

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

New England Winter Gas-Electric Forum

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Docket No. AD22-9-000

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

Pursuant to the Federal Energy Regulatory Commission’s (“Commission”) Notice inviting comments,¹ the New England Power Generators Association, Inc. (“NEPGA”)² files these Comments on the discussion and issues raised during the Commission’s September 8, 2022, New England Winter Gas-Electric Forum (“Forum”). NEPGA draws three fundamental conclusions from the Forum. First, New England may be at risk of involuntary load shed in the winter months because its reliability needs are not fully reflected (and consequently not fully valued) in the wholesale markets. Second, considering how to address any “energy gap” that may exist first requires a more precise definition that is currently lacking. Third, addressing any energy gap lies not in continuing the decade-long practice of out-of-market programs but in refined or new wholesale electricity markets and products and in regional cooperation. NEPGA urges the Commission to stress the need for comprehensive market-based solutions to ISO-NE, the New England Power Pool Participants Committee (“NEPOOL”), as well as other stakeholders and policymakers in New England. It is past time to specifically identify and address winter energy needs in New England once and for all.

¹ Notice of Request for Comments, Docket No. ER22-9-000 (Sept. 21, 2022).

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

NEPGA thanks the Commission for the opportunity to provide the following Comments and asks that the Commission not direct ISO New England Inc. (“ISO-NE”) to take any specific action under its Section 206 authority at this time. Instead, NEPGA asks the Commission to provide guidance and leadership by advising ISO-NE that continuing the more than decade-long series of temporary, out-of-market actions to meet ISO-NE’s winter resource adequacy, energy and ancillary service needs is unacceptable, and that ISO-NE and stakeholders should therefore direct their efforts towards: (1) defining the claimed winter “energy gap” and the resources system operators need to fill that gap; and (2) proposing and considering stakeholder proposals to accomplish that on a resource-neutral basis through the competitive wholesale market. Following this path allows the region to move quickly while incorporating any further analysis in the process. A more precise definition of the “energy gap,” identification of the resources and services needed, wholesale market designs that can meet those needs, and a regional decision on its winter reliability risk tolerance together are the necessary ingredients for the long-term solution that has evaded New England for decades.

I. COMMENTS

A. WHOLESALE MARKETS MUST REMAIN THE FOUNDATION FOR ISO-NE’S WINTER RELIABILITY NEEDS

The failure to resolve the winter energy adequacy issues present in New England for decades serves as an indictment on the region. ISO-NE has repeatedly applied out of market measures to maintain winter system reliability, including the Winter Reliability Program, the Inventoried Energy Program (“IEP”), and by awarding cost-of-service contracts. New England has been busy with these out-of-market band-aids, but this busyness has not productively answered the challenges for the region. Thus, the Commissioners universally concluded at the Forum that the time has come to move past the stop-gap measures and develop a long-term solution. With the

last of these out of market actions, the IEP, expiring at the conclusion of the 2024/25 winter season, and the Mystic and Everett LNG facility cost-of-service contract expiring on May 31, 2024, now is the time to develop and apply wholesale market solutions. The IEP and cost-of-service contract provide a window of time to develop and apply the necessary changes to address the winter “energy gap.” Rather than resort to any further out-of-market actions, which have proven to temporarily relieve but not resolve New England’s winter energy needs, the Commission should use its leadership position and bully pulpit to urge ISO-NE to file wholesale market changes that competitively procure the reliability and energy needs of the region on a resource-neutral basis.

ISO-NE suggests that the solution may lie in an “energy reserve” funded or subsidized in some way outside of the wholesale electricity markets. While NEPGA is reserving judgment on an “energy reserve” construct, NEPGA would likely oppose any such constructs funded or subsidized in some way outside of the wholesale electricity markets. NEPGA agrees with Commissioner Danly that New England’s winter reliability risk is due “in large measure to failures of the market”³ and with Commissioner Clements that “opportunities” exist for meaningful and effective market design changes.⁴ Notably, no party to the Forum opined that an extension of the Mystic cost-of-service agreement is necessary or advisable (though some, including ISO-NE, opined on the continued need for the Everett LNG terminal separate and apart from the Mystic generating units).

