

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

ISO-New England Inc.)	
)	
and)	Docket No. ER15-2404-000
)	
New England Power Pool Participants Committee)	

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

Pursuant to Rules 213 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 Filings #1, dated August 10, 2015, the New England Power Generators Association, Inc. (“NEPGA”)² hereby files this Motion to Intervene and Comments in response to ISO New England Inc.’s (“ISO-NE”) and the New England Power Pool Participants Committee’s (jointly with ISO-NE, the “Filing Parties”) joint proposal to amend the Forward Capacity Market rules to apply a system-wide sloped demand curve to all Annual Reconfiguration Auctions associated with the ninth Forward Capacity Auction (“FCA 9”) and FCAs thereafter. The Filing Parties’ proposed changes represent a logical market-based approach to pricing Capacity Supply Obligations as of the time of the ARA. NEPGA respectfully asks that the Commission approve the Filing Parties’ proposed changes without modification.

¹ 18 C.F.R. §§ 385.213 and 214 (2014).

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

With the Commission's approval, ISO-NE will have then completed one more step toward a fully developed sloped demand curve capacity market in New England. Still to be completed is the replacement of vertical demand curves with sloped zonal demand curves in import and export-constrained Capacity Zones - ISO-NE applied a vertical demand curve to the three import-constrained Capacity Zones modeled in FCA 9, and proposes to do so again for the one import-constrained Capacity Zone it plans to model in FCA 10, the Southern New England Capacity Zone ("SNE Capacity Zone"). In June, NEPGA asked the Commission to confirm that it expects ISO-NE to file sloped zonal demand curves for effect in FCA 10 ("NEPGA Motion"),³ and repeats its request here based in part on ISO-NE's recent announcement that it plans to model only the SNE Capacity Zone and the Rest of Pool Capacity Zone in FCA 10.

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 support competitive wholesale electricity markets in New England. 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 in the proceeding.

³ *Motion for Clarification and Request to Direct Compliance of the New England Power Generators Association, Inc.*, Docket No. ER14-1639-002 (filed June 22, 2015).

All correspondence and communications related to this proceeding should be addressed to the following individual:

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II. Comments

A. The Commission Should Approve the Filing Parties' Proposal Because it is a Logical and Necessary Next Step in Completing a Sloped Demand Curve Capacity Market Design

The ARAs are critical to the overall Forward Capacity Market design, in that they signal changes to the economic price for capacity as the capacity delivery period draws nearer based on changes to market conditions and resource adequacy requirements from the time of the base FCA to the Capacity Commitment Period. The ARA is also the means by which ISO-NE signals the need for more or less capacity than was procured in the base FCA, by adjusting the Installed Capacity Requirement (“ICR”) and zonal capacity requirements based on adjustments to the load forecasts and other ICR inputs. The ARAs therefore identify the economic price to meet New England’s resource adequacy need as of the time of the ARA and ensure that the need is met in the relevant Capacity Commitment Period. The Filing Parties’ proposal to apply the base FCA system-wide sloped demand curve to the associated ARAs is a just and reasonable means to further these purposes of the ARAs, and should therefore be approved by the Commission.

The ARAs allow the market to dictate the economic price to meet ISO-NE’s resource adequacy needs, and more precisely define those resource adequacy needs, by virtue of the ability of the market to consider newly available information and for ISO-NE to make load and

other assumptions closer in time to the Capacity Commitment Period. The Filing Parties' proposal will improve the ARA's ability to identify the economic price for capacity because the sloped demand curve, in contrast to a vertical curve, allows the amount of Capacity Supply Obligations procured to vary based on any one of the acceptable price/quantity pairs represented by the curve.⁴ Additionally, as with the base FCA, a system-wide sloped demand curve in the ARA will limit price volatility, efficiently price New England's resource adequacy needs, and eliminate the potential for predictable arbitrage opportunities between the base FCAs and the ARAs.⁵ The Filing Parties' proposal will also largely eliminate ISO-NE's participation in the market at a system-wide level, by eliminating the need for ISO-NE to calibrate (through demand bids and in some cases by reducing Capacity Supply Obligations) the MWs of Capacity Supply Obligations with its revised Installed Capacity Requirement ("ICR") for each ARA.⁶ Instead, ISO-NE will reflect changes in the ICR by shifting the system-wide sloped demand curve to the left or right in each ARA, allowing the demand curve, demand bids, and supply offers to set price.⁷

Given the several benefits of a system-wide demand curve in the ARAs, and its consistency with the purposes of the ARAs, NEPGA respectfully requests that the Commission approve the Filing Parties' proposal without modification.

B. The Commission Should Direct ISO-NE to File a Sloped Zonal Demand Curve in the Southern New England Capacity Zone for Effect in FCA 10

The Filing Parties' proposal improves the overall FCM design, but does not complete the transition to a fully sloped demand curve capacity market. When the Commission approved a

⁴ *ISO New England Inc. and New England Power Pool Filing Re: ARA Changes, Testimony of Matthew C. Brewster*, at p. 9, Docket No. ER15-2404 (filed August 10, 2015) ("Brewster Testimony").

⁵ *Id.* at pp. 8-9.

⁶ *Id.* at pp. 5-6.

