

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Nora Mead Brownell, and Suedeen G. Kelly.

ISO New England, Inc.

Docket Nos. ER06-656-000
ER06-656-001

ORDER ACCEPTING PROPOSED INSTALLED CAPACITY REQUIREMENTS
FOR THE 2006/2007 POWER YEAR

(Issued May 5, 2006)

1. In this order, we accept ISO New England, Inc.'s (ISO-NE) Installed Capacity Requirements (IC Requirements) filed for the 2006/2007 Power Year¹ to become effective on April 22, 2006, as requested.

I. Background

2. Consistent with ISO-NE's Markets and Services Tariff² and section 11.4 of the New England Participants Agreement,³ ISO-NE must file with the Commission, under section 205 of the Federal Power Act (FPA), the IC Requirements for each Power Year. The IC Requirement is a projection of the minimum amount of capacity required to serve

¹ The 2006/2007 Power Year runs from June 1, 2006 to May 31, 2007.

² Under section III.8.1 of Market Rule 1, Annual Installed Capacity Requirement, the ISO calculates the IC Requirements each Power Year and, after consultation with stakeholders (as required by the Participants Agreement), ISO-NE must file the IC Requirements with the Commission pursuant to section 205 of the FPA, 16 U.S.C. § 824d (2000).

³ The Participants Agreement is among ISO-NE, the New England Power Pool (NEPOOL), and the Participants. Under section 11.4, Installed Capacity Requirements, the ISO is required to present the IC Requirements to the Participants Committee and the Participants Committee must take an advisory vote on the proposed IC Requirements for any Power Year.

load reliably in the New England region. It is used to determine the monthly Unforced Capacity (UCAP) requirements (with various adjustments) that each Market Participant must purchase. ISO-NE calculates the IC Requirements to meet system design criteria with a Loss of Load Expectation (LOLE) of one day in ten years. To meet their UCAP obligations, Market Participants must self-supply, purchase UCAP through bilateral transactions, or obtain capacity credits from tie-line benefits, or they must make up any deficiencies in the ISO-NE-administered installed capacity market.

3. For the 2005/2006 Power Year, the Commission found that ISO-NE did not exercise independent judgment when it filed a tie benefits value of 1800 MW. ISO-NE's analysis had determined tie benefits of 2000 MW, but ISO-NE had agreed to lower the 2000 MW to 1800 MW during the consensus process.⁴ Thus, the Commission directed ISO-NE to include 2000 MW of tie benefits in the determination of the IC Requirements for the 2005/2006 Power Year.⁵ On rehearing, the Commission clarified that the 2000 MW of tie benefits were determined from a Tie Benefits Study initially done for the 2002/2003 Power Year (the 2003 Study) and subsequently amended twice.⁶ The Commission also explained that ISO-NE had adopted a standard methodology to determine the tie line benefits.⁷ The original order directed ISO-NE to undertake a comprehensive review of the IC Requirements methodology in the near future and recommend any necessary changes on a prospective basis, rather than change the methodology in an IC Requirements filing.⁸

II. The IC Requirements Filing

4. ISO-NE states that the IC Requirements for the 2006/2007 Power Year were developed using essentially the same methodology that has been used for more than twenty (20) years. ISO-NE states that there are three essential component inputs to the methodology: unit availability, the load forecast, and tie benefits. ISO-NE explains that the unit availability reflects the projected scheduled maintenance and forced outages as measured by EFORD⁹ based on each generating unit's historical five-year performance.

⁴ *ISO New England, Inc.*, 111 FERC ¶ 61,185 at PP 4, 14 and 30 (2005), *reh'g denied*, 112 FERC ¶ 61,254 (2005).

⁵ *Id.* at P 30.

⁶ *ISO New England, Inc.*, 112 FERC ¶ 61,254 at P 12 (2005).

⁷ *Id.* at P 13.

⁸ *ISO New England, Inc.*, 111 FERC ¶ 61,185 at P 31.

⁹ Equivalent Forced Outage Rate Demand (EFORD).

ISO-NE also states that the increase in load forecasted for the 2006/2007 Power Year followed the trend it has experienced in recent years. ISO-NE advises that agreement was reached among various technical committees over all the assumptions, inputs and projections used for calculating the 2006/2007 Power Year IC Requirements except for the MW level of tie benefits to be assumed for the calculation.¹⁰ ISO-NE explains that it assumed 2000 MW of tie benefits were appropriate to use in the 2006/2007 Power Year.