Resource-neutral competitive markets should be designed to give all fuels, technologies, and resource types the opportunity to compete to supply New England with the most cost-effective winter reliability support. For over two decades, New England has benefited from addressing its resource and energy adequacy needs through wholesale markets, and NEPGA has several times

³ New England Gas-Electric Forum Transcript (“Transcript”) at 27 (Docket No. AD22-9-000) (Sept. 8, 2022).

⁴ Transcript at 32.

asked the Commission to direct ISO-NE to develop a long-term, market-based proposal to address its winter reliability needs. Even when the Commission has done so, such directives have either been rescinded or rejected.⁵ NEPGA here repeats its call for ISO-NE and the region to develop the long-term market designs necessary, and not revert to “emergency” out-of-market measures that do not allow for competitive solutions. NEPGA urges the Commission to provide strong guidance on this form of solution.

Though ISO-NE has focused on natural gas as a primary constraint on winter energy security in New England, no resource type should be excluded from the opportunity to compete to supply ISO-NE’s winter energy adequacy needs. As Chairman Glick commented, the focus going forward should not be on any one fuel or resource type but on how to leverage “all sorts of tools at our disposal” in a cost-effective manner.⁶ Resource-neutral wholesale markets with well-defined reliability needs and transparent price signals provide this path forward. There was universal agreement at the Forum among panelists and Commissioners that New England’s wholesale markets as designed and implemented leave New England at risk of adverse reliability events during the winter months, specifically during long duration periods of below-average temperatures.⁷ There likewise was widespread agreement that sufficient quantities of dispatchable resources are necessary to operate a reliable system.⁸ Consensus on these points is material in that it reflects a common appreciation for the need for wholesale markets to adequately define and procure the winter reliability needs, provide competitive revenue opportunities to compensate existing resources for their contribution to winter reliability, and send the price signals to drive

⁵ See, e.g., *ISO New England Inc.*, 173 FERC ¶ 61,106 (2020) (rejecting ISO-NE’s Energy Security Improvements proposal).

⁶ Transcript at 25.

⁷ See, e.g., Transcript at 32 (Commissioner Clements commenting on potential wholesale market problems).

⁸ See, e.g., Transcript at 11 (Charles Dickerson, President and CEO of the Northeast Power Coordinating Council, explaining the need for dispatchable generation).

investment decisions and competition to provide those services. The remarkable domestic and international events in just the past two years⁹ emphasize the need for the flexibility of wholesale markets. Wholesale markets are better able to respond to these externalities versus out of market actions that lock the region into particular solutions that in hindsight may prove to be more costly (both in program cost and the damage to investor confidence in the market) and ineffective.¹⁰ Wholesale market solutions are particularly important to both compensate existing resources for the energy and reliability services they provide and to signal investment in these attributes going forward, conditions critical to support capital and maintenance in existing resources and the investments necessary for the development of new competitive resources.

In addition to efficiently meeting winter reliability needs now, market improvements will provide a useful platform for the upcoming transition to greater quantities of intermittent and renewable resources and increased electrification of heating and transportation. New England's reliability needs will grow more complex as states pursue their statutory mandates to decarbonize their economies, largely through electrification. As was explained at the Forum, the planned addition of increasing quantities of intermittent and renewable generation to the New England resource mix brings with it several operational considerations and consequences. To be clear, NEPGA believes this can be done in a reliable manner, but it will require wholesale markets with well-defined products, adequate price signals, and meaningful revenue opportunities to satisfy New England's energy security needs and the increasing quantities of reserves, ramping capability

⁹ A non-exhaustive list of major changes include: a global pandemic driving an extreme economic shutdown and then faster recovery than projected; fast-moving inflation pushing a sharp increase in interest rates making financing more challenging; and the Russian invasion of Ukraine causing international sanctions and constrained fuel deliveries driving a spike in energy commodity prices.

