

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

**ISO-New England Inc.**

**New England Power Pool  
Participants Committee**

**Docket No. ER16-1838-000**

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

Pursuant to Rules 211 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”)<sup>1</sup>, the New England Power Generators Association, Inc. (“NEPGA”)<sup>2</sup> and Electric Power Supply Association (“EPSA”) hereby file 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 (“NEPOOL”) joint June 2, 2016, filing in the above-captioned proceeding (“Joint Proposal”).<sup>3</sup> ISO-NE and NEPOOL ask the Commission to approve changes to the settlement intervals in the Real-Time Energy Market and for Real-Time reserves, from hourly to five-minute intervals. The Commission recently promulgated a Final Rule requiring each Regional Transmission Organization and Independent System Operator to, *inter alia*, settle energy and reserves transactions on the same time intervals as the

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<sup>1</sup> 18 C.F.R. §§ 385.211 and 214 (2014). These Comments are timely filed in accordance with the Commission’s Combined Notice of Filing #1, dated June 2, 2016

<sup>2</sup> The comments expressed herein represent those of NEPGA and EPSA as organizations, but not necessarily those of any particular member.

<sup>3</sup> *Joint Filing of ISO New England Inc. and New England Power Pool to Implement Sub-Hourly Settlements*, Docket No. ER16-1838-000 (filed June 2, 2016) (“Joint Filing”).

dispatch and pricing for those resources.<sup>4</sup> The Joint Filing complies with this aspect<sup>5</sup> of the Commission's Final Rule. NEPGA and EPSA therefore support the Joint Proposal and ask the Commission to approve it without modification.

## **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 in the proceeding.

EPSA is the national trade association representing competitive power suppliers, including generators and marketers. These suppliers, who account for nearly 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities serving global power markets. EPSA

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<sup>4</sup> Order No. 825, *Settlement Intervals and Shortage Pricing in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Docket No. RM15-24 (June 16, 2016) (promulgated as 18 CFR § 35.28(g)(1)(iv)(A), 35.28(g)(1)(vi)).

<sup>5</sup> The Final Rule also requires each RTO/ISO to settle intertie transactions in the same time interval in which they are scheduled and trigger shortage pricing for any interval in which a storage of energy or operating reserves is indicated during the pricing of resources for that interval. *See also, Notice of Proposed Rulemaking, Settlement Intervals and Shortage Pricing in Markets Operated by Regional Transmission Organizations and Independent System Operators*, at P 1, No. RM15-24-000 (issued September 17, 2015). NEPGA and EPSA make no comment at this time as to whether the ISO-NE energy and reserve pricing rules comply with the shortage pricing directives included in the Commission's Final Rule.

seeks to bring the benefits of competition to all power customers. The comments contained in this filing represent the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue. As active participants in the ISO-NE capacity and wholesale electricity markets, EPSA'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.

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

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## **II. The Joint Filing Complies With the Commission's Directive to Settle Real-Time Energy and Reserves Consistent With Dispatch and Pricing Intervals**

The Final Rule requires each Regional Transmission Organization and Independent System Operator to make changes to its real-time energy market and real-time reserves pricing to "align settlement and dispatch intervals."<sup>6</sup> The Joint Proposal satisfies the Commission's directive in that it requires the settlement of Real-Time Energy Market transactions and Real-

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<sup>6</sup> *Notice of Proposed Rulemaking, Settlement Intervals and Shortage Pricing in Markets Operated by Regional Transmission Organizations and Independent System Operators*, at P 1, Docket No. RM15-24-000 (issued September 17, 2015) ("NOPR").

Time reserves every five minutes, the same time interval in which ISO-NE dispatches energy and prices reserves.

As the Commission, the ISO-NE External Market Monitor, ISO-NE, and dozens of commenters have explained in their comments in the rulemaking proceeding giving rise to the Final Rule, a market design that synchronizes energy and reserve settlement timing with energy dispatch and reserve pricing timing sends more accurate price signals than a market design that does not.<sup>7</sup> More accurate price signals, from a purely economic and market design perspective, improve the incentives for resources to follow dispatch instructions.<sup>8</sup> New England resources have routinely followed dispatch instructions regardless of the muted price signals caused by hourly settlements,<sup>9</sup> but by creating a greater incentive to follow dispatch instructions the Joint Proposal will correct for “underlying features, rate design, or market design [that] fail[s] to align.”<sup>10</sup> Moving from hourly to five-minute settlements will also improve price formation and transparency by reducing out of market uplift payments when the hourly averaging of locational marginal prices causes a resource to fail to recover its costs of energy production as reflected in its energy offers over the hour.

As explained by ISO-NE, its system operator dispatches resources for both energy and reserves several times each hour and prices energy and reserves every five minutes.<sup>11</sup> At present,

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<sup>7</sup> See, e.g., *Comments of Potomac Economics, Ltd.*, Docket No. RM15-24-000 (filed December 1, 2015).

