

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

Calpine Corporation and)	
LS Power Associates, L.P.,)	
)	
Complainants)	
v.)	
ISO New England Inc.)	No. EL18-53-000
)	
)	
Respondent)	
)	

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

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”)¹, the New England Power Generators Association, Inc. (“NEPGA”)² hereby files this Motion to Intervene and Comments on the complaint filed by Calpine Corporation and LS Power Associates, L.P., (together, the “Complainants”) in the above-captioned proceeding.³ NEPGA agrees with the Complainants that the ISO New England Inc. (“ISO-NE”) Tariff⁴ will cause unjust and unreasonable rates in the twelfth Forward Capacity Auction (“FCA 12”) because the Tariff dictates that Unit 1 at the Clear River Energy Center (“Unit 1”) will be offered as a price-taker in FCA 12 even though

¹ 18 C.F.R. §§ 385.212 and 214 (2017). These Comments are timely filed in accordance with the Commission’s *Notice of Complaint*, Docket No. EL18-53-000 (December 22, 2017) (providing for a January 4, 2018, Comment Date).

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

³ *Complaint Seeking Fast Track Processing and Shortened Comment Period of Calpine Corporation and LS Power Associates, L.P.*, Docket No. EL18-53-000 (filed Dec. 21, 2017) (“Complaint”).

⁴ ISO-NE Transmission, Markets and Services Tariff (“Tariff”). All capitalized terms not otherwise defined herein have the meaning set forth in the Tariff.

Unit 1 is unlikely to be commercial in the FCA 12 Capacity Commitment Period. The Complainants ask for relief that both protects economic price formation in FCA 12 and avoids harm to Unit 1. NEPGA therefore respectfully asks that the Commission grant the relief requested by the Complainants.

I. Motion to Intervene and Communications

NEPGA is the trade association representing competitive power generators in New England. NEPGA's member companies represent approximately 26,000 megawatts, or roughly 80% of the installed capacity in New England. NEPGA's mission is to support competitive wholesale electricity markets in New England. NEPGA believes that open markets guided by stable public policies are the best means to provide reliable and competitively-priced electricity for consumers. A sensible, market-based approach furthers economic development, jobs and balanced environmental policy for the region. 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 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.

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

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II. Comments

Unit 1 first cleared the capacity auction in FCA 10, and elected to “lock in” the FCA 10 clearing price for the subsequent six Capacity Commitment Periods.⁵ The Tariff requires that ISO-NE offer Unit 1 as a price-taker in each Forward Capacity Auction during the lock-in period.⁶ In accepting the Tariff provisions allowing for new resources to lock-in for a multi-year period, the Commission recognized that the offer price treatment reduces FCA clearing prices but reasoned that, in the case of a new non-commercial capacity resource, it is expected to have low going-forward costs in those years and therefore will rationally accept a Capacity Supply Obligation at a low clearing price.⁷ This reasoning, however, does not apply here.

As the Complainants explain, Unit 1 will not be commercial by the end of the FCA 11 Capacity Commitment Period, marking the second Capacity Commitment Period for which Unit 1 must cover its Capacity Supply Obligation due to delays in the commercial operation date.⁸ The Tariff provides that a non-commercial resource that covers its Capacity Supply Obligation for two Capacity Commitment Periods may have its Capacity Supply Obligation for any future Capacity Commitment Periods terminated.⁹ Only by virtue of the fact that Unit 1 has not yet covered its obligation for FCA 11 (the third and final FCA 11 Annual Reconfiguration Auction will be held in March 2020) has this rule not yet triggered. But what is certain is that Unit 1 will not be commercial in the FCA 11 Capacity Commitment Period and will therefore invoke the Tariff rules that could very well lead to ISO-NE terminating its Capacity Supply Obligation.

⁵ Tariff § III.13.1.1.2.2.4.

⁶ *Id.*

⁷ See, e.g., *Exelon Corp. v. ISO New England Inc.*, 150 FERC ¶ 61,067 at P 30 (2015), *reh'g denied*, 154 FERC ¶ 61,005 (2016).

⁸ Complaint at p. 8.

⁹ Tariff § III.13.3.4(c).

Further delays in the commercial date due to siting and other permitting processes render Unit 1 unlikely to be commercial by the FCA 12 Capacity Commitment Period as well.¹⁰ Among the approvals and agreements Unit 1 still requires to become commercial is siting approval from the State of Rhode Island, with several opponents of the project asking the state to deny its siting petition. There remains the risk therefore that Unit 1 and the Clear River site never receive siting approval and therefore never become commercial. ISO-NE moreover disqualified a second unit at the Clear River site (“Unit 2”) from participating in FCA 12 because Unit 2 did not demonstrate that “the milestones in the critical path schedule are reasonable and likely to be met.”¹¹ Together, all signs point to Unit 1 not becoming commercial by the FCA 12 Capacity Commitment Period. Yet the Tariff provides that Unit 1, located at the same site and subject to the same siting and permitting requirements as Unit 2, will be offered into FCA 12 as if it is capable of meeting the Capacity Supply Obligation of an Existing Capacity Resource and as though its capital costs were sunk.

It is unjust and unreasonable to price capacity based in part on Unit 1 supply that by its own admission will not be commercial in the first two years of its Capacity Supply Obligation and that by any reasonable measure and by ISO-NE’s capacity qualification determination for another unit at the same site, is highly unlikely to supply capacity in the FCA 12 Capacity Commitment Period. The Forward Capacity Market should be priced according to economic offers from resources that can supply capacity in the associated Capacity Commitment Period, not by the administrative pricing of a resource that will not be commercial. Unit 1 has 485 MW of qualified capacity for FCA 12, a significant quantity that, if offered in FCA 12, will almost

¹⁰ See Complaint at pp. 7-10.