¹⁰ For example, natural gas price volatility is a risk factor. *See, e.g.*, Inventoried Energy Program - Reevaluation of Forward Rate and Program Costs, Analysis Group presentation to the NEPOOL Markets Committee, Nov. 9, 2022, at 8, available at: https://www.iso-ne.com/static-assets/documents/2022/11/a04a_mc_2022_11_8-10_iep_parameter_updates_analysis_group_presentation.pdf (showing volatility of global LNG prices).

and dispatchable generation necessary for the region to reliably add incremental weather-dependent generation and increasingly depend on electricity to meet its heating and transportation needs.¹¹

Charles Dickerson, CEO of the Northeast Power Coordinating Council, explained that to meet that challenge, the region must continue to maintain and operate existing resources that deliver dispatchable balancing energy and reliability services.¹² As he stated, “there’s a significant need to make certain that we have bridging technologies where we retain the technologies that will help us deal with [the resource mix transition].”¹³ He further noted that a reliable system will always require dispatchable and balancing resources, and that a fleet that includes 100% non-dispatchable resources simply is not tenable absent remarkable technology breakthroughs.¹⁴ Pursuing out-of-market actions deprives resources that rely on market revenues from the revenue opportunities necessary to continue delivering on their energy and other reliability services. This in turn risks the retirement of, or less reinvestment in valuable supply resources or the continued operation of the existing fleet through out-of-market reliability must run agreements.

New England and the Commission must learn the lessons of other RTOs/ISOs where a lack of wholesale market revenue opportunities and solutions has led to a proliferation of out-of-market contracts and reliability risks¹⁵ Generators in New England have long met their Tariff obligations

¹¹ See Report of ISO New England Inc. at 16-39 (Docket No. AD21-10-000) (filed Oct. 18, 2022).

¹² Transcript at 9.

¹³ *Id.*

¹⁴ Transcript at 9-14.

¹⁵ See, e.g., California ISO Final Root Cause Analysis, Mid-August 2020 Extreme Heat Wave, *available at*: <http://www.caiso.com/Documents/Final-Root-Cause-Analysis-Mid-August-2020-Extreme-Heat-Wave.pdf>. (finding root causes contributing to two rotating outages to include “resource adequacy and planning processes” and “market practices.”); see also California ISO News Release, Sept. 1, 2022, *available at*: <https://www.caiso.com/Documents/iso-board-takes-action-to-boost-summer-grid.pdf> (explaining that the California ISO Board of Governors approved “extending reliability must-run contract designations with four power plants so they remain available to be called into service during grid emergencies.”).

and responded to wholesale markets designed to foster competition and will continue to do so as long as competition and revenue opportunities exist. With those market opportunities, New England generators have demonstrated strong performance over severe and mild winters, through volatile fuel prices, constrained imports, and unforeseen contingencies. Solutions to the “energy gap” should not simultaneously deprive the existing fleet of competitive opportunities – that would be the equivalent of one worker piling dirt into a hole while the other attempts to shovel it out. This is not only a policy imperative, but indeed required by law.¹⁶ ***Reliability through markets must remain the foundation moving forward.***

B. ISO-NE AND THE REGION MUST DEFINE THE EXTENT AND NATURE OF THE ‘ENERGY GAP’

In order for New England stakeholders to target winter energy needs through market demand for products and services, there must first be a common understanding of both the nature and extent of the “energy gap” and the resource adequacy standard the Forward Capacity Market is designed to meet. NEPGA agrees with the Forum comments from several New England state officials, FERC Commissioners, and others who ask ISO-NE to better define the extent and nature of the energy or reliability gap in New England during extreme winter weather, both in the immediate future and in the long-term. Before ISO-NE and the region pursue actions to achieve greater winter reliability through competitive markets, this requires understanding what the existing market (with its deficiencies) obtains and what incrementally is needed. ISO-NE and the region must come to a common understanding of this “energy gap” through transparent explanation of how it is determined. To date the “energy gap” lacks precise definition, and although ISO-NE and stakeholders have taken steps to better define the “energy gap” it is not yet

¹⁶ 16 U.S.C. § 824d (2022).