<sup>8</sup> In this light, NEPGA and EPSA support action from the Commission on the issues in the draft Final Rule, and urge the Commission to continue this critically important work on energy price reforms, including several reforms currently pending before the Commission in other rulemaking proceedings and numerous other improvements which have received extensive comment in *Price Formation in Energy and Ancillary Services Markets Operated by Regional Transmission Organizations and Independent System Operators*, Docket No. AD14-14-000 (opened by notice issued July 9, 2014).

<sup>9</sup> Joint Filing, Testimony of Christopher A. Parent and Hanhan Hammer at p. 9 (“Parent/Hammer Testimony”).

<sup>10</sup> NOPR at P 2, citing *Frequency Regulation Compensation in the Organized Wholesale Power Markets*, Order No. 755, FERC Stats. & Regs. ¶ 31,324, at P 3 (2011), *order on reh’g*, Order No. 755-A, 138 FERC ¶ 61,123 (2012).

<sup>11</sup> Parent/Hammer Testimony at pp. 6-8.

ISO-NE must settle those transactions hourly only because it calculates energy output and consumption quantities based on hourly meter quality data. ISO-NE has available to it all of the other inputs necessary to settle real-time energy and reserves on five-minute intervals, namely five-minute locational marginal prices and reserve designations and prices. The only remaining information it needs in order to settle both energy and reserves every five minutes is five-minute output and consumption data from generating and demand resources, which is the primary change reflected in the Tariff language proposed by ISO-NE and NEPOOL.

ISO-NE proposes to calculate five-minute quantity data differently for different resource types. For generators and Dispatchable Asset Related Demand resources (“DARDs”) (which largely have the infrastructure necessary to telemeter output and consumption data) ISO-NE will calculate the five-minute quantities based on the telemetered quantity data adjusted for deviations from the hourly revenue quality data for that resource.<sup>12</sup> For Load Assets and small, largely self-scheduled generators that are not required to telemeter their output, ISO-NE will create a “flat profile” of five-minute quantities equal to their hourly meter quality data divided by the 12 five-minute intervals in an hour. ISO-NE will also use the flat profile for External Transactions and for generators and DARDs when their telemetered five-minute data differs significantly from their hourly meter quality data. In order to synchronize the settlement intervals between the Day-Ahead and Real-Time Energy Markets, ISO-NE proposes to convert the hourly Day-Ahead Energy Market cleared quantities to five-minute quantities by dividing the hourly quantity by the 12 five-minute intervals, a method identical to the flat profiling.<sup>13</sup>

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<sup>12</sup> *Id.* at pp. 20-23.

<sup>13</sup> *Id.* at pp. 31-32.

The calculation of five-minute quantities for different resource types proposed by ISO-NE and NEPOOL represent a reasonable accommodation of the current status of telemetered output and consumption data for New England resources. Generators and DARDs largely telemeter output and consumption data, respond to dispatch instructions, and are price sensitive to the changes in five-minute locational marginal prices. It is therefore reasonable and preferable to settle their real-time energy and reserve transactions based on the more granular and accurate information they can provide. Flat profiling is a reasonable approximation for five-minute output and consumption quantities for External Transactions, Load Assets, and settlement-only generators and will likely have a relatively *de minimis* effect on the Commission’s market design objectives because those resources are generally not responsive to five-minute changes in energy prices, are not dispatchable, and/or are price-takers in the energy markets. Relying on flat profiling or, in the case of generators and DARDs, reconciling five-minute telemetry with hourly revenue quality data, properly defers the significant cost market participants and meter readers would need to incur to upgrade the necessary infrastructure to produce five-minute revenue quality meter data in the immediate future. NEPGA and EPSA, like ISO-NE, however, expect that as metering infrastructure is upgraded that ISO-NE will transition from the profiling approaches to calculating five-minute quantities based on actual five-minute meter quality data.

NEPGA and EPSA appreciate the Commission’s leadership in improving price formation in energy, ancillary services, and reserves markets, and note that the Commission’s sub-hourly settlement and shortage pricing directives are a “first step” to advancing the Commission’s price formation goals.<sup>14</sup> NEPGA’s and EPSA’s Members look forward to working with ISO-NE and NEPOOL stakeholders on the array of additional critical future price formation improvements

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<sup>14</sup> NOPR at P 7.

both pending and being developed through ongoing Commission proceedings, including potential changes to energy market offer caps, offer mitigation, and fast-start pricing. Changes in these aspects of the market design can and should allow for more efficient pricing, more accurate price signals, and greater transparency.

### **III. Conclusion**

Wherefore, NEPGA and EPSA respectfully request that the Commission grant NEPGA's and EPSA's Motion to Intervene, and approve ISO-NE's and NEPOOL's proposed Tariff changes for effect no later than March 1, 2017.

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, June 23, 2016.

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