

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

ISO-New England Inc.

)
)
)
)

Docket No. ER15-1462-000

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

Pursuant to Rules 211, 212 and 215 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”)¹, the New England Power Generators Association, Inc. (“NEPGA”)² respectfully moves to amend and amends its timely-filed April 27, 2015, Motion to Intervene and Protest (“Protest”)³ in the above-captioned proceeding. NEPGA seeks to amend its Protest to include information that is relevant to this proceeding but was not available to NEPGA or other stakeholders until April 28, 2015, one day after the Comment Date on ISO-New England Inc.’s (“ISO-NE”) original filing in this proceeding. Because this information was not previously available, and because this amendment will not prejudice or unduly burden any party or interfere with an orderly proceeding, NEPGA respectfully requests that the Commission accept this amendment to its Protest.⁴

I. AMENDED PROTEST

Since NEPGA filed its Protest, ISO-NE announced that it will not propose sloped zonal demand curves in import and export-constrained Capacity Zones in the tenth Forward Capacity

¹ 18 C.F.R. §§ 385.211, 385.212, and 385.215 (2014).

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

³ *Motion to Intervene and Protest of the New England Power Generators Association, Inc.*, Docket No. ER15-1462-000 (filed April 27, 2015) (“NEPGA Protest”).

⁴ *Union Electric Company*, 114 FERC ¶ 61,250, at P 9 (2006) (accepting amended protest “because it will not disrupt the proceeding or place an additional burden on other parties”).

Auction (“FCA 10”), but instead intends to apply vertical demand curves to those Capacity Zones.⁵ ISO-NE’s Markets Development Department announced this decision after it became aware from its System Planning Department that ISO-NE would propose potential Capacity Zone boundaries that, if modeled, would create modeled Capacity Zones significantly different from those in FCA 9.⁶ That ISO-NE is now proposing to continue vertical zonal demand curves for FCA 10, due at least in part to its newly proposed potential Capacity Zone boundaries, further points to a Step One process in need of repair. In addition, the Commission’s directive to develop and apply sloped zonal demand curves in FCA 10 has clearly and explicitly not been followed, wasting a year-long NEPOOL stakeholder process of vetting sloped zonal demand curve proposals. Given the new information available since its Protest, NEPGA asks the Commission to direct ISO-NE to file with the Commission a sloped demand curve proposal for FCA 10.

A. The Step One Process Needs Improvement

In its Protest, NEPGA discussed several of its concerns with the Step One process in FCA 10, including its concerns that it allows for frequent changes to the transmission interfaces that are considered as potential modeled Capacity Zone boundaries, and that it does not require meaningful stakeholder participation in the identification of the relevant transmission constraint interfaces.⁷ That ISO-NE discussed and planned with NEPOOL stakeholders for several months the parameters of the sloped zonal demand curves that it had proposed to take effect in FCA 10, only to suddenly defer to a vertical demand curve proposal due in part to the timing and outcome

⁵ Memorandum from Mark Karl, ISO-NE V.P. of Market Development, to the NEPOOL Markets Committee, Re: Deferral of Sloped Demand Curve Proposal, April 28, 2015, available at: http://www.iso-ne.com/static-assets/documents/2015/04/a02_iso_memo_zonal_demand_curve_deferral_04_28_15.pdf (“ISO Memo”).

⁶ The ISO-NE System Planning Department explained this at the May 5, 2015, NEPOOL Markets Committee meeting.

⁷ NEPGA Protest at pp. 3-10.

of the Step One process, represents a further failure of the Capacity Zone process to provide market participants with confidence in the stability and predictability of the Forward Capacity Market. It is deeply troubling to see the Forward Capacity Market and zonal curve design undergo sudden last minute changes to the modeled Capacity Zones when the market is trying to maintain market participant confidence and attract investment when and where it is needed to satisfy ISO-NE's resource adequacy needs. Where changes in modeled Capacity Zones could impact zonal demand curve design, the Step One process must allow adequate lead time for ISO-NE to consider any impact potentially modeled Capacity Zones may have on its zonal demand curve design.

In its Protest, NEPGA asks the Commission to order ISO-NE to correct for this failure, in part, by evaluating a relatively static set of import-constrained transmission interfaces each FCA and by modeling import-constrained Capacity Zones in subsequent FCAs should they price-separate in a prior FCA. ISO-NE's announcement of its intent to apply vertical demand curves to import and export-constrained Capacity Zones in FCA 10, due, at least in part, to short-notice changes in zonal boundaries, further supports the need for Step One process improvement. In addition to the relief NEPGA requests in its Protest, NEPGA amends its Protest to ask the Commission to order ISO-NE to harmonize the Step One process and the development of sloped zonal demand curves.

