

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

)	
)	
New England Power Generators Association, Inc.)	
)	
v.)	Docket Nos. ER17-2153-000
)	ER17-2153-001
ISO New England Inc.)	EL16-120-000
)	EL16-120-001
)	

**REPLY COMMENTS OF THE
NEW ENGLAND POWER GENERATORS ASSOCIATION, INC., NRG POWER
MARKETING LLC, ENTERGY NUCLEAR POWER MARKETING, LLC, H.Q.
ENERGY SERVICES (U.S.) INC., DOMINION ENERGY SERVICES INC., AND VERSO
CORPORATION**

Pursuant to Rule 602(f)(2) of the Commission’s Rules of Practice and Procedure,¹ the New England Power Generators Association, Inc. (“NEPGA”),² NRG Power Marketing LLC, Entergy Nuclear Power Marketing, LLC, H.Q. Energy Services (U.S.) Inc., Dominion Energy Services, Inc. (formerly Dominion Resources Services Inc.), and Verso Corporation (together, the “Joint Parties”) submit these comments in reply to the New England States Committee on Electricity’s (“NESCOE”) comments³ in support of the Offer of Settlement (“Settlement”) jointly filed by the Joint Parties, NESCOE and several parties to this proceeding on July 28,

¹ 18 C.F.R. § 385.602(f)(2) (2016).

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

³ *Comments of the New England States Committee on Electricity*, Docket Nos. EL16-120-000, -001, and ER17-2153-000, -001 (filed August 17, 2017) (“NESCOE Comments”).

2017.⁴ Each party to the proceeding either joined in the filing of the Settlement (“Settling Parties”) or did not oppose it.⁵

Though NESCOE asks the Commission to approve the Settlement and order ISO-NE to make a compliance filing, it also asks the Commission to at the same time order ISO-NE to make changes to the Tariff that would limit the applicability of the Adjusted Strike Price formula agreed to by the Settling Parties. The Commission need not make a decision on the Tariff changes requested by NESCOE at the same time it approves the Settlement, and should decline to do so. Instead, the Joint Parties respectfully ask that the Commission approve the Settlement and order ISO-NE to make a compliance filing, but decline to address NESCOE’s request until some later date, if at all, so as not to delay returning capacity supply payments to just and reasonable levels. If and when the Commission addresses NESCOE’s request, the Joint Parties ask that the Commission find that NESCOE is improperly seeking a change to the Tariff through its comments in this proceeding, when its proper recourse is to seek changes through the NEPOOL stakeholder process or a complaint under Section 206 of the Federal Power Act.⁶ The Commission should likewise deny NESCOE’s request on its merits, because the necessary Tariff changes would deny capacity suppliers the full extent of the relief granted by the Commission in

⁴ *Offer of Settlement*, Docket Nos. EL16-120-000 and ER17-2153-000, *et. seq.* (filed July 28, 2017). The filing parties originally filed the Offer of Settlement in the Commission’s eTariff system on July 26, 2017, but due to a filing error were required to refile the Offer of Settlement on July 28, 2017.

⁵ The Settling Parties include NEPGA, the New England States Committee on Electricity, the Retail Energy Supply Association, the New England Power Pool Participants Committee, Exelon Corporation, H.Q. Energy Services (U.S.) Inc., Eversource Energy Service Company, Dominion Resources Services, Inc., Entergy Nuclear Power Marketing, LLC, NRG Power Marketing LLC, and Cogentrix Energy Power Management, LLC. ISO New England Inc. (“ISO-NE”), PSEG Energy Resources & Trade LLC, Inc., Consolidated Edison Energy, Inc., Verso Corporation, GenOn Energy Management LLC, National Grid, NextEra Energy Resources, LLC, the New Hampshire Electric Cooperative, and Calpine Corporation authorized the Parties to represent that they do not oppose the Settlement.

⁶ 16 U.S.C. § 824e(a) (2012).

its Complaint Order, run contrary to the plain terms of the Tariff, and cause unjust and unreasonable capacity supply payments.

