

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

ISO New England Inc.

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Docket No. ER21-943-000

**COMMENTS OF
THE NEW ENGLAND POWER GENERATORS ASSOCIATION, INC.**

Pursuant to Rules 211 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 files this Motion to Intervene and Comments in support of ISO New England Inc.’s (“ISO-NE”) proposal to modify the treatment of Demand Capacity Resources composed of Energy Efficiency measures (herein referred to as “energy efficiency resources”) during Capacity Scarcity Conditions.³ Specifically, ISO-NE proposes to exempt energy efficiency resources from any charges or payments under the Forward Capacity Market’s Pay for Performance (“PFP”) design for Capacity Scarcity Conditions that occur in hours in which energy efficiency resources report their performance to ISO-NE (generally, “on-peak” hours). With energy efficiency resources presently exempt from such charges and payments for Capacity Scarcity Conditions that occur in all other hours of the year, the changes ISO-NE proposes herein will have the effect of entirely exempting energy efficiency resources from PFP payments and charges.

¹ 18 C.F.R. § 385.211, § 385.214 (2020). This Motion to Intervene and Comments is timely filed. *See Combined Notice of Filings #1*, Docket No. ER21-943-000 (Jan. 26, 2021).

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

³ ISO New England Inc., Revisions to Obligations of Energy Efficiency Resources Under Pay for Performance, No. ER21-943-000 (filed Jan. 26, 2021) (“ISO-NE Energy Efficiency Resource Filing”).

Exempting energy efficiency resources from PFP charges and payments is just and reasonable for several reasons. First, energy efficiency resources cannot deliver energy or reserves in real-time, and thus are not responsive to the price signals the PFP design sends to incent capacity resource performance. It is entirely reasonable to eliminate exposure to price signals that have no consequence on incremental actions, and thus on the incremental real-time reliability benefit of a resource to which those price signals currently apply. Second, the changes proposed by ISO-NE are consistent with the Commission's prior findings and reasoning in accepting the PFP design, namely that energy efficiency resources are appropriately compensated for their contributions to resource adequacy through the Forward Capacity Auction "base payments." Third, in no longer applying PFP charges and payments to energy efficiency resources, ISO-NE appropriately recognizes that these resources should likewise not be subject to the financial assurance requirements of resources exposed to PFP charges. ISO-NE thus proposes the necessary and just and reasonable changes to ISO-NE's financial assurance policy.

For these reasons, NEPGA respectfully asks the Commission to accept the Tariff and financial assurance policy changes proposed by ISO-NE herein.

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 nearly 90% 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 individuals:

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I. COMMENTS

The PFP design created a second settlement against the “base payment” a capacity resource earns when clearing the Forward Capacity Auction - the second settlement being either a payment or charge for every five-minute interval of a Capacity Scarcity Condition.⁴ If a capacity resource delivers more energy and reserves than its “share” of system obligation during the five minute interval, it then earns a payment, and if it delivers less it incurs a penalty.⁵ In accepting the design, the Commission reasoned that it is unduly discriminatory to apply a PFP payment or charge to an energy efficiency resource in an interval in which it is “not able to respond to ISO-NE’s proposal performance incentive.”⁶ On rehearing, the Commission further explained that an energy

⁴ See, e.g., Compliance Filing of Two-Settlement Forward Capacity Market Design, FERC Docket Nos. ER14-2419-000 (filed July 14, 2014).

⁵ See ISO New England Inc. Transmission, Markets and Services Tariff (“Tariff”) § III.13.7.2, *et seq.*

⁶ See Order on Tariff Filing and Instituting Section 206 Proceeding, 147 FERC ¶61,172 at P 89 (issued May 30, 2014).

efficiency resource does not “actively perform in real-time” and “that this fundamental difference warrants an exemption for energy efficiency resources.”⁷ The Commission thus directed ISO-NE to file Tariff changes exempting energy efficiency resources from PFP charges and payments in all non-peak hours,⁸ representing approximately 96% of annual hours. The PFP changes ISO-NE files for acceptance here would exempt energy efficiency resources from PFP charges and payments in the remaining 4% of annual hours. These changes are not only entirely consistent with the Commission’s prior reasoning that PFP charges and payments should not attach to resources that cannot respond to these real-time price signals, but also reasonably apply that principle to all hours of the year in which the reasoning holds. Energy efficiency resources “by design do not actively perform in real-time”⁹ regardless of whether the real-time interval represents peak or non-peak demand conditions. It is thus just and reasonable to apply the exemption from PFP charges and payments in all hours.