5. ISO-NE advises that its analysis determined that, consistent with the 2005/2006 Power Year, tie benefits of 2000 MW, which assumes 1200 MW on the Hydro-Quebec tie, 600 MW from the New York tie, and 200 MW from the New Brunswick tie, continue to be appropriate for the 2006/2007 Power Year. ISO-NE notes that the Hydro Quebec Interconnection Capacity Credits (HQ Interconnection Capacity Credits),¹¹ and tie-line benefits in general, were based on load and resource assumptions that were reviewed by ISO-NE and the NEPOOL Power Supply Planning Committee, a subcommittee of the Reliability Committee. ISO-NE states that during the discussion of the IC Requirements for the 2006/2007 Power Year, some Participant Committee members proposed amendments to its recommended 2000 MW of tie benefits. Specifically, Consolidated Edison Company of New York proposed to reflect 1400 MW of tie benefits and the Long Island Power Authority proposed that the Cross Sound Cable be allocated 200 MW of tie benefits. ISO-NE advises that none of these proposals obtained the 60 percent of the votes required for Participant Committee support for the amount of tie-line benefits.

¹⁰ ISO-NE describes its tie benefits as an assumption regarding the capacity in any given month of each of New England's interconnected control areas that can reasonably be considered available to provide emergency assistance to New England over the applicable interconnection or tie between their systems. For resource planning purposes, the reliability benefits of a tie represent a measure of the improvement in the bulk power system reliability of a Control Area as a result of an interconnection with another Control Area. This improvement in reliability is typically expressed in terms of a MW equivalent of firm generating capacity (*i.e.*, generation with no forced or scheduled maintenance outages) that the tie provides, given a particular LOLE Target. The improvement in system reliability is a function of many variables, including the reliability of the neighboring areas, the physical transfer capability of the interconnection, and the interrelationship among each of those areas and New England in terms of diversity and generation mix. *See* ISO-NE February 21, 2006 IC Requirements filing at p. 8.

¹¹ ISO-NE annually files the HQ Interconnection Capacity Credits separately with the Commission. The Commission approved 1200 MW of Capacity Credits for Hydro Quebec in the 2006/2007 Power Year in *ISO New England, Inc.*, 114 FERC ¶ 61,055 (2006).

6. ISO-NE requests that the Commission issue an order accepting the IC Requirements for the 2006/2007 Power Year on or before April 22, 2006. In support of early action, ISO-NE explains that the IC Requirements filed in this proceeding will affect UCAP responsibilities beginning June 1, 2006, and the ISO-NE-administered UCAP supply auction for the month of June 2006 occurs in May 2006. ISO-NE further explains that an April 22, 2006 effective date will provide Market Participants with greater certainty regarding their UCAP requirements and would allow them adequate time to plan and prepare for meeting their UCAP responsibilities.

III. Notice of Filings and Responsive Pleadings

7. Notice of the filing in Docket No. ER06-656-000 was published in the *Federal Register*, 71 Fed. Reg. 12350 (2006), with protests or interventions due on or before March 14, 2006. The following parties filed timely motions to intervene: Exelon Corporation; Fitchburg Gas and Electric Light Company and Unitil Energy Systems, Inc.; Massachusetts Department of Telecommunications and Energy; and Northeast Utilities Service Company on behalf of Northeast Utilities Companies. The New England Power Pool (NEPOOL) Participants Committee and the NSTAR Electric & Gas Corporation (NSTAR) filed timely interventions with comments in support of the ISO-NE filing. On March 14, 2006, Consolidated Edison Energy, Inc. (CEE) filed a timely motion to intervene and protest.

8. On March 29, 2006, ISO-NE filed a motion for leave to answer and an answer to CEE's protest. On April 5, 2006, Commission staff noted in a deficiency letter that a protestor raised concerns over the proposed level of tie benefits and requested ISO-NE to provide additional information. On April 10, 2006, ISO-NE filed its response to the deficiency letter. Notice of ISO-NE's response was published in the *Federal Register*, 71 Fed. Reg. 20081 (2006), with protests or interventions due on or before April 17, 2006.