B. The Commission Should Order ISO-NE to File Sloped Zonal Demand Curves

Necessary changes to the Step One process however do not excuse ISO-NE's failure to file sloped zonal demand curves for FCA 10. The Commission originally expected ISO-NE to file sloped zonal demand curves by January 2, 2015, "to allow sufficient time for review,

approval and implementation for FCA 10.”⁸ ISO-NE initiated a NEPOOL stakeholder process, proposing and discussing zonal curves at every NEPOOL Markets Committee meeting for a year,⁹ including just weeks ago at the April 15-16, 2015 Markets Committee meeting.¹⁰ At none of those meetings did ISO-NE indicate that it would not file sloped zonal demand curves for FCA 10. Throughout this year-long process, NEPOOL stakeholders diligently and thoughtfully considered ISO-NE’s sloped demand curve proposals, expended significant effort and resources, and raised objections and developed amendments to better assure zonal and system-wide competitive prices and appropriate price signals.¹¹ On January 30, 2015, the Commission forgave ISO-NE’s missed deadline to file the zonal curves because “the stakeholder process [was] well underway” and the Commission “[did] not want to interrupt that process or prejudge any issues.”¹² The Commission, however, repeated its expectation that ISO-NE file zonal curves to allow sufficient time for review, approval and implementation in FCA 10.¹³

ISO-NE seeks to justify its failure to comply with the Commission’s orders by asserting that its proposed zonal demand curve design may cause the Forward Capacity Market, on average and over time, to not meet the system-wide resource adequacy criteria.¹⁴ ISO-NE has

⁸ *ISO New England Inc. and NEPOOL Participants Committee*, 147 FERC ¶ 6,173 at P 41 (2014).

⁹ See, “FCM sloped demand curve: Capacity Zone demand curves & Reconfiguration Auctions, ISO’s proposed scope and schedule for ‘phase 2’ of demand curve implementation,” NEPOOL Markets Committee Meeting, Agenda Item 13, June 10-11, 2014, available at: <http://www.iso-ne.com/committees/markets/markets-committee>; “FCM Sloped Demand Curve: Capacity Zone demand curves, Discussion of proposed and potential FCA10 capacity zones,” NEPOOL Markets Committee, Agenda Item 04, April 15-16, 2015, available at: <http://www.iso-ne.com/committees/markets/markets-committee>.

¹⁰ At the May 5-6 NEPOOL Markets Committee meeting, NEPOOL stakeholders voted on what was ISO-NE’s final sloped zonal demand curve proposal, with 42% voting to recommend NEPOOL Participants Committee support for the

¹¹ See, e.g., *GDF Suez Memorandum Re: Concerns With the ISO New England Zonal Demand Curve Proposal*, April 15-16 NEPOOL Markets Committee Meeting, available at http://www.iso-ne.com/static-assets/documents/2015/04/a04a_gdf_suez_clearing_memo.pdf.

¹² *ISO New England Inc.*, 150 FERC ¶ 61,066, at P 11 (2015).

¹³ *Id.*

¹⁴ ISO-NE Memo at pp. 1-2. NEPGA recognizes that the demand curve is a series of reliability price points, and that any adverse impact of any feature of the zonal curve design which prevents price outcomes consistent with the reliability target can be addressed through changes in the parameters of the curves.

acknowledged, however, that it does not believe that its proposed zonal demand curve design will cause FCA 10 to procure less than the “minimally acceptable” annual procurement of a 1 day in 5 year loss of load expectation level. ISO-NE’s resource adequacy concern therefore does not bear on whether ISO-NE should be excused from following the Commission’s directive for FCA 10.

The Commission believes that the sloped demand curve “represents an important improvement to the FCM” because it satisfies several Commission concerns with the vertical demand curve, including, among others, “the Commission’s concerns regarding price volatility and the administrative pricing provisions.”¹⁵ Decreased price volatility leads to lower financing risk, which in turn creates a more efficient market and a reduction in costs to consumers.¹⁶ The Commission disfavors administrative pricing provisions, having found such prior provisions unjust and unreasonable because they were “likely inadequate to incent new entry and retain existing resources.”¹⁷ The Commission has also found that a sloped demand curve is more consistent with proper market behavior than a vertical demand curve.¹⁸ To ignore the Commission’s directive to file sloped zonal demand curves in FCA 10 would deny the market those benefits for yet another Forward Capacity Auction. ISO-NE’s announcement that it will not file sloped zonal demand curves defies multiple Commission orders without justification and upsets market participants’, new entrants’, and the Commission’s settled expectations. Market participants and new entrants should not be compelled to question whether multiple Commission directives may be ignored and a year-long NEPOOL stakeholder process may be derailed by last

¹⁵ *ISO New England Inc. and New England Power Pool Participants Committee*, 147 FERC ¶ 61,173, at P 29 (2014).

