

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

ISO-New England Inc.

**New England Power Pool
Participants Committee**

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Docket No. ER13-1851-001

**COMMENTS 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”), 18 C.F.R. §§ 385.211 and in accordance with the Commission’s Combined Notice of Filings #1, dated August 9, 2013, the New England Power Generators Association, Inc. (“NEPGA”)¹ hereby files these Comments in response to the ISO New England, Inc.’s (“ISO-NE”) amendment to its proposal to address reliability concerns for next winter through a procurement of oil inventory and demand response capability, as filed on August 5, 2013, (“Proposal Amendment”) in the above-captioned proceeding. NEPGA filed a Motion to Intervene and Comments in the underlying proceeding, Docket No. ER13-1851-000, on July 19, 2013 and incorporates its Motion to Intervene and Comments by reference herein.

NEPGA appreciates that proposals made by generators over the last several months through the NEPOOL stakeholder process to improve the Winter Proposal auction process have been incorporated in the Proposal Amendment. As ISO-NE explains in its Proposal Amendment, it is now putting forth several changes based on discussions with stakeholders, including most importantly oil-fired generators.² These changes are necessary due to the receipt of insufficient offers under its original proposal. As ISO-NE explains, all of these changes are to reduce the risk

¹ The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.

² Transmittal Letter at 2.

of penalties placed on oil-fired generators under the program. These amendments reflect the changes oil-fired generators informed ISO-NE it must make to the Winter Proposal in order to produce a more robust amount of offers into the Winter Program, but which were originally rejected by ISO-NE.³ The changes highlight the fact that performance can be optimized by balancing risks and rewards; the limited offers originally received by ISO-NE underscore that such a balance was missing from ISO-NE's original proposal. Time will tell whether the Proposal Amendment goes far enough to achieve the needed balance.

ISO-NE believes its Proposal Amendment will provide it with the capacity it deems necessary for reliability in the Winter 2013/2014 season and NEPGA generally supports ISO-NE's amendments in the interest of maintaining a reliable power system.⁴ However, given the issues associated with this docket for the Winter 2013/2014 season, NEPGA again emphasizes its original comments concerning the urgent need to accelerate the ISO-proposed timeline to begin the stakeholder process this year for market changes to support reliability for the Winter 2014/2015 season. The region should not find itself in this rushed and disjointed process again.

NEPGA is very concerned with the inadequate appreciation of generator commercial views in the lead up to the ISO's original Winter Proposal; a process that unfortunately has been repeated too much of late. The failure to more fully consider generator-proposed improvements or thoughtful alternatives to ISO-NE initiatives has led to a series of matters brought before the Commission, many of which concern alleged inadequate operational responses by generators.⁵

³ *Id.*

⁴ NEPGA maintains its concerns on ISO-NE's original proposal including the pay-as-bid structure, real-time price improvements and the need to initiate stakeholder discussion on Winter 2014/2015 this year.

⁵ *Complaint and Request for Expedited Consideration of the New England Power Generators Association*, No. EL13-66-000 (NEPGA Complaint regarding ISO-NE interpretation of generator obligations under its tariff); *Dominion Energy Marketing, Inc.*, 143 FERC ¶ 61,233 (Order granting Dominion's fuel recovery request and ordering ISO-NE to submit tariff revisions to allow for Section 205 cost recovery for certain reliability dispatches); *ISO New England Inc.*, 141 FERC ¶ 61,196 (2012) (finding that ISO-NE proposed Non-Disclosure Agreement to deny third-party status to affected generator not shown to be just and reasonable); *ISO New England Inc.*, 143 FERC

This dynamic has fostered a contentious atmosphere in stakeholder considerations and points to a troubling trend that we fear could manifest itself in further market design disappointments.

As evidenced by the need for ISO-NE's filing of the Proposal Amendment, the lack of sufficient consideration of generator commercial perspectives is harmful to the creation of the best solutions to the ISO's reliability and market efficiency obligations. Had ISO-NE originally adopted many of the amendments it now presents to the Commission for approval, it may have avoided its request for expedited consideration, the voiding of a first round of Winter Proposal offers and the need to reopen the offer process.

Specifically, a number of generators informed ISO-NE of changes needed to more efficiently manage risks involved in participating in the Winter Proposal, including the size of penalties, regulatory uncertainty and lack of offer flexibility. Several oil-fired generators provided ISO-NE with reasonable revisions to the Winter Proposal that, based on sound commercial principles and experience, would yield a more commercially-reasonable balance between the risks and opportunity under the proposed transactions. The relatively low level of responses to the initial procurement ultimately validates such concerns. While the input of all stakeholders is needed, the importance of commercial input from generators, as the transactional counterparty to most of the wholesale transactions in the New England market, cannot be overstated.

As NEPGA articulated in previously submitted comments, that ISO-NE felt compelled to propose a short-term fix limited to a discrete set of resources is symptomatic of the lack of proper market signals to procure the reliability services ISO-NE believes it requires. The New England electricity markets must allow for proper price formation and send the appropriate price

¶ 61,065 (finding that NEPOOL-supported changes to the timing of the Day Ahead Energy Market and Resource Adequacy Assessment preferable to ISO-NE's proposed timing changes).

signals to incent investment in the resources necessary to maintain system reliability.⁶ NEPGA's hope is that this experience will help facilitate ISO-NE and NEPOOL stakeholders to remedy the root causes of this damaged process expeditiously in order to avoid future administrative "fixes" that interfere with market transparency and efficiency.

A successful and sustainable market design must recognize generator risks and benefits, and permit wholesale market sellers to efficiently manage commercial risks and obligations under future proposed energy, capacity, and ancillary market changes. NEPGA is concerned that a pattern is emerging of a focus on outcome-oriented market design overriding commercial realities impacting generator sales of service. As numerous fundamental New England electricity market structure questions will be addressed in the coming months, it is imperative that a better balance of market design considerations is restored to provide a reasonable commercial environment for companies to make sound investment decisions that lead to competitive prices, efficient outcomes and reliable service for consumers.

Respectfully Submitted,



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⁶ See *California Independent System Operator Corp.*, 142 FERC ¶ 61,248, at P 64 (2013) ("The Commission has previously affirmed the need to employ market-based tools to provide transparent and effective locational price signals to ensure reliability.")

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 19, 2013.

/s/ Bruce Anderson

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