

MEMORANDUM

To: NEPOOL Participants Committee Members and Alternates

From: Mariah Winkler, Markets Committee (MC) Chair, and
William Fowler, MC Vice-Chair

Date: March 30, 2023

Subject: Additional Clarifying Revision to the IEP Parameter Updates

At its March 2, 2023 meeting, the NEPOOL Participants Committee (NPC) approved a motion to support proposed revisions to Appendix K of Market Rule 1 to update certain Inventoried Energy Program (IEP) parameters (IEP Parameter Updates or Updates). As is typical, the resolution approved by the NPC also authorized the MC Chair and Vice-Chair to approve non-substantive changes to the Updates. Pursuant to that authority, we determined that the clarifying revision (described below) is consistent with, and not a material change to, the NEPOOL-supported IEP Parameter Updates.

As part of the IEP Parameter Updates, the ISO revised Section III.K.1.1(a)(ii) to update the price index used in the evaluation of the fixed strike price for gas contracts. The current revised language in Section III.K.1.1(a)(ii), which was supported by the NPC, requires the ISO to reject gas contracts that specify a fixed strike price greater than “250 percent of the Dutch TTF Natural Gas Last Day Financial Futures (USD/MMBtu) prices for the December, January, and February of the relevant winter period on the earlier of the day the contract is executed and the first Business Day in October prior to that winter period.”

In preparing the IEP Parameter Updates filing, the ISO became aware that the words “average of the monthly” were inadvertently omitted from the revised Tariff language. Specifically, the revised language in Section III.K.1.1(a)(ii) of the Tariff should have included the emphasized words as follows: “250 percent of the **average of the monthly** Dutch TTF Natural Gas Last Day Financial Futures (USD/MMBtu) prices for the December, January, and February of the relevant winter period on the earlier of the day the contract is executed and the first Business Day in October prior to that winter period.”

As the ISO conveyed during the stakeholder process, the purpose of the revisions in Section III.K.1.1(a)(ii) is to reflect the change to an indexed based price, while leaving other components of the price evaluation structure unchanged. The update is intended to replace the current index, which is a composite index comprised of the sum of Henry Hub natural gas futures prices and the Algonquin Citygates Basis natural gas futures prices, with a single index that is more reflective of current LNG supply pricing, namely, the Dutch TTF Natural Gas Last Day Financial Futures (USD/MMBtu) prices. However, the revisions inadvertently failed to retain the existing words “average of the monthly.” Read in this context, it is clear that the intention of the proposed revision is to use the “average of the monthly” prices. As such, we have determined that the clarifying revision is consistent with and not a material change to the Tariff language the NEPOOL Participants Committee supported at its March 2, 2023 meeting.

If you have any questions or concerns, please contact NEPOOL Counsel by **Wednesday, April 5, 2023**, as the ISO intends to file the IEP-related changes to Appendix K, including the clarifying revision described here, by **Thursday, April 6, 2023**.