apparent that the analyses completed to date and those on-going will provide the information necessary to fully inform how to address it. Likewise, stakeholders must recognize that the Forward Capacity Market is designed at present to meet a 1 in 10 loss of load probability resource adequacy standard and thus may not provide the level of insurance against winter load shed the region demands. As Maine Public Utilities Commission Chairman Bartlett explained, the region must first understand the problem and then decide how much insurance it is willing to purchase to satisfy its risk tolerance.¹⁷ ISO-NE, regional stakeholders, and the New England States can productively seek agreement on the path forward only with common agreement on these starting points. To be sure, for years ISO-NE has warned that New England is at risk of loss of load during the winter months, especially during extended periods of below-average temperatures. But to date ISO-NE has not adequately defined the scope of the “energy gap,” *i.e.*, the when, where, and why, as phrased by Commissioner Clements.¹⁸

ISO-NE offers that two studies will serve to provide the information necessary to quantify the “energy gap,” its 2018 Operational Fuel Security Analysis (“OFSA”) and its on-going efforts to better understand the operational impacts of extreme weather events.¹⁹ The OFSA evaluated “fuel-security risk” under various modelled scenarios based on energy demand in Winter 2014/2015 adjusted to reflect forecast higher net peak energy demand in 2024/25.²⁰ ISO-NE chose Winter 2014/15 demand because it had the most sustained cold as measured in heating degree days

¹⁷ Transcript at 203-4.

¹⁸ Commissioner Clements’ Statement on Next Steps After the New England Gas Electric Forum, Sept. 22, 2022, available at: <https://ferc.gov/news-events/news/commissioner-clements-statement-next-steps-after-new-england-winter-gas-electric>.

¹⁹ Note 11 *supra*, at 27, citing ISO New England Inc., Operational Impact of Extreme Weather Events: Energy Security Study Performed in Collaboration with EPRI, Presentation to the NEPOOL Reliability Committee (July 19, 2022), available at: https://www.iso-ne.com/static-assets/documents/2022/07/a06_operational_impact_of_extreme_weather_events.pptx.

²⁰ ISO New England Inc. Operational Fuel-Security Analysis, Jan. 17, 2018, at 21, available at: https://www.iso-ne.com/static-assets/documents/2018/01/20180117_operational_fuel-security_analysis.pdf.

over the past ten years, with much lower than temperatures and demand reflecting in the Forward Capacity Market 1-in-10 probability reliability.²¹ The OFSA thus evaluated energy adequacy under stressed conditions beyond those modelled in the Forward Capacity Market. This disconnect between the Forward Capacity Market resource adequacy standard and that studied in the OFSA must be reconciled. The resource adequacy standard is critical to winter energy adequacy in that adequate capacity to deliver energy is a predicate to the adequate delivery of that energy.²² As its name suggests, the OFSA focuses on oil and natural gas deliverability, providing a “perspective on the cumulative use of oil and LNG inventories over a full 90 days and the need to replenish these inventories as cold weather persists.”²³ Though the OFSA provides information about specific energy adequacy scenarios in the winter months, it is not clear yet how it informs decision-making on solutions going forward.

Similarly, ISO-NE opines that its on-going effort to better understand the operational impacts of extreme weather “will inform the discussion on the magnitude of the risks, and potentially, how best to solve for these risks.”²⁴ As with the OFSA, it is not apparent at present how extreme weather modeling improvements will contribute to a more precise definition of the “energy gap” and in turn inform solutions. Regardless, the extreme weather modeling is not needed to begin the diagnosis of the market design and implementation deficiencies causing any “energy gap.” As discussed further below, there are market modifications ISO-NE and the region can pursue with or without further analysis. To the extent its necessary to move forward, the extreme weather modeling may inform the states determination of what reliability cost versus

²¹ *Id.*

²² See *Order Denying Rehearing, Granting Clarification, and Accepting Compliance Filings*, at P 16, Docket Nos. ER08-1209-001, ER08-1209-002, and ER08-1209-004 (Feb. 3, 2010) (“[R]esource adequacy (i.e., the ability of the system to meet its customers' energy needs at all times.”).

