource type (i.e., distillate-fueled CTs) at the expense of others. We disagree. The Strike Price value represents a balancing of costs and incentives,[136] recognizing there is no "perfect" strike price given the heterogeneity of the generators that participate in the DA A/S market[137] and that the strike price is a balancing of wholesale costs to consumers and incentives for resources to provide ancillary services.[138] By aligning the Stike Price floor with the marginal costs of an efficient CT generator, Filing Parties are improving incentives for participation in the DA A/S market, maintaining strong incentives for performance during periods of elevated system risk, and rebalancing the relative cost and incentives based on operational experience. For these reasons, we find Filing Parties' proposal to modify the Strike Price to be just and reasonable.

4. Impact Test Threshold Floor

a. Filing Parties' Proposal

65. Filing Parties also propose to add a floor of $3/MWh to the Impact Test threshold to prevent the Impact Test from being too stringent and resulting in subsequent over-

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this market if they are selected to provide the required services, regardless of whether their shot-run marginal costs are high or low. In addition, we do not believe that the proposed change would have a disparate impact on these similarly situated resources because it will serve to reduce the risk associated with taking on a DA A/S award for all resources – regardless of short-run marginal costs – in that it reduces the likelihood of a non-zero close-out charge.

[136] Transmittal at 9.

[137] *See*, *e.g.,* IMM Comments at 13-14. In its Initial DASI Filing, ISO-NE explained that the economically efficient strike price is equal to the marginal cost for a resource but explained that because the market relies on many different types of technologies with different marginal costs, there is no single perfect price. *See* ISO-NE, Initial DASI Filing, Testimony of Dr. Matthew White, Docket No. ER24-275-000, at 82-88 (filed October 31, 2023) (White Test.).

[138] "The strike price serves to balance two objectives. For one, its value impacts the incentives for ancillary service sellers to ensure their resources are reliable and able to perform when needed. Second, its value impacts wholesale market costs, which are ultimately borne by consumers. These two objectives are in a degree of tension, so must be balanced in the design." *See* White Test. at 81.

mitigation.[139] Filing Parties explain that the Conduct Test threshold has a minimum of $2/MWh such that the Impact Test threshold unintentionally becomes more stringent as the Expected Close-Out cost, as an input to the Conduct Test threshold, increases from $0/MWh to $2/MWh.[140] Filing Parties state that this could lead to more frequent failures of the Impact Test and subsequent over-mitigation.[141] Therefore, Filing Parties propose a $3/MWh Impact Test threshold floor to prevent the Impact Test threshold from falling below $3/MWh in hours when the Expected Close-Out cost is between, but not including, $0/MWh and $2/MWh.[142] Filing Parties contend that this proposal will address potential over-mitigation in hours when prices are low and market power is not a significant concern. Filing Parties note that this proposal aligns with a recommendation from the EMM.[143]

b. Comments

66. Commenters support the proposed Impact Test threshold floor of $3/MWh. The IMM states that the adjustment to the Impact Test threshold is appropriate to align mitigation with times when market power is a concern.[144] The IMM argues that the proposed floor addresses an unintended outcome of the current market design, whereby at low levels of Expected Close-Out Charges (between $0 and $2/MWh), the effective price Impact Test thresholds fall below $3/MWh. The IMM explains that "Expected Close-Out Charges" in this range are likely to occur more frequently under the proposed Strike Price formulation.[145] The IMM argues that, accordingly, Filing Parties' proposal to incorporate a $3/MWh floor to the Impact Test threshold is a sensible measure that will address these observed instances of over-mitigation.

67. The EMM states that, during the initial implementation of the DA A/S market, it found that mitigation occurred more frequently in the DA A/S market than in the energy

[139] Transmittal at 19.

[140] Mazur Test. at 9-10.

[141] *Id*. at 11.

[142] Transmittal at 19.

[143] *Id*. (citing EMM, *2024 Assessment of the ISO-NE Electric Markets*, 39, (June 2025), https://www.iso-ne.com/static-assets/documents/100025/iso-ne-2024-emm-report-final.pdf).