9. On April 17, 2006, CEE filed a timely renewal of and supplement to its original motion to intervene and protest. On April 18, 2006, ISO-NE filed a motion for leave to answer and an answer. On April 21, 2006, NSTAR submitted a motion for leave to answer and an answer to CEE's April 17, 2006 filing.

IV. Comments in Support

10. In its filing in support of the ISO-NE submission, NSTAR notes that during the stakeholder process, both ISO-NE's proposed 2000 MW and an alternative of 1400 MW of assumed tie benefits were put up for vote. While neither proposal garnered the necessary 60 percent vote required for approval, the 2000 MW proposal failed by a margin of less than 1 percent, while the 1400 MW proposal failed by a margin of close to

17 percent.¹² NSTAR states that “the 2000 MW assumption is based on detailed engineering analyses consisting of numerous multi-control area probabilistic simulation runs designed to measure the simultaneous ability, on an hour by hour basis, of interconnected control areas to supply power to meet a need when other areas have a need.”¹³ NSTAR also claims that the 2000 MW recommendation is consistent with NEPOOL’s past practices. NSTAR notes that last year the Commission rejected the 1800 MW compromise estimate, instead adopting 2000 MW as the appropriate estimate. According to NSTAR, the assumptions supporting last year’s IC Requirements still apply this year. Therefore, NSTAR encourages the Commission to accept ISO-NE’s IC Requirements filing for Power Year 2006/2007.

11. In its comments supporting the ISO-NE filing, the NEPOOL Participants Committee notes that, as directed by the Commission in last year’s IC Requirements order, NEPOOL, ISO-NE and the New England Conference of Public Utility Commissioners (NECPUC) have been involved in a review of the IC Requirements process since June 2005.¹⁴ The working group is open to all interested entities. Phase I, which involved issue identification and fact verification regarding current methodologies was completed in November 2005, culminating in seven day-long meetings. They are now near the beginning of Phase II, the actual process of developing recommendations regarding IC Requirements-related technical, methodological, policy, and procedural issues. That process was suspended at the end of 2005 to permit stakeholders to focus on settlement efforts related to the development of a locational installed capacity market (LICAP) pending at the Commission.¹⁵ It is expected that the LICAP settlement, if approved, will impact the IC Requirements review, which was scheduled to resume in mid-March. According to the NEPOOL Participants Committee, there is reason to believe that the IC Requirements review will be completed in time to employ the new arrangements for the 2007/2008 Power Year. The NEPOOL Participants Committee encourages the Commission to limit its review to the filing at issue, that is, whether the IC Requirements submitted for the 2006/2007 Power Year are just and reasonable.

¹² NSTAR comments at p. 4.

¹³ *Id.*

¹⁴ Some of the issues raised by the NEPOOL Participants Committee were not raised by the protestor, so they are not discussed in this order.

¹⁵ The settlement judge’s report was submitted to the Commission on April 11, 2006. *Devon Power LLC*, 114 FERC ¶ 63,013 (2006) (Docket Nos. ER03-563-000, -030, and -050).

V. Protest

12. CEE protests the IC Requirements, opposing the use of tie reliability benefits of 2000 MW. CEE claims tie benefits of 2000 MW fail to take any account of significant increases in New England load growth since the 2003 Study upon which the proposed IC Requirements claim to depend. Accordingly, in lieu of acceptance, CEE suggests that the Commission should request evaluations from the Northeast Power Coordinating Council (NPCC) and the North American Electric Reliability Council (NERC) to determine whether the claimed tie line benefits are consistent with the reliability standards that are established by NPCC and NERC.

13. CEE contends that ISO-NE's application of the 2003 Study to the 2006-2007 IC Requirements requires acknowledgement of significant increases in forecasted New England peak loads from 2003 to 2006. Specifically, the 2003 Study utilized a summer peak load of 24,760 MW, while the summer peak load forecast for the 2006/2007 Power Year is 27,025 MW (an increase of 2,265 MW or almost 10 percent). CEE contends that treatment of New England load growth and utilization of existing internal constraints consistent with that utilized in the 2003 Study would lead to a 2006/2007 Power Year tie benefits value closer to 1400 MW, not 2000 MW. CEE also complains that using 2000 MW of tie benefits denominates at least 1000 MW of New England generation as not being required for reliability in the 2006/2007 Power Year, when ISO-NE is forecasting a system deficiency of 1140 MW in June 2006.¹⁶ According to CEE, ISO-NE was only able to support 2000 MW of tie benefits by artificially relaxing transmission constraints within New England in a manner that completely ignores load growth and actual transmission reinforcement.