²³ Note 20, *supra*.

²⁴ ISO New England Inc., Draft Problem Statement and Call to Action on LNG and Energy Adequacy at 3 (Docket No. AD22-9-000) (Sept. 2, 2022).

winter load shed risk is acceptable but it is unclear at present how it otherwise may contribute to the development of other market solutions. ISO-NE has established in its 2023 Work Plan (beginning in the fourth quarter of 2022) the “Energy Adequacy Anchor Project” to consider these and other issues concerning winter energy adequacy.²⁵ However, as currently structured, the Energy Adequacy Anchor Project is scheduled to continue looking to define the “energy gap” through the first quarter of 2023.²⁶ While NEPGA looks forward to actively participating in that discussion (and believes it necessary, as discussed above) and asks that the Commission take notice of this NEPOOL stakeholder process, NEPGA believes there is no reason to delay definition of the nature of problem and begin evaluation of the market design and implementation deficiencies causing that shortfall more immediately.

NEPGA thus does not at present call for any further studies or analyses of the “energy gap.” NEPGA’s call for definition and an immediate effort to diagnose and fix market design and implementation deficiencies is intended to get the region on track as quickly as possible. NEPGA supports the current efforts on Resource Capacity Accreditation and on a day-ahead reserve or call-option market, but it is not clear that those efforts alone will deliver the full extent of winter reliability needs. The region needs to know what further changes are needed to “get off this spin cycle of crisis.”²⁷ ISO-NE may very well have the information necessary to precisely define it, but as many opined at the Forum it has not yet been conveyed in transparent terms that the region can use as a platform for considering market solutions.

²⁵ ISO New England Inc. Draft 2023 Work Plan at 8-9, *available at*: https://www.iso-ne.com/static-assets/documents/2022/09/2023_awp_draft_for_10_06_22_pc.pdf.

²⁶ *Id.*

²⁷ Transcript at 31 (Commissioner Clements comment).

Though the region appears to have some time to develop any necessary market changes, time will run short if the region and ISO-NE are bogged down by further delay awaiting time-consuming studies. Thus, ISO-NE should explain to the Commission and New England stakeholders the “what, where, and when” necessary to begin discussions on solutions. If these efforts do not provide the necessary information, ISO-NE should then engage with NEPOOL stakeholders to expeditiously define the “energy gap” and move onto competitive market solution discussions. This can and should be done expeditiously.

C. SEVERAL MARKET DESIGN CHANGES CAN CONTRIBUTE TO ADDRESSING ISO-NE’S WINTER RELIABILITY NEEDS

ISO-NE is in the process of vetting with NEPOOL stakeholders two major wholesale market design changes that will contribute to addressing ISO-NE’s winter energy needs, Resource Capacity Accreditation changes in the Forward Capacity Market and a day-ahead reserve or call-option product co-optimized with energy in the Day-Ahead Energy Market. The former will account for each resource’s winter (and summer) energy limitations, and the latter will compensate resources for providing the reserve capabilities ISO-NE relies on to develop a reliable day-ahead operating plan and to respond to contingencies and other near-term energy demands (in all seasons). ISO-NE should continue to expeditiously develop, vet with NEPOOL stakeholders, and file with the Commission these changes (ISO-NE plans to file both sets of market changes in the fourth quarter of 2023). These design changes, however, are unlikely to fully deliver the winter energy adequacy needs. At a minimum, the resource adequacy standard in the Forward Capacity Market (“FCM”) must also be revisited in two respects. First, to fully reflect the region’s true risk tolerance for unserved load during the winter and, second, to remedy several methodological deficiencies, including practices that overvalue tie benefit contributions to resource adequacy and

cause the Net Installed Capacity Requirement (“NICR”) value to understate the true resource adequacy need. Without these changes to the resource adequacy standard, the Forward Capacity Market will continue to undervalue New England’s winter resource adequacy needs.

