

CAPACITY WATCH

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EXECUTIVE SUMMARY

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This Issue of *Capacity Watch*[™] ESAI discusses changes to the Net Cost of Net Entry (Net CONE) and Energy and Ancillary Services (EAS) net revenue offsets in each of the Northeast capacity markets. In ISO New England (ISO-NE), the Net CONE reset process is concluding and will likely result in a drop in the Net CONE value starting with the Sixteenth Forward Capacity Auction (FCA16). Additionally, changes to the treatment of energy efficiency in the peak load forecasting process and development of the Installed Capacity Requirement (ICR) are likely to result in lower ICR values and lower prices starting in FCA16. However, prices are expected to move up for FCA15, before declining in the longer-term.

In PJM, FERC orders on the proposed Minimum Offer Pricing Rule (MOPR) and a shift to a forward-looking EAS offset calculation are forthcoming. Both will be implemented for the next BRA for 2022/23. ESAI's outlook for RPM prices is slightly lower than our Q2-2020 outlook due to the implementation of the forward looking EAS and an expectation for additional cleared capacity from subsidized resources. Announced retirements partially offset the decline.

In New York, the demand curve reset process has concluded with recommended values that will be reviewed by the NYISO Board and submitted to FERC for approval. The Net CONE values are expected to drop for all NYISO locations, with the most significant decline for the G-J Locality. While the price outlook for New York City remains strong due to planned retirement of under DEC NOx rules, a decline is expected for 2021/22 due to lower peak load, along with the reduction in Net CONE. Some additional 2021 price risk for New York City remains, as LCR values have not yet been finalized for 2021.



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