NEPGA
NEW ENGLAND POWER GENERATORS ASSOCIATION, INC.
141 Tremont St., Boston, MA 02111
(t) 617-902-2354 (f) 617-902-2349
www.nepga.org

March 8, 2013

VIA HAND DELIVERY AND E-FILE
Mark D. Marini, Secretary
Department of Public Utilities
One South Station
Boston, MA 02110

Re: Investigation by the Department of Public Utilities into the need, if any, for additional capacity in NEMA/Boston within the next ten years, DPU 12-77

Dear Secretary Marini:

The New England Power Generators Association, Inc. ("NEPGA") offers these comments to provide context for the results of the ISO New England ("ISO-NE") Forward Capacity Auction 7 ("FCA 7") and their impact on this proceeding before the Department of Public Utilities ("Department"). As discussed below, the FCA 7 results demonstrate that FCA 7 cleared capacity in excess of the NEMA/Boston capacity need and, therefore, there is no need for additional generating capacity in the NEMA/Boston zone under Section 40 of *An Act Relative to Competitively Priced Electricity in the Commonwealth*[1] (the "Act").

According to ISO-NE's FCA 7 results filing with the Federal Energy Regulatory Commission ("FERC"), 3,754 MW of new and existing capacity in NEMA/Boston cleared in FCA 7 relative to the FCA 7 Capacity Commitment Period ("CCP") Local Sourcing Requirement ("LSR") of 3,209 MW.[2] A total of 721 MW of New Capacity Generating Resources cleared in FCA 7, including Footprint Power's 674 MW of capacity and 47 MW of new demand response resources. The FCA 7 results clearly show, therefore, that sufficient capacity exists in NEMA/Boston to meet the NEMA/Boston LSR during the FCA 7 CCP, with 545MW to spare.

The clearing of new resources in NEMA/Boston does not show a capacity deficiency, but rather that the Forward Capacity Market ("FCM") attracted resources to fill a need, which resources will be paid their offer price, escalated for inflation, for at least five years. Footprint

[1] St. 2012, c. 209, § 40.
[2] Testimony of Stephen J. Rourke, ISO-NE Forward Capacity Auction Results Filing, Docket No. ER13-392-000, at 8 ("Rourke Testimony").

Power offered its full capacity into FCA 7 under the condition that it would withdraw its capacity from the auction should the clearing price drop below $14.999/kw-month.[3] Stated otherwise, Footprint agreed to assume a Capacity Supply Obligation ("CSO") as long as the price paid to it in the auction was at least $14.999/kw-month.[4] When FCA 7 settled at $14.999/kw-month for new capacity resources in NEMA/Boston, Footprint assumed a CSO at its asking price. Notably, Footprint could not have received a higher capacity price, as the $14.999/kw-month clearing price is just below the FCA 7 starting price of $15/kw-month. Footprint elected to assume the CSO at its requested price not only for the FCA 7 CCP (*i.e.*, 2016-2017), but for the subsequent four FCA CCPs as well (*i.e.*, through May, 2021). Pursuant to the FCM Rules, a Project Sponsor must specify whether, if its new capacity clears, the associated CSO and capacity clearing price shall continue to apply for subsequent CCPs.[5] Footprint elected to accept a CSO at its asking price for the subsequent four CCPs, and therefore made a promise to accept a five year CSO in exchange for a guarantee that it would receive $14.999/kw-month (escalated for inflation) for the five CCPs running through 2020-2021. Footprint's offer, therefore, was not an idle promise, but an offer of an amount of capacity that Footprint is willing to "commit to provide from the resource during the [CCPs] at that round's prices."[6]

The ISO is relying on Footprint's commitment to provide capacity to NEMA/Boston through at least 2021 in its reliability planning, as the ISO does with respect to all FCA results. Indeed, if a new capacity resource clears in the FCA, the capacity associated with the resulting CSO "may not be subject to any type of de-list or export bid in subsequent FCAs for CCPs for which the Project Sponsor elected to have the CSO and Capacity Clearing Price continue to apply pursuant to Section III.13.1.1.2.2.4"[7] Footprint offered into the FCA, required National Grid and ISO-NE to conduct interconnection analyses, sought a waiver from the FERC to qualify its full 674 MW of offered capacity,[8] and represented to FERC that qualifying the full 674 MW of capacity for FCA 7 would allow it to be commercially viable.[9] To then choose not to satisfy its CSO even though it received the maximum capacity payment possible would be disingenuous at best, and dishonest at worst.

The FCA 7 results show that the FCA sent an appropriate price signal to new resources, and Footprint responded by committing to provide 674 MW of new capacity over a five year commitment period in exchange for the maximum capacity payments allowed for under the FCM Rules. Other resource developers have taken notice of the strong price signals FCA 7 sent with respect to the NEMA/Boston load zone. Indeed, Exelon recently notified the Department that it has begun to develop up to 400 MW of new NEMA/Boston resources to offer into FCA 8 based

---

[3] Rourke Testimony at 8.
[4] *See* ISO-NE Transmission, Markets and Services Tariff, Section III ("Market Rule 1"), § III.13.2.3.2 (a Project Sponsor for a New Generating Capacity Resource accepted for participation in the FCA may submit an offer indicating the quantity of capacity that the Project Sponsor "would commit to provide from the resource during the [CCP] at that round's prices.").
[5] Market Rule 1, § III.13.1.1.2.2.4,
[6] *Id.* at § III.13.2.3.2(a)(i).
[7] *Id*. at § III.13.1.1.2.2.4,
[8] *See Request for Waiver of Footprint Power, LLC*, FERC Docket No. ER13-468 (November 28, 2012).
[9] *See, e.g., id.*, at 3 ("The failure to qualify the entire 674 MW output of the project in FCA 7 makes it uneconomic to develop the Facility."), *see also id.* at 8 ("In order to secure necessary financing and to be a commercially viable project, it is critical that the Facility qualify its full capacity to participate in the capacity market.").

on its belief that new resources can be economic within the FCM as competitive market resources.[10] In any event, the MWs of NEMA/Boston resources that cleared in FCA 7 far exceed the NEMA/Boston LSR for the FCA 7 CCP, demonstrating that there is no need for additional generation in NEMA/Boston under Section 40 of the Act.

Respectfully submitted,

/s/ Dan Dolan ____________________________

Dan Dolan, President
Bruce Anderson, Director of Market and Regulatory Affairs
New England Power Generators Association, Inc.
141 Tremont Street, Floor 5
Boston, MA 02111
Tel: 617- 516-5355
Fax: 617-902-2349
Email: ddolan@nepga.org

cc: James A. Buckley, Hearing Officer
Thomas E. Bessette, Esq.
John J. Keene, Esq.
Rose Ann Pelletier, Analyst
D.P.U. 12-77 Service List

[10] *See* Exelon Comments, DPU 12-77, at 2 (March 6, 2013).