As ISO-NE explains, the PFP second settlement creates an incentive for capacity resources to respond to real-time energy and reserve needs during reserve deficiency conditions.¹⁰ ISO-NE appropriately reasons that it is just and reasonable to exempt resources from payments and charges in all hours in which they cannot respond to these price signals.¹¹ Given that energy efficiency resources cannot deliver energy and reserves in real-time, exempting them from PFP payments and charges in all hours “treats energy efficiency resources in a manner that is consistent with their

⁷ See Order Denying Rehearing, 153 FERC ¶ 61,223 at P 48 (issued Nov. 19, 2015).

⁸ Specifically, the Commission directed changes to those hours in which energy efficiency resources demand reduction values are reported for purposes of assigning a qualified capacity value. See Tariff § I.2.2 (defining Demand Resource On-Peak Hours as hours ending 1400 through 1700, Monday through Friday on non-Demand Response Holidays during the months of June, July, and August and hours ending 1800 through 1900, Monday through Friday on non-Demand Response Holidays during the months of December and January).

⁹ Note 7, *supra*.

¹⁰ ISO-NE Energy Efficiency Resource Filing, Testimony of Ryan McCarthy on Behalf of ISO New England Inc., at 6-7 (“McCarthy Testimony”).

¹¹ *Id.*

system benefits – that is, to reduce energy consumption permanently and not to perform in real-time.”¹² The changes ISO-NE proposes do not modify in any way the base payment an energy efficiency resource earns by clearing in the Forward Capacity Auction. The base payment recognizes the energy efficiency resource contribution to resource adequacy, and the changes ISO-NE proposes herein recognize that PFP charges and payments are inapt for a resource that does not provide incremental reliability benefits in real-time. The current treatment of energy efficiency resources contradicts this principle, in that an energy efficiency resource is essentially guaranteed to realize a payment (and avoid a charge) in all hours in which it is currently subject to PFP payments and charges.¹³ Thus, a resource that cannot respond to the PFP price signals is rewarded as if it delivered on the energy and reserves needed to meet a reserve deficiency in real-time. Avoiding these outcomes further renders the changes ISO-NE proposes just and reasonable.

Lastly, in addition to the PFP charge and payment changes, ISO-NE reasonably proposes to relieve energy efficiency resources from certain financial assurance requirements commensurate with the change in PFP risk for energy efficiency resources.¹⁴ As ISO-NE explains, it proposes first to exclude energy efficiency resources from PFP charges and payments in peak condition hours, *i.e.*, in the remaining 4% of annual hours.¹⁵ With those changes, ISO-NE further proposes to exempt energy efficiency resources from the financial assurance requirements of a capacity

¹² McCarthy Testimony at 7.

¹³ This is demonstrated by comparing the actual capacity provided by an energy efficiency resource (equal to its Capacity Supply Obligation value under the current rules, *i.e.*, its presumed level of performance) and its share of system performance (*i.e.*, the balancing ratio). In virtually any scenario, the performance obligation will be some quantity less than the energy efficiency resource’s CSO value and its presumed level of performance. Thus, in virtually any scenario the actual capacity provided value for an energy efficiency resource will be greater than its share of system obligation, and the energy efficiency resource will thus receive an over-performance payment under the PFP second-settlement irrespective of its actual performance (which is not subject to precise determination).

¹⁴ See ISO-NE Energy Efficiency Resource Filing, Transmittal Letter, at 6-8 (ISO-NE also proposes associated changes to the calculation of the Balancing Ratio and to exposure to PFP over under collections).

¹⁵ McCarthy Testimony at 2.

resource exposed to PFP charges.¹⁶ The purpose of the financial assurance requirement is to ensure that a capacity resource has sufficient collateral on hand to cover any net PFP charges that a capacity resource may incur.¹⁷ With energy efficiency resources not subject to PFP charges, requiring collateral to cover PFP charge exposure simply is not necessary.

II. CONCLUSION

For the reasons stated above, NEPGA respectfully requests that the Commission grant this Motion to Intervene and accept ISO New England Inc.'s proposed modifications to the treatment of Demand Capacity Resources composed of Energy Efficiency measures during Capacity Scarcity Conditions.

Respectfully Submitted,

/s/ Bruce Anderson

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¹⁶ *Id.*

¹⁷ McCarthy Testimony at 7.

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, February 16, 2021.

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