UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

ISO New England Inc.	)	
	)	
and	)	**Docket No. ER19-291-000**
	)	
New England Power Pool Participants Committee	)	
	)	

SUPPLEMENTAL PROTEST OF
THE NEW ENGLAND POWER GENERATORS ASSOCIATION, INC.

Pursuant to Rule 211 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission"),[1] the New England Power Generators Association, Inc. ("NEPGA")[2] files this Supplemental Protest[3] of ISO New England Inc.'s ("ISO-NE") filing of values it proposes to apply in the thirteenth Forward Capacity Auction ("FCA 13"), including the Installed Capacity Requirement ("ICR") and the region-wide Marginal Reliability Impact ("MRI") Demand Curve parameters (together, the "Region-Wide Security Requirement").[4] NEPGA recently filed a Conditional Protest in this proceeding,[5] conditioned on the Commission granting ISO-NE's request to effectively re-price to $0/kW-month the Retirement De-List Bids for resources that clear in the Forward Capacity Auction but are deemed needed to meet a

[1] 18 C.F.R. §§ 385.211 (2018).
[2] The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.
[3] NEPGA notes that the Commission's recent order accepting ISO-NE's fuel security proposal for FCAs 13-15 (*ISO New England Inc.*, 165 FERC ¶ 61,202) is presently subject to rehearing. The representations made by NEPGA in this proceeding do not and should not be considered a waiver of any rights NEPGA maintains in seeking rehearing and appeal, or in any positions NEPGA takes in those proceedings.
[4] *ISO New England Inc. and New England Power Pool Participants Committee Filing of Installed Capacity Requirement, Hydro Quebec Interconnection Capability Credits and Related Values for the Thirteenth FCA (Associated with the 2022-2023 Capacity Commitment Period)*, Docket No. ER19-291-000 (filed November 6, 2018) ("ISO-NE Filing").
[5] *Motion to Intervene and Conditional Protest of the New England Power Generators Association, Inc.*, Docket No. ER19-291-000 (filed Nov. 27, 2018) ("NEPGA Conditional Protest").

demonstrated fuel security need ("Fuel Security RMR Resource").[6] On December 3, 2018, the Commission granted ISO-NE's request ("Fuel Security Order").[7] As NEPGA explained in its Conditional Protest, the Commission's Fuel Security Order reasoning necessarily rests on the assumption that the fuel security requirement can be modelled in the capacity market, which if true requires a consistent reliability standard between the capacity reliability requirement and the fuel security reliability requirement. That is not the case with respect to the FCA 13 Region-Wide Security Requirement proposed by ISO-NE.

In light of the Commission's findings in the Fuel Security Order, this design flaw can now be resolved in only one way. ISO-NE can calculate the Region-Wide Security Requirement using the same imported energy and outage rate assumptions it proposes for its region-wide fuel security reliability standard, which would have the effect of increasing the Region-Wide Security Requirement to be compatible with the region-wide fuel security reliability standard. With a Fuel Security Resource clearing the FCA by re-pricing it at $0/kW-month, only then could it be plausible that it is the administrative equivalent of reflecting a binding fuel security constraint within the region-wide FCA capacity demand.

[6] *ISO New England Inc., Compliance Filing to Establish a Fuel Security Reliability Standard, Short-Term Cost-of-Service Mechanism, and Related Cost Allocation for Out-of-Market Compensation*, Docket No. ER18-2364-000 (filed Aug. 31, 2018) ("Fuel Security Filing").
[7] *ISO New England Inc.*, 165 FERC ¶ 61,202 (2018).

I. SUPPLEMENTAL PROTEST

In its Conditional Protest, NEPGA explained that ISO-NE proposes to apply a higher Outage Rate[8] and lower Tie Benefit value[9] in its Fuel Security Resource evaluation than it applied in its calculation of the Region-Wide Security Requirement.[10] NEPGA asks the Commission to find that this inconsistency causes an unjust and unreasonable outcome where, as here, the criteria leading to selecting Fuel Security Resources and re-pricing them in order to clear the FCA is based on more severe Outage Rate and Tie Benefit values, and to order ISO-NE to base the Region-Wide Security Requirement on the Outage Rate and Tie Benefit values ISO-NE has used for Fuel Security Resource qualification (i.e., Mystic 8 and 9).[11] The Commission's Fuel Security Order provides further support for NEPGA's request.