14. CEE also contends that, under the Administrative Procedures Act, the appropriate review standard is whether the IC Requirements are supported by substantial evidence.¹⁷ CEE notes that ISO-NE submits that the appropriate standard of Commission review is whether the proposed filing is "just and reasonable." CEE contends that the just and reasonable standard applies only to utility rates and not system adequacy or reliability standards. CEE contends that the just and reasonable standard cited to by ISO-NE applies to cases that arise in the context of utility rates and that there is no basis for applying the just and reasonable standard here. CEE argues that the tie benefits require something more than the "black box" treatment of internal transmission constraints on which the 2000 MW tie benefits value depends.

¹⁶ According to the support supplied by CEE, this 1140 MW deficiency is accompanied by 2900 MW of assumed New England generation that is unavailable to provide service in June 2006.

¹⁷ Citing, e.g., *Bangor Hydro-Electric Company v. FERC*, 78 F.3d 659, 663 n. 3.

VI. Answer

15. In its reply to CEE's protest, ISO-NE continues to assert that the tie benefits it has proposed are just and reasonable. ISO-NE alleges that CEE has not provided any evidence in support of its allegations that ISO-NE's analysis has ignored the influence of load growth and actual transmission reinforcement. ISO also reiterates that, although its IC Requirements values were not approved by at least 60 percent of the voters, it did receive a majority vote, and CEE was the only party to protest its filing at the Commission. Moreover, ISO-NE notes that NECPUC, which does not participate in NEPOOL's voting process, fully supported the IC Requirements submitted. Finally, ISO-NE claims that, given the on-going review of the IC Requirements process, there is no need to litigate this issue at the present time.

16. ISO-NE alleges that CEE's request for a review by NPCC and NERC is "unprecedented and unnecessary."¹⁸ In addition, ISO-NE states that there is no reason to believe that a NPCC review would change the result since the NPCC has recently reviewed the tie benefit assumptions.¹⁹ The most recent review showed that New England's potential tie benefits for 2006 could be between 487 MW to 3,975 MW, depending on assumed internal transmission constraints. The June 2004 NPCC Review of Interconnection Assistance Reliability Benefits (June 2004 NPCC Review) concluded that interconnection assistance values reported by NPCC areas appeared to be reasonable and do not overstate interconnection benefits.

17. ISO refutes CEE's claim that the appropriate standard of review of the filing is not "just and reasonable," but is instead the Administrative Procedure Act's "substantial evidence" standard. According to ISO-NE, its tariff and the New England Participants Agreement require ISO-NE to make annual IC Requirements filings pursuant to section 205 of the FPA. The standard of review for rates and charges under section 205 is "just and reasonable." Further, although the IC Requirements may not themselves be rates, ISO-NE states that they impact rates because they affect the amount of MWs for which customers must pay the applicable Installed Capacity rate. Although the filing is reviewed to see if it is just and reasonable, the Commission's determination of whether a filing meets the standard must be supported by substantial evidence. According to ISO-NE, there is substantial evidence in the record to support a finding that the IC Requirements proposed are just and reasonable.

¹⁸ ISO-NE reply at p. 5.

¹⁹ *Citing*, Review of Interconnection Assistance Reliability Benefits, Northeast Power Coordinating Council, June 29, 2004 (June 2004 NPCC Review).

VII. Deficiency Response

18. After reviewing the pleadings, the Commission issued a letter on April 5, 2006 notifying ISO-NE that its submittal was deficient and requesting responses to several specific questions relating to short-term reliability issues raised by CEE. ISO-NE was asked to explain how internal and external transmission constraints were factored into its tie benefits determination, and to explain how the projected increased peak load affected the determination of tie benefits. ISO-NE was also asked whether NERC or NPCC had been consulted regarding appropriate level of tie benefits for the 2006/2007 power year, and whether either the ISO-NE-proposed 2000 MW or the CEE-proposed 1400 MW tie benefits would violate any NERC or NPCC planning standards or criteria.²⁰ In general, ISO-NE's response explains that the proposed IC Requirements will meet all resource adequacy standards for the 2006/2007 Power Year. Further, ISO-NE explains that tie benefits based on 2000 MW do not result in a violation of NPCC criteria, standards, rules, or practices and are well below the amount that the NPCC has found New England could count on in the past.