I. Background

On September 30, 2016, NEPGA filed a formal complaint with the Commission, pursuant to Section 206 of the Federal Power Act and Rule 206 of the Commission’s Rules of Practice and Procedure,⁷ asking for relief from the Peak Energy Rent (“PER”) Adjustment.⁸ The PER Adjustment causes a charge to Market Participants with a Capacity Supply Obligation in the Forward Capacity Market when the average Real-Time Energy Market price in any hourly interval exceeds a daily Strike Price (referred to as a “PER Event”). A PER Event causes a charge to capacity suppliers through the PER Adjustment in each of the twelve consecutive months of capacity payments following the month in which the PER Event occurs. NEPGA alleged in its complaint that those sections of the ISO-NE Transmission, Markets, and Services Tariff (“Tariff”) governing the PER Adjustment were unjust and unreasonable.

On January 19, 2017, the Commission granted NEPGA’s Complaint in part,⁹ finding that “the PER mechanism has become unjust and unreasonable as a result of the interaction between the PER mechanism and the higher Reserve Constraint Penalty Factors,”¹⁰ and ordered ISO-NE to “revise the method by which it calculates the PER Strike Price as set forth in ISO-NE Tariff section III.13.7.2.7.1.1.1.”¹¹ The Commission set for hearing and settlement procedures the

⁷ Federal Power Act § 206, 16 U.S.C. §824e; Commission Rules of Practice and Procedure, Rule 206, 18 C.F.R. 385.206 (2016).

⁸ *Complaint of the New England Power Generators Association, Inc.*, Docket No. EL16-120-000 (filed Sept. 30, 2016) (“Complaint”)

⁹ *New England Power Generators Ass’n, Inc. v. ISO New England Inc.*, 158 FERC ¶ 61,034 (2017) (“Complaint Order”).

¹⁰ Complaint Order at P 48.

¹¹ *Id.* at P 57.

“question of the appropriate method of calculating the PER Strike Price”¹² and then held the hearing in abeyance and directed that a settlement judge be appointed pursuant to Rule 603 of the Commission’s Rules of Practice and Procedure. The Commission also established a refund effective date of September 30, 2016 (“Refund Effective Date”).

II. Answer

A. The Commission Should Approve the Uncontested Settlement Without Delay, Modification or Condition Because it Returns PER Charges to Just and Reasonable Levels

NEPGA has diligently sought relief for unjust and unreasonable charges caused by the PER mechanism since 2014, first pursuant to its December 2014 complaint which the Commission dismissed without prejudice with respect to relief for FCA 7 and FCA 8 PER Events,¹³ and later in its 2016 complaint pursuant to which the Commission granted relief in this proceeding. Now, nearly three years after NEPGA first sought relief, and seven months after the Commission granted NEPGA relief, the Parties have agreed to a Strike Price increase that returns PER charges to just and reasonable levels. Only two steps remain in this several years effort - the Commission’s approval of the Strike Price increase agreed to by the Parties and an ISO-NE compliance filing of the necessary Tariff changes. Any further delay only continues to expose capacity suppliers to the risk of unjust and unreasonable rates. The Joint Parties therefore ask that the Commission approve the Settlement without delay and order ISO-NE to make a compliance filing of Tariff changes consistent with the terms agreed to by the Settling Parties as soon as possible.

¹² *Id.*

¹³ *New England Power Generators Association, Inc. v. ISO New England Inc.*, 150 FERC ¶ 61,053, at P 40 (denying relief without prejudice upon a finding that NEPGA had not provided “specific evidence” that the RCPF increases and the PER Adjustment mechanism had rendered capacity rates unjust and unreasonable).