The Commission in its Fuel Security Order relies heavily on its prior NYISO Orders,[12] for example by citing approvingly to the *IPPNY* finding that "if the reliability needs were accurately reflected in the capacity market, these reliability resources would indeed clear the auction."[13] Under this line of reasoning, an RMR resource is retained out-of-market only because the RTO/ISO essentially "missed" a relevant, ultimately binding transmission constraint when it modelled transmission constraints for that capacity auction. But for not recognizing the constraint in the auction, the argument goes, the transmission constraint would have bound and caused the same pricing outcome for all other resources as re-pricing the resource as a price-

[8] ISO-NE assumes a certain outage rate for oil, dual-fuel and gas-fired generation resources. *See* NEPGA Conditional Protest at pp. 9-15.
[9] Tie Benefits refer to the quantity of import MWs not subject to a Capacity Supply Obligation must-offer requirement that ISO-NE believes it can access in an emergency.
[10] NEPGA Conditional Protest at pp. 7-15.
[11] *Id*. at p. 15.
[12] *N.Y. Indep. Sys. Operator, Inc.*, 150 FERC ¶ 61,116 (2015), *order on reh'g & compliance*, 155 FERC ¶ 61,076 (2016), *order on reh'g & compliance*, 161 FERC ¶ 61,189 (2017) ("2017 NYISO Order"). *Indep. Power Producers of N.Y., Inc. v. N.Y. Indep. Sys. Operator, Inc.*, 150 FERC ¶ 61,214 (2015) ("*IPPNY*").
[13] Fuel Security Order at P 84, *citing IPPNY*, 150 FERC ¶ 61,180 at P 66.

taker in an auction that does not recognize the transmission constraint. The Region-Wide Capacity Values proposed by ISO-NE reflect this transmission-constrained resource adequacy need, but not the fuel security reliability standard. The re-pricing of Fuel Security Resources cannot be considered the administrative equivalent of a constraint binding in the FCA when the Region-Wide Capacity Values do not reflect the region-wide assumptions defining that constraint. Only by setting the Region-Wide Security Requirement according to the fuel security standard can the FCA clear capacity according to the true marginal reliability impact (as reflected on the MRI Curve). Otherwise the re-pricing of Fuel Security Resources cannot be plausibly considered the equivalent of ISO-NE "missing" a Fuel Security Resource that could satisfy the binding constraint.

Equally important, the relief NEPGA requests in this proceeding does not compel the FCA to "over-procure" capacity. The Commission cites approvingly to the 2017 NYISO Order finding that to not re-price the RMR resources as price-takers would cause an "inefficient and unreasonable [outcome] because it would require ratepayers to pay twice for the same capacity need and would result in over-procuring capacity."[14] Under the relief NEPGA requests, the Fuel Security Resources will still clear the FCA, and thus their "contribution to resource adequacy will be recognized." Though under NEPGA's requested relief some resources may clear the FCA that otherwise would not have cleared, it would not be due to the "failure of the FCA to recognize a contribution to resource adequacy," but instead due only to the FCA auction clearing based on Region-Wide Capacity Values large enough to contain the constraint pursuant to which a Fuel Security Resource is held.

[14] Fuel Security Order at P 83, *citing* 2017 NYISO Order, 161 FERC ¶ 61,189 at P 55.

The relief NEPGA requests will likewise continue to allow the FCA to clear capacity at a quantity and price that reflects its marginal reliability impact. According to the Commission, "[i]f resources needed for fuel security are not entered into the FCA as price-takers, they risk not clearing in the FCA and their resource adequacy contributions to the system would not be counted."[15] In support, the Commission cites to ISO-NE's Fuel Security Filing, where ISO-NE explains that the FCA clearing price "will be based on an aggregate MW quantity that accounts for the resource adequacy contributions of resources retained for fuel security."[16] This in turn, according to ISO-NE, "results in a price that reflects capacity's true MRI value."[17] A sub-regional transmission reliability requirement (reflected in the modeling of a separate capacity zone) can legitimately be considered a subset of the regional capacity requirement because the only distinction is the additional value of the resource "location" resulting from congestion across the transmission interface between the import constrained zone and the rest of New England. As ISO-NE explained in seeking Commission acceptance of MRI Demand Curve design improvements:

> "With respect to the incremental reliability impacts, one can think of the incremental reliability impact of supplying a MW of capacity in an import constrained zone as the sum of two components: (1) the incremental reliability impact of supplying a MW of capacity in the Rest-of-Pool Capacity Zone, and; (2) the *additional* reliability impact of then "transferring" this MW of capacity from the Rest-of-Pool Capacity Zone into the import-constrained zone. Both of these beneficial reliability impacts are captured with the Demand Curve Design Improvements. The first component is fully reflected in the system price paid to resources in the Rest-of-Pool Capacity Zone, as specified by the MRI-based system demand curve. The second component is fully reflected in the *additional* price paid to resources in the import-constrained zone, as specified by the MRI based zonal demand curve. In this way, the system and zonal locational price signals are fully

[15] Fuel Security Order at P 85.
[16] *Id.*, note 214.
[17] *Id.*

> consistent with the relative reliability impacts of supplying incremental capacity in each zone."[18]

ISO-NE further explained:

> "Specifically, the zonal MRI values represent the change in expected energy not served if we *substitute* (or "transfer") one unit of capacity out of the Rest-of-Pool Capacity Zone and into the import-constrained zone. Substituting capacity from the Rest-of-Pool Capacity Zone into an import-constrained zone has a net reliability benefit, in general, because it helps reduce expected energy not served within the constrained zone when the zonal interface is binding – when incremental capacity located in the Rest-of-Pool 1 Capacity Zone would not help to reduce the expected energy not served within the constrained zone.
>
> In other words, a zonal demand curve based on the zonal MRI of capacity tells us how much more 1 MW of additional capacity is worth if procured in the import constrained zone, *instead of* being procured in the Rest-of-Pool Capacity Zone. That is, it indicates what the price *difference* should be between the import constrained zone and the Rest-of-Pool Capacity Zone. This price difference across a constrained interface is, of course, what we normally call the congestion price."[19]

Unlike the fuel security requirement, integrating the local transmission reliability requirement through a zonal demand curve does not change the nature of the Region-Wide Capacity Values, it is simply a locational distinction within that requirement. All capacity resources are considered in the FCA based of their contribution toward reducing the system-wide loss of load expectation ("LOLE"). The calculation of the zonal resource adequacy and region-wide resource adequacy requirements use similar calculations and assumptions for the respective local and regional capacity demand. For the purposes of the FCA, the only difference between the value of a resource located inside versus outside of an import-constrained zone is that in a case where the import interface is binding (congested) the resource inside the zone reduces local LOLE and accordingly has a greater impact on reducing system-wide LOLE than the resource

[18] *ISO New England Inc. and New England Power Pool Participants Committee, Prepared Testimony of Christopher Geissler and Matthew White on Behalf of ISO New England Inc.*, at pp. 66-67, Docket No. ER16-1434-000 (filed April 15, 2016).
[19] *Id*. at pp. 61-62.

outside of the zone. The same is not true of the fuel security requirement. It is not a locational issue, but a region-wide reliability requirement. Following the Fuel Security Order, ISO-NE is now proposing two system-wide resource adequacy requirements; one defined by the fuel security assumptions and criteria accepted by the Commission in the Fuel Security Order and another based on different assumptions as offered by ISO-NE for FCA 13.

The system-wide MRI demand curve upon which a Fuel Security Resource will clear must reflect the Outage Rate and Tie Benefits assumptions upon which a Fuel Security Resource qualifies for a cost-of-service agreement and thus qualifies to obtain a Capacity Supply Obligation. As NEPGA explains in its Supplemental Protest, setting the Outage Rate lower and the Tie Benefits higher in the Region-Wide Capacity Values, consistent with the fuel security criteria, will cause a higher resource adequacy requirement, shifting the MRI demand curve to the right. Since the fuel security requirement in FCA13 is defined solely by Mystic Units 8 and 9, it is unnecessary to recalculate a shift to the right greater than the 1,400 MWs of qualified capacity for those resources. Shifting the MRI demand curve to the right by 1,400 MWs would permit the fuel security requirement to plausibly be considered as a constraint within the regional resource adequacy requirement and satisfy the design requirement that the former fit within the latter.

II. CONCLUSION

NEPGA respectfully requests that the Commission grant the remaining relief its requested in its Conditional Protest, to increase the FCA 13 Region-Wide Capacity Requirement in an amount equal to the 1,400 MWs of Mystic Unit 8 and 9 qualified capacity, or grant any other relief the Commissions deems necessary to guarantee competitive outcomes in FCA 13.

Respectfully Submitted,

*/s/ Bruce Anderson*_____

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

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, December 12, 2018.

/s/ Bruce Anderson

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