19. Specifically, ISO-NE explains that changes in internal interface limits in New England projected peak load from the 2003 Study have little impact on the ability of other NPCC Control Areas to provide assistance to New England. Further, ISO-NE advises that the IC Requirements are not locational and were developed based on an unconstrained transmission system and, for the 2000 MW of tie benefits proposed for the 2006/2007 Power Year, no particular assumption regarding the interfaces was made. Rather, ISO-NE analyzed the tie benefit assumptions for the 2005/2006 Power Year, along with the results of the 2003 Study and determined that it was appropriate to use the 2003 Study results for the 2006/2007 Power Year IC Requirements. Noting expected summer 2006 conditions in New York, New Brunswick, and Hydro Quebec—as adjusted for the Hydro Quebec capacity credit values filed with FERC—ISO-NE concluded that 2000 MW of tie benefits remains an appropriate choice.²¹

20. ISO-NE also advises that reducing the amount of tie benefits in the current non-locational market, as advocated by CEE, will increase the focus on meeting the expected system LOLE reliability by relying on internal capacity versus relying on tie reliability

²⁰ See April 5, 2006 deficiency letter starting at second paragraph.

²¹ As noted above, the 1200 MW of tie benefits determined appropriate for Hydro Quebec was decided in another Commission proceeding. With respect to the 600 MW of tie benefits assumed from New York, ISO-NE notes that New York's required reserves are 18 percent and its expected reserves for summer 2006 are 21 percent. In addition, ISO-NE believes that it is appropriate to keep the 200 MW of tie benefits from New Brunswick.

benefits. ISO-NE notes that increased pool-wide purchases of internal capability without regard to its location will have no targeted impact on local needs because the purchases do not ensure that those internal resources are in the right location. ISO-NE advises that any locational requirements that are not met through investments guided by locational market prices and the region-wide capacity market must be met through out-of-market actions such as requests for proposals and reliability agreements.²²

21. ISO-NE advises that NERC has delegated its level of review to NPCC. As noted in ISO-NE's answer to CEE's protest, NPCC has done a study that showed under various conditions that New England could count on up to 3925 MW of tie line benefits. ISO-NE notes that, although CEE made use of the fact that the proposed 2000 MW of tie line benefits assumed in the 2006/2007 IC Requirements was more than the tie benefits level used by other NPCC control areas, it is well below the 3975 MW maximum estimated range of tie benefits shown in the study. Thus, ISO-NE concludes that the proposed 2000 MW of tie benefits fall into the acceptable range as determined by the NPCC. ISO NE notes that an updated tie line study is underway but it has not been completed.²³

VIII. CEE Response

22. On April 17, 2006, CEE filed a timely renewal and supplement to its previous motion to intervene and protest. In its protest, CEE continues to allege that ISO-NE has failed to supply reasonable support for the 2000 MW tie benefits component of its IC Requirements for the 2006/2007 Power Year. CEE disputes ISO-NE's contention that internal transmission interface limits have little impact on the ability of other NPCC control areas to provide assistance to New England, alleging that the external capacity ISO-NE proposes to rely on as tie benefits is not located more advantageously than in-pool capacity.²⁴

23. CEE also challenges ISO-NE's contention that increases in peak summer loads do not significantly impact tie benefits, stating that peak load is one of the key inputs to the GE MARS model used to determine tie benefits in the 2003 Study. According to CEE, the increase in load in New England without a corresponding increase in supply means New England will have to rely on the ties more frequently because of the increased likelihood of capacity shortages. CEE claims that ISO-NE failed to provide responses to

²² ISO-NE cites the proposed Forward Capacity Market currently pending before the Commission in Docket No. ER06-613-000.

²³ ISO-NE deficiency response at pp. 2-3.

²⁴ CEE response at pp. 2-3.

the Commission's request, and instead claimed that peak loads are not relevant.²⁵ According to CEE, the 2003 Study explicitly considered load in determining tie benefits.²⁶ CEE points to the ten "Cases" evaluated in the 2003 Study, and notes that Cases 2 and 2a are close to the current "As-Is" situation in New England based on the most recent interface limits as approved by the ISO-NE Board of Directors on October 20, 2005. CEE claims that both the 2003 Study and the updated 2003 Study reflecting current interface limits determine that the appropriate tie benefits are 1400 MW.

