

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

**ISO New England Inc.**

**Docket No. AD18-7-000**

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

Pursuant to Rule 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> respectfully moves to intervene and files these Comments on the Response of ISO New England Inc. (“ISO-NE”)<sup>3</sup> to the Commission’s January 8, 2018, *Order Terminating Rulemaking Proceeding, Initiating New Proceeding, and Establishing Additional Procedures*.<sup>4</sup> In response to the Commission’s directive that each ISO/RTO define and identify resilience challenges within each region, ISO-NE opines that the most significant resilience issue facing New England is the ability of generators to have on site, or be able to obtain, the fuel necessary to operate when dispatched in the winter months. ISO-NE terms this as a “fuel security risk,” and has initiated a NEPOOL stakeholder process to consider and develop market designs to procure the services necessary to meet ISO-NE’s “fuel security” needs.

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<sup>1</sup> 18 C.F.R. §385.214 (2018).

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

<sup>3</sup> *Response of ISO New England Inc.*, Docket No. AD18-7-000 (filed March 9, 2018) (“ISO-NE Response”).

<sup>4</sup> *Grid Resilience in Regional Transmission Organizations and Independent System Operators*, 162 FERC ¶ 61,012 (2018) (“Resilience Order”).

In initiating that process, ISO-NE produced an Operational Fuel Security Analysis (“OFSA”), its attempt to “quantify the fuel security risk, and to frame regional discussions addressing it.”<sup>5</sup> The OFSA findings, however, are limited, in that the OFSA neither captures Market Participant behavior in response to price signals nor the probability of any particular outcome. As ISO-NE and NEPOOL stakeholders embark on the process of developing market designs to address a yet to be defined reliability risk, NEPGA asks that the Commission take notice that the OFSA findings do not qualitatively or quantitatively define the “fuel security risk” and therefore should not be the basis for the market solutions to be developed and later filed for acceptance with the Commission. ISO-NE and NEPOOL stakeholders must recognize the limited value of the OFSA findings and develop market designs that address a more well-defined fuel security risk that takes into account, at a minimum, market behavior and the probability of fuel security risk.

## **I. Motion to Intervene**

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. As active participants in the ISO-NE capacity and wholesale electricity markets, NEPGA’s member companies have substantial and direct interests

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<sup>5</sup> ISO-NE Response at 1.

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

ISO New England has identified “fuel security” as the “most significant resilience challenge” in New England, and has begun a NEPOOL stakeholder process to “develop a long-term market solution that will maximize the likelihood that generators have sufficient fuel to meet the region’s winter electricity needs.”<sup>6</sup> NEPGA supports this initiative, believing it urgent especially given ISO-NE’s recent filing of a Tariff waiver to “hold” the Mystic Generating Station Units 8 and 9 for “fuel security” in both the FCA 13 and FCA 14 Capacity Commitment Periods.<sup>7</sup> With their cost-based Retirement De-List Bids for FCA 13 and FCA 14 presumably uneconomic, ISO-NE asks to retain these resources at out-of-market rates because “the loss of those units presents unacceptable fuel security risks.”<sup>8</sup> With the potential for ISO-NE to find that other uneconomic capacity resources are needed to meet New England’s reliability needs as soon

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<sup>6</sup> *Id.* at 1-2.

<sup>7</sup> *Petition of ISO New England Inc. for Waiver of Tariff Provisions*, Docket No. ER18-1509-000 (filed May 1, 2018) (“Waiver Filing”).

<sup>8</sup> *Id.* at 3.

as FCA 14 (commencing in February 2020), there is an immediate need to develop a market alternative to achieving reliability through cost of service rates for out of market resources. NEPGA and its Members will actively participate in the development of a market design which can and should be developed for effect beginning in FCA 14.

As a first step in this process, ISO-NE commenced an analysis (the OFSA) to “further ISO-NE’s and the region’s understanding of the fuel-security risk and facilitate regional stakeholder discussions on how to address this risk.”<sup>9</sup> The OFSA is a deterministic analysis, meaning that it does not predict the likelihood of any outcome, but instead produces results based strictly on the underlying model and several assumptions, in the case of the OFSA assumptions concerning future resource types and fuel conditions on the system. The OFSA produced values reflecting a forecast of ten-minute operating reserve deficiencies and load-shedding events under each of several assumed future scenarios. ISO-NE concludes that the OFSA provides a basis for comparing the “fuel security risk of each of the modeled, hypothetical resource combinations” and that the “impacts of the current industry trends affecting the New England power system are moving in a negative direction, leading to greater fuel-security risk.”<sup>10</sup> But the values produced by the OFSA do not, by themselves, accurately define a “fuel security risk,” in part due to the lack of any probability assigned to each of the assumed scenarios, and in part due to its failure to account for the market response to price signals.