The only issues before the Commission in considering whether to approve the Settlement are whether it is responsive to the Commission’s Complaint Order and whether the Strike Price increase agreed to by the Settling Parties is just and reasonable and in the public interest. NESCOE argues that the Commission must also render a decision, concurrent with any approval of the Settlement, on the “applicability of the Adjusted PER Methodology to FCA 9.”¹⁴ A Commission decision on that issue, according to NESCOE, is “critical to how ISO-NE will develop Tariff language to comply with the Commission’s order.”¹⁵ This is incorrect for several reasons.

First, the Commission ordered a specific change to a specific subsection of the ISO-NE Tariff – “to revise the method by which it calculates the PER Strike Price as set forth in ISO-NE Tariff section III.13.7.2.7.1.1.1.”¹⁶ It is this specific change to the Tariff that the Parties have agreed to and submit for Commission approval. The Tariff changes necessary to put the agreed to Strike Price increase into effect are defined in the Settlement and straightforward to carry out, as shown in the attached *pro forma* redlined Tariff sheets.¹⁷ Approval of the Settlement, without addressing the issue NESCOE raises, satisfies the Commission’s Complaint Order and resolves the only issue set for settlement and hearing procedures.

Second, as discussed further *infra*, the Commission need not address the issue NESCOE raises because the Tariff currently provides that the Strike Price increase agreed to by the parties will apply to PER Events that occur in FCA 8. The Tariff does not “cutoff” the applicability of

¹⁴ NESCOE Comments at p. 7.

¹⁵ *Id.*

¹⁶ Complaint Order at P 57.

¹⁷ See Attachment A, Redlined Tariff § III.13.7.2.7.1.1.1. Under these Tariff changes, and consistent with the Commission’s Complaint Order, the Hourly PER Adjustment would not apply to hours falling between June 1, 2018 and May 31, 2019 (*i.e.*, in the Ninth Capacity Commitment Period).

the Strike Price increase beginning on June 1, 2018, *i.e.*, the beginning of the Ninth Capacity Commitment Period. Where intended, the Tariff expressly provides for a “cutoff” of the applicability of the PER Adjustment, specifically in providing that the PER Adjustment applies only to “Capacity Commitment Periods beginning prior to June 1, 2019.”¹⁸ The absence of Tariff language limiting the applicability of the Strike Price increase, language that would be necessary to fulfill NESCOE’s request, is conclusive. NESCOE’s recourse, if any, is to bring proposed Tariff changes through the NEPOOL stakeholder process or file a complaint with the Commission under Section 206 of the Federal Power Act seeking a change to the Tariff, not through comments on the Settlement.

Third, to the extent there is any controversy regarding capacity payments made during the Ninth Capacity Commitment Period months, the controversy need not be resolved now. The Ninth Capacity Commitment Period begins on June 1, 2018, over nine months from now, whereas capacity suppliers are exposed to the potential risk of unjust and unreasonable capacity payments so long as the Tariff fails to reflect the Strike Price increase agreed to by the Parties. Any delay in approval of the Settlement in order to render a decision on NESCOE’s arguments “concurrent” with approval of the Settlement could cause delay in the approval of the Settlement and the adoption of the necessary Tariff changes. As the Commission returns to a quorum, it need not be burdened with addressing an issue that will come to bear, if at all, over nine months from now, when instead it may approve an uncontested Settlement and set in motion the compliance filing process that ultimately will grant NEPGA the relief it is due. The Parties ask that the Commission approve the Settlement and reserve for a later decision, if any, the issue

¹⁸ Tariff § III.13.7.2.7.1.1.

NESCOE raises in its Comments regarding PER payments in the Ninth Capacity Commitment Period.

If the Commission finds that NESCOE raises a substantive issue it must address, the Joint Parties respectfully ask that Commission do so only after it has approved the Settlement and ordered a compliance filing. The only immediate issue before the Commission is the Strike Price increase necessary to avoid the potential risk of unjust and unreasonable rates. The Joint Parties respectfully ask that the Commission approve the Settlement without delay.