24. CEE notes that while it cannot determine if tie benefits of either 1400 MW or 2000 MW would violate NPCC or NERC reliability criteria or standards, ISO-NE's proposed 2000 MW figure provides less margin against capacity shortages than that utilized in other pools studied.²⁷ CEE also states that the June 2004 NPCC Review is of little value because the peak load assumption for 2006 was over 700 MW less than the current forecasted peak load of 27,025 MW. In addition, the June 2004 NPCC Review and its conclusions were based on a New England tie benefit level of 1800 MW, not 2000 MW.²⁸ In conclusion, CEE urges the Commission to determine that 1400 MW of tie benefits are readily available for the current New England system.²⁹

IX. ISO-NE Answer

25. ISO-NE filed a motion for leave to answer and an answer on April 19, 2006, noting that CEE is the only protestor in this proceeding. ISO-NE states that the proposed 2000 MW level of tie benefits falls in the middle of both the range estimated by the NPCC (487 MW – 3975 MW) and the 2003 Study (50 MW – 2980 MW), and includes 1200 MW associated with Hydro Quebec Interconnection Capability Credits that was previously approved by the Commission.³⁰ ISO-NE reiterates that the proposed IC Requirements do not violate any NPCC or NERC reliability criteria. ISO-NE points out that it "is the independent entity responsible for 'maintaining the reliability' of the

²⁵ *Id.* at pp. 3-4.

²⁶ *Id.* at p. 5, quoting 2003 Study ("The amount of tie reliability benefits from interconnections is a function of capacity and loads")

²⁷ *Id.* at p. 7.

²⁸ *Id.* at p. 8.

²⁹ *Id.* at p. 9.

³⁰ ISO answer at pp. 3-4, citing *ISO New England, Inc.*, 114 FERC ¶ 61,055 (2006).

electric transmission system in New England,”³¹ and it has concluded that the proposal “does not compromise the reliability of the transmission grid in New England.”³² Finally, ISO-NE also emphasizes that its IC Requirements filing is supported by NECPUC and by 59.14 percent of the NEPOOL Participants Committee.

X. NSTAR Answer

26. NSTAR alleges that the renewed protest amounts to CEE’s “fourth bite at this apple in the last two years.”³³ NSTAR points out that ISO-NE’s only interest in New England is reliability, and that ISO-NE considered CEE’s “self-interested pleas for a lower value,” but rejected CEE’s position as unpersuasive. According to NSTAR, all of the load-serving entities in New England have found that the ISO-NE proposal and underlying methodology are appropriate, as have a majority of NEPOOL participants.³⁴ NSTAR notes that ISO-NE’s proposal for 2000 MW of tie benefits falls within the middle of various projections and is “very conservative,” as it represents only about half of the roughly 4,000 MW of total transfer capability between ISO-NE and its three neighboring control areas.³⁵

XI. Discussion

A. Procedural Matters

27. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2005), the notices of intervention and the timely, unopposed motions to intervene serve to make the intervenors that filed them parties to this proceeding.

28. Rule 213(a)(2) of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2005), prohibits answers to protests and to answers unless otherwise permitted by the decisional authority. We will accept the various answers because they have provided information that has assisted us in our decision-making process.

³¹ ISO answer at p. 3.

³² ISO-NE answer at p. 4.

³³ NSTAR answer at p. 2.

³⁴ *Id.*

³⁵ *Id. at p. 3.*

B. Analysis

29. ISO-NE proposes that non-locational tie benefits of 2000 MW be included in its determination of the IC Requirements for the 2006/2007 Power Year, based on its analysis of potentially available capacity external to the New England control area.³⁶ CEE does not dispute the potential availability of the 2000 MW of tie benefits, but notes that updating the 2003 Study to reflect key interface limits assumptions and significant increases in New England load growth (as reflected in the Regional System Plan approved by ISO-NE's Board of Directors as of October 2005 (RSP05)), yields tie benefits of 1400 MW and advocates using 1400 MW as the amount most reflective of the capabilities of the transmission system as it currently exists.³⁷ CEE cites to the 2003 Study to support that "[t]he amount of tie reliability benefits from interconnections is a function of the capacity and loads..."³⁸, and argues that since load has increased significantly since 2003, *of course* there is a significant effect on tie benefits (emphasis in original). ISO-NE contends that its peak load growth has very little impact on a neighboring control area's ability to provide assistance when needed.³⁹ Further, ISO-NE argues that internal transmission constraints were not and should not be modeled to develop pool-wide IC Requirements

