

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

ISO-New England Inc.

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Docket No. ER15-1462-000

**MOTION TO INTERVENE AND PROTEST OF
THE NEW ENGLAND POWER GENERATORS ASSOCIATION, INC.**

Pursuant to Rules 211 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”)¹, and in accordance with the Commission’s Combined Notice of Filing #1, dated April 7, 2015, the New England Power Generators Association, Inc. (“NEPGA”)² hereby files this Motion to Intervene and Protest in response to ISO New England Inc.’s (“ISO-NE”) April 6, 2015, filing of its proposed potential Capacity Zone boundaries for the tenth Forward Capacity Auction (“FCA 10”).³ ISO-NE’s proposed potential Capacity Zone boundaries, if approved and modeled, would create four Capacity Zones for FCA 10: two import-constrained zones, a small Rest-of-Pool Capacity Zone, and a single export-constrained zone to include the Vermont, New Hampshire, and Maine Load Zones (a Northern New England or “NNE Capacity Zone”).

This is the second Forward Capacity Auction for which ISO-NE has applied a new process for proposing potential Capacity Zone boundaries. The experience thus far has shown certain flaws in the process and outcome that are in need of repair. This new process creates a lag in information relevant to ISO-NE, which in turn causes, at least in part, a lack of opportunity for stakeholder participation in identifying the transmission interfaces potentially relevant to

¹ 18 C.F.R. §§ 385.211, 385.214 (2014).

² The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.

³ *ISO New England Inc. filing Re: Identification of Potential New Capacity Zone Boundaries*, Docket No. ER15-1462 (April 6, 2015) (“Zone Boundary Filing”).

Capacity Zone boundaries. The new process also allows for rapidly changing Capacity Zones, which decreases market participant confidence in the Forward Capacity Market and increases resource risk. Both of these undesirable aspects of the new Capacity Zone boundary process can be remedied by providing stakeholders with a meaningful opportunity to review and participate in ISO-NE's development of its proposed Capacity Zone boundaries, and by providing for more consistency in the transmission interfaces considered for potentially modeling Capacity Zones. NEPGA asks the Commission to direct ISO-NE to amend its Tariff accordingly.

I. Motion to Intervene and Communications

NEPGA is a private, non-profit trade association advocating for the business interests of competitive electric power generators in New England. NEPGA's member companies represent approximately 26,000 megawatts of installed capacity throughout the New England region. NEPGA's mission is to promote sound energy policies which will further economic development, jobs, and balanced environmental policy. NEPGA's member companies are responsible for generating and supplying electric power for sale within the New England bulk power system. As active participants in the ISO-NE capacity and wholesale electricity markets, NEPGA's member companies have substantial and direct interests in the outcome of these proceedings, and those interests cannot be adequately represented by any other party.

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II. Background

On April 28, 2014, the Commission approved ISO-NE's compliance filing describing a new "two step" procedure for ISO-NE to identify the transmission interfaces that should be considered in developing Capacity Zones, and to identify the Capacity Zones that will be modeled in each Forward Capacity Auction.⁴ The first step requires ISO-NE to identify potential new Capacity Zone boundaries and, if different from the Capacity Zone boundaries modeled in the prior annual Forward Capacity Auction, file those potential boundaries with the Commission pursuant to Section 205 of the Federal Power Act ("Step One").⁵ If the Commission approves the potential boundaries, ISO-NE must then consider whether certain objective criteria, such as the amount of existing capacity within a potential Capacity Zone, compel the modeling of a Capacity Zone based on those boundaries.⁶

III. Protest

A. ISO-NE Did Not Fulfill Its Commitment to Provide Stakeholders With an Opportunity to Provide Meaningful Input Early in the Process of Developing the Potential Capacity Zone Boundaries

In seeking approval of the "two step" Capacity Zone modeling process, ISO-NE represented to the Commission that it would identify potential Capacity Zone boundaries with significant input from NEPOOL stakeholders early in the Step One process.⁷ Contrary to its commitment, ISO-NE notified stakeholders of its proposed potential Capacity Zone boundaries for FCA 10 only eight business days prior to filing with the Commission. ISO-NE's last minute notice to stakeholders represents a significant departure from the process stakeholders were led

⁴ *ISO New England Inc., Order Accepting Compliance Filing*, 147 FERC ¶ 61,071 (2014) ("Compliance Order").

⁵ *Id.* at P 11.

⁶ ISO-NE Tariff, § III.12.4.