The Forward Capacity Market is designed to meet the familiar (but possibly insufficient for annual reliability needs) 1 in 10-year standard (*i.e.*, an expectation of loss of load once every ten years) based on the forecast summer peak load in the relevant Capacity Commitment Period. The demand curve expresses the value of each quantity of capacity as a function of unserved energy (involuntary load shed). Yet, the reliability risks at issue at the Forum seem to stem from the potential for relatively long periods of below average temperatures such as those in New England during the winter of 2017/18, when New England experienced 13 days of below average temperatures and was “only days away from running out of useable fuel in the region,”²⁸ what ISO-NE has described as a 1 in 100 year winter weather event.²⁹ Thus, though the FCM signals the need for a certain quantity of capacity to meet the 1 in 10 standard, deficiencies in capacity accreditation, the NICR value methodology, and the demand curve may not deliver on winter month resource adequacy consistent with the region’s tolerance (or lack thereof) for involuntary load shedding. ISO-NE, the New England States, and NEPOOL stakeholders must address these incongruities.

For example, the demand curve design is based on a presumed willingness to accept higher load shed event risk, whether winter or summer, as Forward Capacity Auction prices increase. The extent of unserved energy risk reflected at various points on the demand curve may exceed

²⁸ Transcript at 19 (Comments on Stephen George, Director, Operational Performance, Training and Integration, ISO New England Inc.).

²⁹ ISO New England Inc., Post Winter 2017/2018 Review at 44, Presented to the ISO New England Inc. Planning Advisory Committee Meeting, Apr. 27, 2018, *available at*: https://www.iso-ne.com/static-assets/documents/2018/04/a3_2017_2018_isone_post_winter_review.pdf.

the true load shed risk tolerance of the region's consumers. Either the region is willing to accept an increased risk of load shedding during the winter in order to buy less capacity or the demand curve must reflect a minimum demand consistent with the region's actual risk tolerance for load shed, especially during colder periods. It is not a market failure for the FCM to not deliver protection against a 1-in-100 event when its demand is based upon a 1-in-10 event insurance, but instead a disconnect between the modeling assumptions underlying the market parameters and the true risk tolerance. ISO-NE should engage the New England States and other stakeholders in an initiative to define and reflect in the Forward Capacity Market the region's true risk tolerance for resource adequacy during the winter months.

ISO-NE must also correct for several methodological flaws in the calculation of the NICR value that cloud or ignore material factors that bear on the quantity of capacity necessary to meet even the 1 in 10 resource adequacy standard. The FCM calibrates the price and quantity for capacity based on three factors: the marginal reliability impact of different quantities of capacity, the NICR value, and the Net Cost of New Entry ("Net CONE") value. The demand curve is positioned such that it passes through the point where the Net CONE value and NICR values intersect, and each point on the curve reflects the incremental reliability benefit of each quantity of capacity. The NICR value is intended to equal the quantity of capacity necessary for the system to meet a 1 in 10 years loss of load probability standard (when the market clears the NICR quantity of capacity). To the extent the calculation of the NICR value is undermined such that it does not equal the quantity of capacity necessary to meet that 1in 10 standard in any Forward Capacity Auction, the Forward Capacity Market will fail to meet that standard. At present, the NICR calculation fails to account for several factors that, if properly accounted for, would allow the FCM

to more accurately target the quantity of capacity necessary to meet the resource adequacy standard, including the failure to account for material operational and transmission constraints.³⁰

The NICR calculation also suffers from the optimistic assumption that tie benefits will deliver, for example in Forward Capacity Auction 16, approximately 1,830 MW of firm energy to New England in all hours when needed to meet ISO-NE's energy needs.³¹ ISO-NE reduces the Installed Capacity Requirement by an assumed quantity of energy delivered over tie lines into New England.³² As reductions to NICR, these tie line assumptions are absolute, in that they reduce the resource adequacy requirement in all hours of the year. The energy underlying this assumption, however, is anything but absolute. In fact, unlike Capacity Supply Obligation holders, the resources backing the energy assumed over the ties are undefined (*i.e.*, the ties represent system power uncommitted to New England and available only to the extent not needed to meet domestic system needs), have no Day-Ahead Energy Market offer obligation, and come from neighboring control areas that have coincident cold weather with New England (*e.g.*, New York and Quebec) and, in the case of the tie lines from Quebec, a winter-peaking system. Reducing the resource adequacy requirement in this way trades Capacity Supply Obligations for the hope of perfectly timed energy leftovers from neighboring systems that likely are experiencing coincident extreme winter conditions and the same increases in demand for energy as New England. As was noted at