30. The Commission believes that it is reasonable to assume that 2000 MW of tie benefits from external capacity are potentially available; therefore, we will deny CEE's request to approve 1400 MW of tie benefits. In support of its position, CEE quotes the following provision from the 2003 Study: "The amount of tie reliability benefits from interconnections is a function of capacity and loads, as well as the interface transfer limits of all the interconnected areas."⁴⁰ However, CEE should have explained that the quoted provision refers to the capacity and loads of neighboring control areas, not New England's internal capacity and load. New England has used a potentially available capacity approach in determining IC Requirements since 1971 – when NEPOOL was first

³⁶ ISO-NE estimates that conditions in New York, New Brunswick, and Hydro Quebec will not change dramatically from last year's summer season and decided not to modify the amount of tie benefits from last year.

³⁷ See, e.g., *supra* n. 10, and ISO-NE's response to the deficiency letter at pages 2-3.

³⁸ CEE response at p. 5; ISO-NE reply at p. 2.

³⁹ ISO-NE reply at p. 3.

⁴⁰ ISO-NE reply at p. 5, quoting 2003 Study at p. 6

given the task to handle regional planning.⁴¹ Under this approach, tie benefits to New England are contingent on only two factors, capacity between neighboring NPCC control areas and peak loads of those neighboring control areas.

31. CEE notes that while it cannot determine if tie benefits of either 1400 MW or 2000 MW would violate NPCC or NERC reliability criteria or standards, the ISO-NE-proposed 2000 MW figure provides less margin against capacity shortages than that utilized in other pools studied.⁴² What CEE actually seeks is to treat capacity from internal New England generation more favorably than capacity from external generation sources. CEE would have the Commission require ISO-NE to use internal constraints in determining external tie benefit capacity, but not use such constraints in determining internal capacity from sources within New England's control area. However, both ISO-NE and CEE agree that under emergency conditions external capacity or internal capacity could be located in a less than optimal place.⁴³ The Commission previously determined that, absent locational considerations, it is reasonable to treat potentially available external generation in a manner consistent with NEPOOL's internal generation resources.⁴⁴ ISO-NE's 2000 MW estimate of tie benefits is supported by RSP05 that states that while the 2000 MW of tie benefits are suitable for 2006/2007 Power Year, the future ability to import that same amount is uncertain.⁴⁵ In this regard, we note that in compliance with our order for the 2005/2006 Power Year, ISO-NE is undertaking a comprehensive review of the IC Requirements methodology, and is expected to complete its review prior to its next IC Requirements filing. For the reasons given above, we find that it is reasonable to maintain the status quo with 2000 MW of tie benefits for the 2006/2007 Power Year.

32. Although the parties have disputed the appropriate standard of review for the IC Requirements, we conclude that the proposed IC Requirements are both just and reasonable and supported by substantial evidence. The 2003 Study, the RSP05 study, and subsequent analyses performed by the NPCC provide us with assurance that the proposed 2000 MW of tie line benefits will be able to flow to New England's load. Accordingly, we will accept the 2000 MW as appropriate for the 2006/2007 Power Year to become

⁴¹ See RSP05 § 2.3.1.1.

⁴² *Id.* at p. 7.

⁴³ CEE response at p. 3.

⁴⁴ See *NSTAR Electric & Gas Corporation, et al. V. New England Power Pool* (NEPOOL), 103 FERC ¶ 61,093 at PP 15-16 (2003).

⁴⁵ *Id.*

effective on April 22, 2006, as requested by ISO-NE, and will deny CEE's request for rejection of the IC Requirements.

The Commission orders:

(A) ISO-NE's proposed IC Requirements for the 2006/2007 Power Year are hereby accepted for filing effective on April 22, 2006, as discussed in the body of this order.

(B) CEE's request for rejection of the IC Requirements for 2006/2007 Power Year is hereby denied, as discussed in the body of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.