⁷ *See Compliance Filing of ISO-New England, Inc.*, Docket No. ER12-953-002, at p. 10 (filed January 31, 2014) ("Compliance Filing"); *see also Motion for Leave to Answer and Answer of ISO New England Inc.*, Docket No. ER12-953-004, at p. 14 (filed March 10, 2014).

to expect from ISO-NE. The Commission should direct ISO-NE to amend its Tariff to explicitly define ISO-NE's obligations to provide stakeholders with ample notice and opportunity to participate in the Step One process.

In commenting on ISO-NE's Compliance Filing, the NEPOOL Participants Committee explained to both ISO-NE and the Commission that it is vital for NEPOOL stakeholders to have a meaningful opportunity to discuss and consider ISO-NE's proposed potential Capacity Zone boundaries prior to ISO-NE making its Step One filing with the Commission.⁸ NEPOOL explained that it likewise is vital that stakeholder input occur "early enough to be meaningful in development of the various FCM auction parameters."⁹ ISO-NE resisted requests to amend the ISO-NE Tariff to define its Step One process obligations, stating instead its commitment to provide NEPOOL stakeholders with an opportunity "to provide meaningful input very early in the process at the [Planning Advisory Committee]."¹⁰ In its Compliance Filing, ISO-NE committed to provide "additional processes reflecting a high degree of stakeholder coordination" in the Step One process. ISO-NE explained that the "additional process" would include the Regional System Planning process¹¹ and an "advisory vote" from the Reliability Committee. It is in this way, ISO-NE represented, that NEPOOL stakeholders could provide ISO-NE with "input and advice."¹² When ISO-NE moved for a vote at the April 2, 2015, Reliability Committee meeting,¹³ however, the vote, according to ISO-NE, was purely "as to whether the

⁸ *Comments of the New England Power Pool Participants Committee*, Docket No. ER12-953-004, at p. 10 (filed February 21, 2014).

⁹ *Id.*

¹⁰ *Motion for Leave to Answer and Answer of ISO New England Inc.*, Docket No. ER12-953-004, at p.14 (filed March 10, 2014).

¹¹ Pursuant to which ISO-NE presents its findings to the Planning Advisory Committee – an ISO-NE, not NEPOOL committee.

¹² *Zone Boundary Filing Transmittal Letter* at p. 10.

¹³ ISO-NE implies that its request for a vote was an act of kindness because it was "not required by the governing documents." *Zone Boundary Filing Transmittal Letter* at p. 8.

ISO's identification of the [northern New England] and [southeastern New England] boundaries had been performed in accordance with the ISO Tariff requirements."¹⁴ The Reliability Committee notably failed to support even the limited scope of ISO-NE's motion by voting only 34% in favor.¹⁵

At the January 21, 2015, Planning Advisory Committee ("PAC") meeting, ISO-NE provided stakeholders with an initial report on its findings with respect to the relevant transmission interfaces for FCA 10 Capacity Zones.¹⁶ ISO-NE explained that "[i]t continues to be the case that a single transmission interface is not expected to be deployed to manage transfers into-out of" the New Hampshire, Vermont, and West Central Massachusetts Load Zones.¹⁷ ISO-NE further reported that it did not expect that these Load Zones would be "separately modeled as individual import or export constrained Capacity Zones in FCA-10." ISO-NE's January 21 PAC meeting presentation indicated to stakeholders that the North-South interface would not serve as the basis for an export-constrained zone in FCA 10, which was the only information ISO-NE provided to stakeholders until just seven business days prior to filing its proposed potential Capacity Zone boundaries with the Commission. On March 24, 2015, ISO-NE held a PAC meeting to discuss for the first time its newly proposed potential Capacity Zone boundaries.¹⁸ ISO-NE then called for the "advisory" Reliability Committee vote on whether ISO-NE complied with its Tariff in Step One on April 2, 2015, just seven business days after the March 24 PAC meeting.

¹⁴ Zone Boundary Filing Transmittal Letter at p. 8.

¹⁵ *Notice of Actions of the Reliability Committee*, April 3, 2015, available at <http://www.iso-ne.com/committees/reliability/reliability-committee>.

¹⁶ ISO-NE PAC Presentation, at p. 17, available at http://www.iso-ne.com/static-assets/documents/2015/01/a8_rsp15_zonal_interfaces_transfer_capability_assumptions.pdf.

¹⁷ *Id.*

¹⁸ *RSP15 Zonal Interfaces – Transfer Capability Assumptions (Critical Energy Infrastructure Information Access restricted)*, available at <http://www.iso-ne.com/committees/planning/planning-advisory>, March 24, 2015, PAC Meeting (posted March 20, 2015).