B. NESCOE Improperly Requests a Change to the Tariff in This Proceeding When Its Proper Recourse is Through the NEPOOL Stakeholder Process or a Section 206 Complaint

The Tariff provides that capacity suppliers are charged PER in each of the twelve months following any month in which the Hourly PER¹⁹ values sum to greater than zero (a “PER Month”). Virtually every PER Month therefore causes a charge to capacity suppliers not only in the Capacity Commitment Period during which the PER Month occurred but also in the subsequent Capacity Commitment Period.²⁰ The Commission understood this aspect of the PER mechanism when it found the existing methodology unjust and unreasonable and ordered the Strike Price increase,²¹ but made no finding that the Tariff should be amended to treat the settlement of FCA 8 PER Months any differently than any other PER Month. NESCOE asks the Commission to order Tariff changes “specifying that the Adjusted PER Methodology will ‘sunset’ on June 1, 2018.”²² This would cause changes to the Tariff not agreed to by the Settling

¹⁹ An Hourly PER value is greater than zero when, within any Real-Time Energy Market hour, the average LMP exceeds the Strike Price.

²⁰ The only exception to this consequence of the PER mechanism is when the PER Month occurs in the last month of a Capacity Commitment Period.

²¹ See, e.g., Complaint Order at P 52, note 72 (noting that “under the ISO-NE settlement cycle, a PER event in one month only begins to affect capacity suppliers’ bills in the month after it occurs.”).

²² NESCOE Comments at p. 11.

Parties and return the PER calculation to one that the Commission found unjust and unreasonable in granting NEPGA's complaint. NESCOE should pursue these Tariff changes, if at all, through the NEPOOL stakeholder process or a Section 206 complaint. NESCOE's request should be denied on those bases.

The PER mechanism is explained in detail in the Tariff. ISO-NE must sum the Hourly PER values for each month to arrive at a Monthly PER value,²³ and then calculate an Average Monthly PER equal to the average of the Monthly PER amounts for the 12 months prior to the Obligation Month, *i.e.*, the month in which PER is charged against the capacity supply payment.²⁴ The PER charge is equal to the product of the Average Monthly PER and the supplier's Capacity Supply Obligation.²⁵ The Tariff expressly limits PER Adjustments to Capacity Commitment Periods "beginning prior to June 1, 2019."²⁶ The Tariff also expressly limits the applicability of other capacity and charge provisions, for example by expressly conditioning the definition of a Shortage Event as applying only through June 1, 2018.²⁷ But nowhere does the Tariff modify or limit the PER mechanism beginning on June 1, 2018, the limitation NESCOE asks the Commission to order. Instead, the Tariff expressly provides for the calculation of Monthly PER values and the averaging of those values for each 12 month period prior to the Obligation Month. The order NESCOE requests would require a change to the Tariff providing that beginning on June 1, 2018, ISO-NE must recalculate the Monthly PER values for

²³ Tariff §§ III.13.7.2.7.1.1.1, III.13.7.2.7.1.1.2.

²⁴ Tariff § III.13.7.2.7.1.1.2.

²⁵ *Id.* The product of Average Monthly PER and the Capacity Supply Obligation MWs may be no greater than the PER cap, defined in part as the amount due the capacity resource prior to any PER charges.

²⁶ Tariff § III.13.7.2.7.1.1.

²⁷ Tariff § III.13.7.1.1.1 (b).

each month prior to then based on a Strike Price formula that the Commission found to be unjust and unreasonable and different than the Adjusted Strike Price formula agreed to by the Parties.

During the NEPGA Complaint proceeding, neither NESCOE nor any other party sought a change to the Tariff or argued for different treatment for PER Adjustments caused by a PER Event that occurred in FCA 8. Nor did any party question the express Tariff provision eliminating PER charges on capacity payments beginning on June 1, 2019, noted above, when the Commission approved it in 2015.²⁸ NESCOE had actual or constructive knowledge of the Tariff provisions governing the PER adjustment, yet now asks the Commission to order a change in how the PER Adjustment is calculated or, if denied, to “revisit” the elimination of PER charges against capacity payments beginning in 2019.²⁹ NESCOE cannot now seek to undo through comments to the Settlement what it had the opportunity to raise in those proceedings. NESCOE should seek recourse, if any, through the NEPOOL stakeholder process or by filing a complaint with the Commission. It is procedurally improper for NESCOE to ask for these Tariff changes as part of this proceeding. NESCOE’s request should therefore be denied.