⁷ *Id.* at pp. 6-7.

sloped demand curve design, the Commission expected ISO-NE to develop both system-wide and zonal sloped demand curves.⁸ According to the Commission, clearing capacity resources on a sloped curve, both system-wide and within Capacity Zones, better reflects the incremental value of capacity and leads to a more efficient market outcome.⁹ The Commission also values sloped zonal demand curves as a means to avoid price volatility and the “difficult and challenging issues presented” by the use of administrative prices deemed necessary under vertical zonal demand curves.¹⁰ As NEPGA explained in its Motion, the Commission has long expected ISO-NE to file sloped zonal demand curves for effect in FCA 10, and relied on ISO-NE’s assurances that sloped zonal demand curves would be in effect in FCA 10 as one basis for approving Forward Capacity Market design changes.¹¹ With the potential for significant competition between new and existing resources in FCA 10, it is critically important that the FCA give accurate price signals, avoid the dichotomous pricing characteristic of a vertical curve design, and provide market participants and consumers with the zonal price stability brought about by sloped zonal demand curves.

ISO-NE has offered a handful of reasons for its failure to file a sloped zonal demand curve for FCA 10,¹² among them ISO-NE’s assertion that the sloped zonal curve design

⁸ *ISO New England Inc. and New England Power Pool Participants Committee*, 147 FERC ¶ 61,173, at P 41 (2014) (“We expect the Filing Parties to submit these zonal demand curve changes by January 2, 2015, to allow sufficient time for review, approval and implementation for FCA 10.”).

⁹ *ISO-New England Inc.*, 146 FERC ¶ 61,038, at n. 41 (2014) (noting that the sloped demand curve design is intended to improve market efficiency).

¹⁰ *ISO New England Inc.*, 146 FERC ¶ 61,038, at P 30 (2014); *ISO New England and New England Power Pool Participants Committee*, 147 FERC ¶ 61,173, at P 29 (2014).

¹¹ *See, e.g., ISO New England Inc. and New England Power Pool Participants Committee*, 150 FERC ¶ 61,065, at P 24 (2015) (In approving the Renewable Technology Resource exemption from the Minimum Offer Price Rule (“MOPR”), the Commission reasoned that “NEPGA’s apprehension about price suppression within local capacity zones” due to the MOPR exemption is “overstated” due to the Commission’s belief that zonal curves would be in effect for FCA 10).

¹² *ISO New England Inc. and New England Power Pool Participants Committee Report on Progress Toward Developing Zonal Demand Curve Improvements*, Docket No. ER14-1639-000 (filed May 18, 2015) (“May Filing”). In its May Filing, ISO-NE explained that it does not intend to file sloped zonal demand curves for FCA 10, because

developed to date may not be sufficiently “robust” to properly apply to any potential zonal configuration.¹³ ISO-NE recently announced to NEPOOL stakeholders, however, that it will model only a single import-constrained Capacity Zone, the SNE Capacity Zone, and an unconstrained Rest-of-Pool Capacity Zone in FCA 10.¹⁴ To the extent the lack of finality in the modeled Capacity Zone boundaries for FCA 10 may have justified in part ISO-NE’s failure to have yet filed a sloped zonal demand curve for FCA 10, that uncertainty has now been resolved. ISO-NE has a definite Capacity Zone configuration upon which it can design and test a sloped zonal demand curve in the SNE Capacity Zone. On-going improvements to the demand curve design may assure the “robustness” of the design across a range of potential future modeled Capacity Zones going forward, but those efforts will not address the failure to apply a sloped zonal demand curve in the SNE Capacity Zone in FCA 10. In addition, to fully realize the benefits of the sloped demand curve design, the Commission should also require ISO-NE to eliminate the auction clearing rule it had proposed to apply as part of its zonal sloped demand curve design because the rule would undermine the system-wide sloped demand curve, as explained by NEPGA in its Motion.¹⁵

NEPGA therefore respectfully requests that the Commission issue an order on NEPGA’s Motion, and order ISO-NE to complete the transition to a fully sloped demand curve Forward

the Zonal Curves design will cause the FCA to, on average and over time: (1) clear fewer MWs than necessary to meet ISO-NE’s resource adequacy needs; and (2) experience greater price volatility. As NEPGA explained in its Motion, however, ISO-NE has made no showing that the Zonal Curves design is likely to cause FCA 10 to not meet ISO-NE’s resource adequacy expectations in the FCA 10 Capacity Commitment Period and that its claims about price volatility are also unavailing.

¹³ *Id.* at p. 6.

¹⁴ August 14, 2015, NEPOOL Power Supply Planning Committee Meeting Materials, *Zonal Modeling for FCA-10 (Continued)*, Agenda Item 2.0, available at: http://www.iso-ne.com/static-assets/documents/2015/08/pspc_081415_a3.0_fca10_zone_formation2.pdf.

¹⁵ NEPGA Motion at pp. 8-9.

Capacity Market design by filing a sloped zonal demand curve in the SNE Capacity Zone for effect in FCA 10, and an auction clearing rule as modified according to NEPGA's Motion.

II. CONCLUSION

WHEREFORE, for the reasons stated herein, NEPGA respectfully requests that the Commission grant this Motion to Intervene, approve the Filing Parties' proposal without modification, and order ISO-NE to file a sloped zonal demand curve in the SNE Capacity Zone for effect in FCA 10, and an auction clearing rule as modified according to NEPGA's Motion.

Respectfully Submitted,

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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, August 28, 2015.

/s/ Bruce Anderson

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