[144] *Id.*

[145] *Id.*

market, typically involved a substantial volume of reserve offers, disproportionately affected smaller suppliers that are unlikely to possess market power, and occurred more frequently during low to moderate load conditions rather than during tight system conditions, when market power was more likely to be present.[146] The EMM explains that one of the reasons for the frequent mitigation was due to the small size of the mitigation thresholds. The EMM states that it previously recommended to ISO-NE that it evaluate the current Conduct Test and Impact Test thresholds used in the DA A/S market and revise them to avoid overly aggressive mitigation. Therefore, the EMM supports the proposal to apply a $3/MWh floor to the Impact Test threshold, as it will likely reduce the frequency of mitigation during low to moderate load levels.

c. Commission Determination

68. We find that setting a $3/MWh floor on the Impact Test threshold is just and reasonable and not unduly discriminatory or preferential because it will avoid over-mitigation of the market when prices are low and market power is unlikely to be present. As Filing Parties explain, under the current calculation method, the threshold for failing the Impact Test generally comes out to $3/MWh when the Expected Close-Out is $0/MWh and also when it is $2/MWh. However, mathematically, the threshold for the Impact Test generally becomes more stringent, i.e., lower than $3/MWh, when the Expected Close-Out is between $0/MWh and $2/MWh, which is an unintended feature of the Impact Test threshold calculation as a result of the $2/MWh minimum under the Conduct Test. We find that the proposed floor will reduce the risk of over-mitigation at these levels, where heightened intervention is unlikely to be warranted. Accordingly, we find that Filing Parties' proposed $3/MWh floor on the Impact Test threshold is just and reasonable.

5. Credit Adjustment NCPC

a. Filing Parties' Proposal

69. Lastly, Filing Parties propose to remove the credit adjustment to the Hourly Revenue calculation of NCPC to prevent Day-Ahead External Transactions that do not have a corresponding Real-Time offer and are ineligible to receive the FER Price from receiving the equivalent in NCPC.[147] Filing Parties explain that the current DA A/S market design requires that Day-Ahead External Transactions have a corresponding Real-Time supply offer in order to be paid the FER Price. Filing Parties contend that their proposed adjustments include a minor change to the Day-Ahead NCPC[148] rules such that

[146] EMM Comments at 4-5.

[147] Transmittal at 19-20.

[148] NCPC payments are used to ensure that resources that follow ISO-NE's

the FER Price is considered (for accounting purposes only) as part of the hourly revenue for Day-Ahead cleared imports regardless of whether there is a corresponding Real-Time transaction.[149] Filing Parties contend that this adjustment is necessary to prevent Day-Ahead imports that are ineligible to receive the FER Price from effectively receiving that price through a Day-Ahead Market NCPC Credit. Filing Parties explain that such occurrences have been rare but warrant prevention.[150]

70. Filing Parties explain that, in this way, the FER Price or its equivalent through NCPC credits is paid only to resources that help ensure a reliable next-day operating plan, which does not include an import transaction without a corresponding Real-Time supply offer.[151] Filing Parties' expert, Anna Mazur, estimates that this accounting issue has resulted in approximately $73,000 in NCPC payments to Day-Ahead imports between March 2025 and February 2026 that would otherwise be ineligible to receive the FER Price.[152]

b. Commission Determination

71. We find that Filing Parties' proposal to remove the credit adjustment to the Hourly Revenue calculation of NCPC to prevent Day-Ahead External Transactions that do not have corresponding Real-Time offers and are ineligible to receive the FER Price from receiving the equivalent in NCPC is just and reasonable and not unduly discriminatory or preferential. Filing Parties' proposal will ensure that resources that conduct Day-Ahead External Transactions are only paid if they are able to deliver energy in the Real-Time market and are not improperly compensated through NCPC. Accordingly, we find that Filing Parties' proposed adjustment to the Tariff should ensure that the FER Price or its equivalent through NCPC credits is paid only to resources that help ensure a reliable

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dispatch instructions are not made worse off by doing so, by receiving the difference, also known as "uplift," between a resource's total offer costs and total market revenues. NCPC credits are generally calculated as the greater of (Total Offer Costs-Total Market Revenues) and 0. For the purposes of Day-Ahead NCPC calculations, Total Market Revenues include the FER Price, "subject to the conditions specified in Section III.3.2.1(q)(4)(ii)." Mazur Test. at 3-4.

[149] *Id*. at 20.

[150] *Id*.

[151] *Id*. at 21.

[152] Mazur Test. at 6.

next-day operating plan, which does not include an import transaction without a corresponding Real-Time supply offer.

The Commission orders:

Filing Parties' proposed Tariff records are hereby accepted, effective October 22, 2026, as discussed in the body of this order.

By the Commission.

(S E A L)

Debbie-Anne A. Reese,
Secretary.

Appendix
ISO New England Inc.
ISO New England Inc. Transmission, Markets and Services Tariff

- III.1, III.1 Market Operations (77.0.0)
- Appendix A, Appendix A Market Monitoring, Reporting and Market Power Mit (70.0.0)
- Appendix F, Appendix F Net Commitment Period Compensation Accounting (48.0.0)