¹¹ Tariff § III.13.1.1.2.4(c) (defining the criteria by which ISO-NE must evaluate a New Capacity Qualification Package).

certainly cause an uneconomic clearing price, understate the true marginal cost of reliability, stifle the price signals necessary to attract and retain capacity, and undervalue the existing capacity providing critical reliability service.¹² Conversely, excluding Unit 1 from FCA 12 will have no apparent effect on system reliability, as there has been no showing that Unit 1 is needed for reliability.¹³

If Unit 1 is offered in FCA 12 the auction will clear more capacity than it will without Unit 1 offered, perhaps by as many as the 485 MW representing Unit 1. How much more is uncertain, but the FCA 12 demand curve price and quantity values dictate the price and market revenue decreases excess quantities of capacity will cause if cleared in the case where Unit 1 is offered.¹⁴ For example, if FCA 12 clears 485 MW of supply more than it would have had ISO-NE not offered Unit 1, the auction will clear \$2.11/kW-month lower which equates to an approximate decrease of \$870 million¹⁵ in capacity market revenues in a single year. The price impacts decrease as fewer excess MWs clear as a result of offering Unit 1, but are likewise substantial.¹⁶ These projected price and revenue decreases are conservative, in that they assume

¹² Up to 490 MW of capacity supply at the margin (in the case where Unit 1 is not offered) must have the same offer price as the marginal resource in the case where Unit 1 is offered in order for the FCA 12 clearing price to be unaffected by offering Unit 1 as supply in FCA 12. NEPGA recognizes a possible exception, due to the social surplus maximization rule, but this would likely only come into effect if a very large generator (near 490 MW) is the marginal resource in both the case with Unit 1 offered and the case without Unit 1 offered. Otherwise, any delisting resource that assumes a Capacity Supply Obligation in FCA 12 as a result of not offering Unit 1 in FCA 12 will undoubtedly clear at a higher price due to a greater marginal reliability impact than if Unit 1 is offered.

¹³ The Tariff provides that a non-commercial new capacity resource can request a one year deferment of its Capacity Supply Obligation upon a showing that the resource is needed for reliability. *See* Tariff § III.13.3.7. ISO-NE made such a finding for the Footprint Power generating resource that first cleared the FCA in FCA 7.

¹⁴ *See* PSPC A2.0 FCA 12 MRI Demand Curve Values, ISO-NE Power Supply Planning Committee Materials, August 14, 2017, available at <https://www.iso-ne.com/committees/reliability/power-supply-planning> (an excel spreadsheet, the system-wide tab in the spreadsheet shows for each quantity the associated price on the FCA 12 demand curve).

¹⁵ Using the values from the demand curve table (see FN 14), the total market value is the product of the Price Impact (\$/kW-month) x 1,000kW/MW x (34,905 MW – Quantity (MW)) x 12 months.

¹⁶ Using the methodology defined in FN 15, the following excess amounts of capacity would have the following price and revenue impacts: (1) 100 MW = \$0.436/kW-month = \$182,099,760 annual; (2) 200 MW = \$0.871/kW-month = \$362,736,660 annual; and (3) 300 MW = \$1.306/kW-month = \$542,329,560 annual.

FCA 12 will clear over 1,000 MW long of the Net Installed Capacity Requirement.¹⁷ The price impacts will be higher if the auction clears closer to the Net Installed Capacity Requirement (“NICR”) because the marginal reliability impact of each MW of capacity increases as you approach (or clear less than) the NICR value (*i.e.*, the curve slope is steeper). If FCA 12 proceeds with Unit 1 offered as supply, the uneconomic outcomes shown above will be difficult if not impossible to properly remedy. The Commission should therefore take steps now, in advance of FCA 12, by granting the relief requested by the Complainants.

The Complainants have asked for a reasonable remedy to the unjust and unreasonable FCA 12 clearing price that will almost certainly ensue if ISO-NE offers the 485 MW of Unit 1 capacity in FCA 12. The Complainants ask that Unit 1 not be offered as an Existing Capacity Resource in FCA 12, but to allow Unit 1 to resume its Capacity Supply Obligation, and its locked-in price for the remaining five years of its price-lock period, beginning in FCA 13 if it continues to qualify as capacity pursuant to the Tariff. The Unit 1 Market Participant, Invenergy, would therefore not be harmed but instead would simply defer its Capacity Supply Obligation for a year while it continues its attempts to make Unit 1 commercial. The Complainants ask for a reasonable and limited remedy to protect against the near certainty of an uneconomic, unjust and unreasonable capacity clearing price in FCA 12. NEPGA therefore asks that the Commission grant this relief.

¹⁷ NEPGA conservatively assumed that FCA 12 will clear long of the FCA 12 Net Installed Capacity Requirement of 33,725 MW. For purposes of these price impacts, NEPGA assumed that FCA 12 will clear 34,905 MW in FCA 12 with Unit 1 included (equal to \$4.295/kW-month).

III. Conclusion

Wherefore, NEPGA respectfully requests that the Commission grant this Motion to Intervene and grant the relief sought by the Complainants.

Respectfully Submitted,

/s/ Bruce Anderson

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CERTIFICATE OF SERVICE

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

Dated at Boston, Massachusetts, this January 4, 2018.

/s/ Bruce Anderson

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