Simply put, ISO-NE failed to honor its commitment to provide a “high degree of stakeholder coordination” and a meaningful opportunity for stakeholder input “early in the process.” Consequently, NEPGA Members had little opportunity in the PAC and NEPOOL processes – and far less than ISO-NE represented it would provide – to participate in the development of ISO-NE’s proposed potential Capacity Zone boundaries. This lack of opportunity is all the more harmful given that ISO-NE had explained, up until the week prior to filing with the Commission, that New Hampshire and Vermont would not be modeled as export-constrained Capacity Zones, giving stakeholders no reason to believe that ISO-NE would propose a significant and sudden change to the transmission interfaces ISO-NE will consider for Capacity Zone boundaries for FCA 10. The Commission should direct ISO-NE to amend its Tariff to require ISO-NE to provide stakeholders with an opportunity to review and participate in the ISO-NE’s analysis of potential Capacity Zone boundaries early enough in the Step One process to make that participation meaningful.

B. The Lack of Stakeholder Participation and Market Inefficiencies Caused by the Current Capacity Zone Boundary Process Can be Avoided by Providing Greater Transmission Interface Consistency in the Zonal Boundary Process

NEPGA recognizes that ISO-NE’s development of proposed Capacity Zone boundaries took into account market information that was not available to ISO-NE until relatively late in the Step One process. For example, ISO-NE considered the outcome of the most recent Forward Capacity Auction run in February of each year, and the Shows of Interest¹⁹ which may be filed up until March of each year, just two months and one month, respectively, prior to the *de facto* April deadline for ISO-NE to file its proposed potential Capacity Zone boundaries.²⁰ That the information ISO-NE believes is relevant to its Step One determination is unavailable to ISO-NE

¹⁹ It is unclear whether ISO-NE can or should consider Shows of Interest in its Step One process. NEPGA reserves its right to challenge the use of Shows of Interest in this way in a future proceeding.

²⁰ Zone Boundary Filing, Testimony of Alan McBride, at p. 17 (“McBride Testimony”).

until relatively late in the Step One process creates a conflict between ISO-NE's obligation to provide stakeholders with a meaningful opportunity to participate in the development of proposed Capacity Zone boundaries early in that process, and its obligation to file the proposed boundaries by early April of each year.²¹ One way to resolve this conflict is to avoid it, by relying not on an annual transmission boundary process that may contribute to significant changes to import-constrained Capacity Zones year to year, but by evaluating a relatively static set of transmission interfaces against the Step Two objective criteria each Forward Capacity Auction.

With some amount of hindsight, the FCA 10 Step One process and outcome now illustrate two undesirable aspects of the existing Capacity Zone modeling process. First, as discussed above, stakeholders were afforded no meaningful participation in the FCA 10 Step One process. As noted, this may in part be due to a conflict between the availability of market information and the need for market participants to know the likely Capacity Zone boundaries prior to submitting de-list bids. Second, ISO-NE is required to conduct Step One annually, which may lead to a transient set of transmission interfaces considered for modeling, which in turn may lead to transient Capacity Zones and significant changes to price signals from one Forward Capacity Auction to the next. For example, the major component of the Greater Boston Transmission Project, a new 345 kV line running between the New Hampshire and NEMA/Boston Load Zones ("Scobie-Tewksbury Line"), is planned to be in-service before the

²¹ In order for ISO-NE to model its new Capacity Zones, the Commission must approve those boundaries prior to the Existing Capacity Qualification deadline in early June of each year. ISO-NE must therefore file its proposed potential Capacity Zone boundaries by early April in order to afford the Commission 60 days to approve the new potential boundaries under Section 205 of the Federal Power Act.

FCA 11 Capacity Commitment Period which begins on June 1, 2020.²² The Scobie-Tewksbury Line could increase the North-South interface transfer limit by up to 1,200 MW,²³ and could (depending on the quantity of new capacity cleared in FCA 10 and potentially offered into FCA 11) result in a finding that the NNE transmission interfaces will not be considered for modeling in FCA 11. If the Commission eventually approves a NNE Capacity Zone for FCA 10, it could be asked to approve a significantly different Capacity Zone configuration for FCA 11.