C. It Would be Unjust and Unreasonable to Base Peak Energy Rent Charges on a Strike Price Formula That the Commission Has Found to be Unjust and Unreasonable

If the Commission finds that NESCOE’s request for a change to the Tariff is properly before it in this proceeding, the Commission should deny the request on the merits. The Commission ordered a change only to the Strike Price, expressly excluding from the hearing and settlement procedures any consideration of the monthly application of PER settlements. The Complaint Order therefore provided for Monthly PER values to be calculated as they are now,

²⁸ See *ISO New England Inc.*, 151 FERC ¶ 61,096 (2015).

²⁹ NESCOE Comments at 10.

with no reversion to a different Monthly PER calculation on June 1, 2018, as would be required to carry out NESCOE's request. Further, if granted NESCOE's request would contradict the plain terms of the Tariff and cause unjust and unreasonable PER charges to capacity payments.

In granting NEPGA's complaint, the Commission ordered ISO-NE to "revise the method by which it calculates the PER Strike Price as set forth in ISO-NE Tariff section III.13.7.2.7.1.1.1."³⁰ The Commission reserved for settlement and hearing procedures the precise change to the Strike Price formula, to which the settling parties have come to agreement as reflected in the Settlement.³¹ The Commission limited the scope of the hearing and settlement procedures to the Strike Price formula and Tariff section noted above, expressly excluding from the scope "the monthly application of the PER adjustment for settlement purposes as governed by ISO-NE Tariff section III.13.7.2.7.1.1.2."³² Though it was a disagreement among the parties regarding the application of the Complaint Order to PER Events that occurred before the refund effective date (and not the request NESCOE now brings) that gave rise to the Commission's limit on the scope, excluding from consideration the monthly settlement of PER charges indicates that the Commission intended for the Tariff to otherwise operate as is. The Commission explained that "under the ISO-NE settlement cycle, a PER event in one month only begins to effect capacity supplier's bills in the month after it occurs," and quoted from the Tariff provision requiring that "[t]he ISO shall ... calculate the Average Monthly PER ... equal to the average of the Monthly PER value for the 12 months *prior to* the Obligation Month."³³ With this knowledge of how the PER mechanism operates, the Commission ordered the Strike Price

³⁰ Complaint Order at P 57.

³¹ *Id.*

³² *Id.* at P 61.

³³ Complaint Order at P 52, note 72, *quoting* Tariff § III.13.7.2.7.1.1.2 (emphasis in original).

increase without further condition or modification. Commission orders, like Tariffs, are to be read first according to their plain terms.³⁴ The plain terms of the Commission’s order dictates that Hourly PER values are to be summed by month to generate Monthly PER values based on the Adjusted Strike Price for months within the FCA 8 Capacity Commitment, with no re-calculation of those Monthly PER values beginning on June 1, 2018.

NESCOE argues that failing to re-calculate the Monthly PER values for months prior to June 1, 2018, would “unsettl[e] the expectations of parties to FCA 9.”³⁵ NESCOE reasons that because capacity suppliers offered into FCA 9 based on the existing Strike Price formula “and its interaction with the higher RCPFs,” expectations will be met only if the existing Strike Price formula is applied retroactively beginning on June 1, 2018. NESCOEs request, however, requires Tariff language not present when Market Participants offered into FCA 8 and FCA 9. Capacity suppliers that offered into FCA 8 and FCA 9 did so according to the Tariff’s plain terms and with the reasonable belief that capacity payments would be just and reasonable. Capacity suppliers offering into FCA 9 understood that a PER Event in FCA 8 would necessarily cause charges to capacity payments in FCA 9, and that their net capacity payments would largely be a function of the FCA 9 capacity clearing prices and the charges against those payments caused by the PER Adjustment. The RCPF increases, though a relevant factor, by themselves do not dictate offer prices or fully set capacity supplier offers into the Forward Capacity Auction. Further, the ability to reflect incremental risk due to the RCPF increases in supply offers does not