As a deterministic analysis, the OFSA does not model energy or capacity market pricing, nor does it attempt to capture the market response to those price signals.<sup>11</sup> The OFSA essentially

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<sup>9</sup> ISO-NE Response at 8.

<sup>10</sup> *Id.* at 10.

<sup>11</sup> ISO-NE volunteers that the OFSA does not “explicitly consider specific market responses,” but believes that some of its inputs to the analysis “can be viewed as proxies for possible market and policy responses in a fuel constrained system.” ISO-NE Response at 9. For example, ISO-NE asserts that an assumption about LNG injections into the system in some scenarios (up to 1 Bcf daily) implicitly assumes that “electricity prices were high enough to sustain that level of LNG injection.” *Id.*

includes a series of negative-trending assumptions run through a model, which in turn produces high levels of operating reserve deficiencies and load shedding. What the OFSA fails to attempt to capture is the probability of any outcome and the market response to the price signals created by the conditions assumed in the analysis. In recent years the New England wholesale markets have undergone significant changes intended to provide the price signals necessary to drive efficient market responses to actual or anticipated energy or fuel constraints. Among those changes are to the Forward Capacity Market, including the “Pay for Performance” design, and to the energy markets, including the five-minute pricing and settlement of energy and reserves and hourly offers and re-offers. The lack of any accounting of these price signals and incentives renders the OFSA an incomplete picture of any future reliability concerns that need to be addressed.

This concern is not speculative, and indeed has started to bear out in ISO-NE’s development of Tariff language that will define the criteria by which it may hold a resource for “fuel security risk” beginning in FCA 14.<sup>12</sup> ISO-NE introduced its proposal at the April 25, 2018, NEPOOL Reliability Committee meeting, explaining that under its proposal a resource is needed for “fuel security” if, based on an analysis “similar to that performed for the [OFSA],”<sup>13</sup> the retirement of the resource will cause even a single depletion of ten-minute Operating Reserves. This would represent a much different standard than used in practice (where ISO-NE operates the system by, in part, controlling for ten-minute operating reserves depletions) and from that used to calculate ISO-NE’s resource adequacy requirements. NEPGA brings this to

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<sup>12</sup> *Reliability Reviews for Fuel Security: Criteria for Unit Retention*, April 25, 2018, NEPOOL Reliability Committee Materials, available at: [https://www.iso-ne.com/committees/reliability/reliability-committee/?eventId=135904&sort=normalized\\_document\\_title\\_s.asc&load.more=1](https://www.iso-ne.com/committees/reliability/reliability-committee/?eventId=135904&sort=normalized_document_title_s.asc&load.more=1).

<sup>13</sup> *Id.* at 4.

the Commission's attention to emphasize the urgent need to first define the "fuel security risk" and then move on to developing market designs to meet that need.

In developing market solutions, ISO-NE and NEPOOL stakeholders must evaluate the extent to which the outcomes forecast by the OFSA will be affected by market prices signals, incentives, and risk of penalty. Because it does not model the probability of adverse reliability events and market responses to energy and capacity market pricing, the OFSA's evaluation of the extent of any "fuel security risk" is incomplete. ISO-NE and NEPOOL stakeholders must first define the reliability need, based not only on the OFSA results but by further accounting for the behavioral and investment incentives in the markets and the probability of future reliability events. With a properly defined reliability need, NEPGA strongly supports an expeditious NEPOOL process to develop market designs to meet that need for effect by FCA 14.

### **III. Conclusion**

NEPGA respectfully requests that the Commission grant its Motion to Intervene and take notice of these Comments. NEPGA is committed to working with ISO-NE and NEPOOL stakeholders on market designs and changes that will avoid the need for ISO-NE to hold resources for fuel security outside of the wholesale markets. As the market design process proceeds, ISO-NE and NEPOOL stakeholders must account for price signals, market designs, and the probability of future system conditions and reliability events in defining the reliability need. NEPGA asks that the Commission take notice of these Comments both in anticipation of, and in eventually receiving a proposed market design to meet New England's "fuel security risk."

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, May 9, 2018.

*/s/ Bruce Anderson*

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