Significant changes in Capacity Zones from year to year, specifically with respect to import-constrained Capacity Zones, can interfere with developers' abilities to respond to zonal price signals and increase developer perception of Forward Capacity Market instability and risk, stunting competition between new and existing capacity resources and causing inefficient higher prices to load. With certain exceptions, in PJM's annual Reliability Pricing Model ("RPM") capacity auction, an import-constrained capacity zone must be modeled if it price-separated in any of the three preceding RPMs.²⁴ A similar requirement, and other potential mechanisms under the two step process, such as to provide more consistency in the transmission interfaces that are evaluated annually as possible Capacity Zone boundaries in Step One, would help create a measure of potential Capacity Zone predictability necessary to attract and retain efficient investment in New England.

NEPGA has long advocated for ISO-NE to model import-constrained Capacity Zones in a way that allows for the market to identify where resources are most needed, explaining that the

²² NEPOOL Participants Committee Meeting, ISO-NE COO Report, at p. 109, available at: <http://www.iso-ne.com/static-assets/documents/2015/04/april-2015-coo-report.pdf> (reporting that the Scobie-Tewksbury transmission line is expected to be in-service in December 2017).

²³ See Massachusetts Department of Public Utilities, D.P.U. 12-77, at p. 10 (2013) (according to ISO-NE's preliminary estimates, the Greater Boston Transmission Project may increase interface transfer limits into NEMA/Boston by 800 – 1,200 MW).

²⁴ PJM Interconnection, Manual 18, § 2.3.2 (a Local Delivery Area will be modeled in PJM's Base Residual Auction if, among other possible triggers, the zone had a Locational Price Adder, *i.e.*, price separated, in any one or more of the three immediately preceding Base Residual Auctions).

harm of failing to model a capacity zone, where a transmission constraint in a properly functioning market would otherwise lead to price separation, far outweighs that of modeling a zone and in the end no price separation actually occurs.²⁵ Failing to model an import-constrained capacity zone that would have price-separated if modeled causes the market to under-value local resource adequacy, especially in the undefined locality, and can lead to out of market solutions.²⁶ Conversely, there is no harm to modeling a capacity zone where a modeled transmission constraint does not bind and therefore does not cause price separation in the auction. The Forward Capacity Auction will simply proceed as if the constraints were not modeled in the auction. It is therefore far preferable to “over-model” the system than to risk the inefficient effects of “under-modeling” Capacity Zones. The lack of stakeholder participation in the FCA 10 Capacity Zone boundary process and the potential for significant changes in modeled Capacity Zones from year to year make the case for “over-modeling” all the more compelling.

The Commission now has before it a proposal to model Capacity Zones for FCA 10 that are significantly different from those modeled in FCA 9, and may significantly differ from those proposed by ISO-NE for FCA 11. ISO-NE developed its proposed Capacity Zone boundaries with little meaningful stakeholder participation in the Step One process, which is at least in part a function of the inherent conflict between the timing of certain market information. Transient transmission interfaces considered for Capacity Zone modeling and the lack of stakeholder participation can be avoided by, among other potential mechanisms, identifying a relatively static set of transmission interfaces upon which ISO-NE would apply the Step Two objective criteria,

²⁵ See, e.g., *Limited Protest of the New England Power Generators, Inc.*, Docket No. ER12-953-004 (filed February 21, 2014) (asking the Commission to require ISO-NE to model all Capacity Zones in each Forward Capacity Auction); *Motion to Intervene and Comments of the New England Power Generators Association, Inc.*, Docket No. ER12-953-001 (filed December 28, 2012) (modeling smaller Capacity Zones better allows for the market to reveal local resource adequacy needs).

²⁶ See *ISO New England Inc.*, 142 FERC ¶ 61,107, at P 118 (2013) (finding that modeling all zones all the time “is appropriate, since it reduces the likelihood of rejecting de-list bids and relying on [OOM] solutions.”)

and by modeling import-constrained Capacity Zones when prior Forward Capacity Auctions signaled the need for investment in those zones.

IV. Conclusion

Wherefore, NEPGA respectfully requests that the Commission grant its Motion to Intervene, and direct ISO-NE to amend its Tariff to require ISO-NE to: (1) identify and evaluate a relatively static set of transmission interfaces in the Step One process; (2) model as an import-constrained Capacity Zone any Capacity Zone that has in a recent Forward Capacity Auction signaled a need for new resources; (3) make any other changes the Commission deems necessary to provide greater predictability to the transmission interfaces that will be evaluated as potential Capacity Zone boundaries; and (4) provide stakeholders with an opportunity to participate in the identification of relevant transmission interfaces early enough in the Step One process for that participation to be meaningful.

Respectfully Submitted,

*/s/ Bruce Anderson*_____

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CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the comments by via email upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Boston, Massachusetts, April 27, 2015.

/s/ Bruce Anderson _____

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