³⁴ See e.g., *Idaho Power Co. v. FERC*, 312 F.3d 454, 462 (D.C. Cir. 2002) (applying an unambiguous interpretation to a FERC-jurisdictional tariff and finding that “[t]he fact that FERC’s orders directly conflict with the plain meaning of the tariff alone merits a reversal”); see also *New England Power Generators Association, Inc. v. ISO New England, Inc.*, 144 FERC ¶ 61,157, at P 54 (2013)(defining generator obligations based on a “plain reading” of the Tariff).

³⁵ NESCOE Comments at p. 8.

dictate whether it is just and reasonable to continue applying an unjust and unreasonable Strike Price formula.³⁶

Denying NESCOE's request to recalculate PER Month values beginning on June 1, 2018, is consistent with applying the Adjusted Strike Price to all capacity payments made after the Refund Effective Date. In a separate pleading, NESCOE asks the Commission to reject the application of the Adjusted Strike Price to PER charges caused by PER Events that took place in August 2016.³⁷ The August 2016 Events caused significant PER payments by capacity suppliers in the eleven months immediately following the Refund Effective Date. NEPGA asks the Commission to apply the Strike Price increase it ordered to each PER charge applied after the Refund Effective Date of September 30, 2016.³⁸ NEPGA is consistent, with respect to the August 2016 PER Events and here, in that it asks the Commission to apply the just and reasonable Adjusted Strike Price to all PER Events that have occurred or do occur in the Seventh and Eighth Capacity Commitment Periods. NESCOE, conversely, asks the Commission to apply the unjust and unreasonable Strike Price to PER charges applied after the Refund Effective Date and to capacity payments reduced by PER Events that occurred in the Seventh and Eighth Capacity Commitment Periods.

The Commission found that the existing Strike Price formula causes unjust and unreasonable PER charges, agreeing with NEPGA that "this problem can be remedied by raising

³⁶ In this regard, ordering relief for the PER Events that occurred in August 2016, reducing PER charges applied after the Refund Effective Date is consistent with denying the Tariff changes NESCOE requests here. At the same time, NESCOE asks FERC to deny an adjustment to the Strike Price for PER Events that occurred in August 2016, which caused PER charges to capacity payments in the eleven months immediately following the Refund Effective Date. In both cases, NEPGA asks the Commission to apply the just and reasonable Adjusted Strike Price it ordered to capacity payments to which the unjust and unreasonable Strike Price would otherwise apply.

³⁷ *Answer of the New England States Committee on Electricity*, Docket No. EL16-120-001 (filed March 2, 2017).

³⁸ *Request for Clarification or, in the Alternative, Rehearing of the New England Power Generators Association, Inc.*, Docket No. EL16-120-001 (filed Feb. 15, 2017).

the PER Strike Price.”³⁹ Yet NESCOE asks the Commission to order ISO-NE to apply the existing, unjust and unreasonable Strike Price formula retroactively to each day in the FCA 8 Capacity Commitment Period beginning on June 1, 2018. To continue this practice, when the Commission has found it to be unjust and unreasonable, would in itself be unjust and unreasonable, and should therefore be denied.

III. Conclusion

The Joint Parties respectfully request that the Commission approve the Settlement without condition or modification as soon as practicable, and order ISO-NE to make a compliance filing consistent with the Settlement terms. The Joint Parties further ask that the Commission reject NESCOE’s request to amend the Tariff, either through a finding: (1) that NESCOE’s request is improperly before the Commission; (2) that the Commission has already spoken to NESCOE’s request; or (3) on the merits.