³⁰ ISO New England Inc, Estimated Hours of System Operating Reserve Deficiency for 2026-2027 Capacity Commitment Period at 5, Presentation to the NEPOOL Power Supply Planning Subcommittee, Oct. 14, 2022, available at: https://www.iso-ne.com/static-assets/documents/2022/10/a03_reserve_deficiency_hours_ccp_2026_2027.pptx; see also *id.* at 6 (explaining that the assumptions, or lack thereof, underlying the operating deficiency analysis are used as well in calculating the Net Installed Capacity Requirement, and noting other conditions not accounted for in those calculations).

³¹ See, *e.g.*, ISO New England Inc., Tie Benefits Study Results for Capacity Commitment Period 2025-2026 Sixteenth Forward Capacity Auction (FCA 16), NEPOOL Reliability Committee Meeting, Sept. 1, 2021, available at: https://www.iso-ne.com/static-assets/documents/2021/08/fca_16_tie_benefits_9_1_rc.pptx.

³² See, *e.g.*, ISO New England Inc., Informational Filing for Qualification in the Forward Capacity Market at 9-10, Docket No. ER22-391-000 (filed Nov. 9, 2021)

the Forum, however, “hope is not a strategy.”³³ This, together with the failure to account for the operational and requirements constraints noted above, causes the NICR value and demand curve to fail to reflect the amount of capacity necessary to meet the 1 in 10 loss of load or unserved energy protection the region demands.³⁴

Following these necessary changes to the resource adequacy requirement and NICR value, any incremental winter reliability need resource characteristics should first be reflected in the day-ahead reserve/call-option design that, as noted above, is under development. In its recent Report to the Commission, ISO-NE explains that it will first design the day-ahead reserve market to procure Flexible Response Services and Energy Imbalance Reserves.³⁵ If accepted by the Commission, ISO-NE then plans to make further improvements to the day-ahead reserve market design, including the procurement of longer lead-time Replacement Energy Reserve, modifications to the definitions of the reserve zones, and improvements to intertemporal optimization and pricing.³⁶ Together, the procurement of these services and improvements to the design should prove to provide ISO-NE with a more reliable day-ahead operating plan and improved real-time operations in all months of the year, including during stressed winter system conditions.

³³ Transcript at 94.

³⁴ Notwithstanding the unserved energy levels delivered by running the Net Installed Capacity Requirement model under current shortfalls to deliver a 1 day-in-10-year Loss of Load Probability at the Net Installed Capacity Requirement, it is possible that the region is not even getting 1-day-in-10-year Loss of Load Probability standard when the Forward Capacity Auction clears at the Net Installed Capacity Requirement quantity.

³⁵ ISO-NE Report, note 11 *supra*, at 54.

³⁶ *Id.* at 54-58.

II. CONCLUSION

The ISO-NE wholesale markets do not presently fully value New England's winter energy adequacy needs. Though ISO-NE and stakeholders are currently engaged in the development and vetting of improvements to the Forward Capacity Market and Day-Ahead Energy Market, those changes are not designed to entirely address the "energy gap." Any further incremental winter reliability needs not met through these market changes should be met through further improvements to the wholesale markets. This should be done now by moving forward with improvements to resource adequacy and the modelling underlying the Forward Capacity Market, defining the "energy gap," and defining and procuring through wholesale markets the services needed to meet the region's risk tolerance for winter reliability events relative to cost. NEPGA Members stand ready to work productively and expeditiously with ISO-NE, the New England States, and other stakeholders to realize these goals.

Respectfully Submitted,

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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 Cambridge, Massachusetts, November 7, 2022.

/s/ Bruce Anderson

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