¹⁶ *PJM Interconnection LLC*, 115 FERC ¶ 61,079 at P 104-109 (2006).

¹⁷ *ISO New England Inc.*, 146 FERC ¶ 61,038, at P 28, *citing New England Power Generators Association, Inc. v. ISO New England Inc.*, 146 FERC ¶ 61,039, at PP 27, 53 (2014).

¹⁸ *PJM Interconnection LLC*, 115 FERC ¶ 61,079 at P 104-109 (2006).

minute zonal interface changes. ISO-NE's announcement has created significant uncertainty in FCA 10. It introduces additional uncertainty and risk for market participants and new entrants participating in future FCAs that something as certain as multiple Commission directives, and a year-long NEPOOL stakeholder process to comply with those directives, may not materialize into the FCA rules ordered by the Commission. The Commission may restore a measure of confidence and guarantee a more efficient FCA by ordering ISO-NE to file sloped zonal demand curves for FCA 10. NEPGA respectfully asks the Commission to do so.

ISO-NE dismisses as outside of the scope of this proceeding its announcement that it intends to apply vertical zonal demand curves in FCA 10.¹⁹ ISO-NE asserts that concerns over its failure to comply with Commission orders directing ISO-NE to file sloped zonal demand curves for FCA 10 can only be raised through a Section 206 complaint. This reasoning fails to recognize that market participants believed that ISO-NE would propose vertical zonal demand curves for FCA 10, and therefore had no reason to file a complaint, given the Commission's clear directive to file sloped demand curves with sufficient lead time for the Commission to approve them by June 2015.²⁰ At this point, the burden should be on ISO-NE to demonstrate that the continued use of vertical zonal demand curves in light of the proposed new zonal boundaries is just and reasonable. NEPGA therefore respectfully requests that the Commission:

¹⁹ *Motion for Leave to Answer and Supplemental Answer of ISO New England Inc.*, Docket No. ER15-1462-000 (filed May 13, 2015).

²⁰ The uncertainty created by ISO-NE's announcement is occurring just as existing resources are engaged in their FCA10 qualification and delist bid decision-making process – existing resources must submit their delist bids, if any, by June 1, 2015. As the Commission recognized by calling for ISO-NE to file sloped demand curves far enough in advance of the delist bid deadline to allow the Commission time to review and approve the sloped demand curves, the existence and parameters of zonal sloped curves are relevant to market participant decision-making. Market participants may be compelled to speculate as to the FCA 10 zonal curve design when they submit their existing capacity qualification packages in June, which in turn may cause inefficient and uneconomic market outcomes.

(1) find that in light of ISO-NE's failure to file sloped zonal demand curves, it has failed to demonstrate that the proposed zonal boundaries are just and reasonable, and (2) initiate a Section 206 proceeding ordering ISO-NE to file sloped zonal demand curves for FCA 10.

II. Conclusion

Wherefore, NEPGA respectfully asks the Commission to grant its Motion to Amend Protest, and, in addition to the relief NEPGA requests in its Protest, order ISO-NE to: (1) harmonize the Step One process and the development of sloped zonal demand curves in a way that creates, rather than harms confidence and predictability in the Forward Capacity Market; (2) find that ISO-NE has failed to demonstrate that the proposed potential Capacity Zone boundaries are just and reasonable; and (3) initiate a Section 206 proceeding ordering ISO-NE to file sloped zonal demand curves for FCA 10.

Respectfully Submitted,

/s/ Bruce Anderson

Bruce Anderson
Vice President, Market and Regulatory Affairs
New England Power Generators Association, Inc.
141 Tremont Street, Floor 5
Boston, MA 02111
Tel: 617-902-2347
Fax: 617-902-2349
Email: banderson@nepga.org

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, May 15, 2015.

/s/ Bruce Anderson _____

Bruce Anderson
Vice President, Market and Regulatory Affairs
New England Power Generators Association, Inc.
141 Tremont Street, Floor 5
Boston, MA 02111
Tel: 617-902-2347
Fax: 617-902-2349
Email: banderson@nepga.org