Respectfully Submitted,

**FOR THE NEW ENGLAND POWER GENERATORS
ASSOCIATION, INC.**

/s/ Bruce Anderson

Bruce Anderson

Vice President, Market and Regulatory Affairs

New England Power Generators Association, Inc.

33 Broad St. 7th Floor

Boston, MA 02109

617-902-2347

banderson@nepga.org

³⁹ Complaint Order at P 51.

FOR NRG POWER MARKETING LLC

/s/ Abraham Silverman

Abraham Silverman
Vice President & Deputy General
Counsel, Regulatory
804 Carnegie Center
Princeton, NJ 08540
609-524-4696
Abraham.Silverman@nrgenergy.com

FOR ENTERGY NUCLEAR POWER MARKETING, LLC

/s/ Jennifer Amerkhail

Jennifer Amerkhail
Assistant General Counsel
Entergy Services, Inc.
101 Constitution Ave., N.W., Suite 200-E
Washington, DC 20001
202-530-7316
jamerkh@entergy.com

FOR DOMINION RESOURCES SERVICES, INC.

/s/ Wesley Walker

Wesley Walker
Assistant General Counsel
Dominion Energy Services, Inc.
120 Tredegar St.
Richmond, VA 23219
804-819-2345
wesley.walker@dominionenergy.com

FOR H.Q. ENERGY SERVICES (U.S.) INC.

/s/ Timothy T. Mastrogiacono

Timothy T. Mastrogiacono
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
1440 New York Avenue, N.W.
Washington, DC 20005
202-371-7345
tmastrog@skadden.com

FOR VERSO CORPORATION

/s/ Robert C. Fallon

Robert C. Fallon

COZEN O'CONNOR

1200 19th Street, N.W.

Washington, D.C. 20036

202-912-4826

rfallon@cozen.com

ATTACHMENT A – Redlined Tariff Section III.13.7.2.7.1.1.1

III.13.7.2.7.1.1.1. Hourly PER Calculations. (a) For hours with a positive difference between the hourly Real-Time energy price and a strike price, the ISO shall compute PER for each hour ("Hourly PER") equal to this positive difference in accordance with the following formula, which includes scaling adjustments for system load and availability:

$$\text{Hourly PER}(\$/\text{kW}) = [(\text{LMP} - \text{Adjusted Hourly PER Strike Price}) * [\text{Scaling Factor}] * [\text{Availability Factor}]$$

Where:

Daily Strike Price = the heat rate x fuel cost of the PER Proxy Unit described below.

Adjusted Hourly PER Strike Price = Daily PER Strike Price + Hourly PER Adjustment

Where the Hourly PER Adjustment is equal to the average of the Five-Minute PER Strike Price Adjustment values for each hour.

Five-Minute PER Strike Price Adjustment =

$$\frac{\text{MAX (Thirty Minute Operating Reserves Clearing Price - \$500/MWh, 0)} + \text{MAX (Ten Minute Non-Spinning Reserves Clearing Price - Thirty Minute Operating Reserves Clearing Price - \$850/MWh, 0)}}{2}$$

Scaling Factor = the ratio of actual hourly integrated system load (calculated as the sum of RealTime Load Obligations for the system as calculated in the settlement of the Real-Time Energy Market and adjusted for losses and including imports delivered in the Real-Time Energy Market) and the 50/50 predicted peak system load reduced appropriately for Demand Resources, used in the most recent calculation of the Installed Capacity Requirement for that Capacity Commitment Period, capped at an hourly ratio of 1.0.

Availability Factor = 0.95

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, 2017.

/s/ Bruce Anderson

Bruce Anderson
Vice President, Market and Regulatory Affairs
New England Power Generators Association, Inc.
33 Broad St. 7th Floor
Boston, MA 02109
Tel: 617-902-2347
Fax: 617-902-2349
Email: banderson@nepga.org