

131 FERC ¶ 61,042
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

April 16, 2010

In Reply Refer To:
ISO New England Inc. and
New England Power Pool
Participants Committee
Docket No. ER10-750-000

ISO New England Inc.
Attn: Raymond W. Hepper, Esq.
Attorney for ISO New England Inc.
One Sullivan Road
Holyoke, MA 01040-2841

New England Power Pool Participants Committee
Attn: Michelle Gardner, Esq.
Attorney for New England Power Pool Participants Committee
Day Pitney LLP
242 Trumbull Street
Hartford, CT 06103-1212

Dear Mr. Hepper and Ms. Gardner:

1. On February 16, 2010, you filed, on behalf of ISO New England Inc. (ISO-NE) and the New England Power Pool Participants Committee (collectively, the Filing Parties), revisions to the market rules governing the Forward Capacity Market that address the treatment of separate de-list bids submitted by resources at stations with common costs. The revisions were required by a previous Commission order.¹ In addition to the provisions contained in the filing that add certain definitions, the proposed tariff revisions explain how the Internal Market Monitor (IMM) will evaluate de-list bids submitted by resources at stations with common costs as well as the appropriate compensation for resources at a station with common costs that submit de-list bids that are rejected for reliability reasons in the Forward Capacity Auction.

¹ *ISO New England Inc.*, 128 FERC ¶ 61,167, at P 31 (2009).

2. Notice of the filing was published in the *Federal Register*, 75 FR 8691-92 (2010), with interventions and protests due on or before March 9, 2010. NRG Companies, Exelon Corporation, Dominion Resources Services, Inc., and Northeast Utilities Service Company filed motions to intervene. No protests were filed. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,² the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

3. We find that certain provisions of the proposed tariff language are ambiguous and likely to lead to confusion. Accordingly, the Commission accepts the proposed tariff revisions, subject to conditions, as explained below, effective April 18, 2010.

4. Section III.13.1.2.3.1.6.2 describes how the IMM should allocate common costs among the affected resources. However, this section does not specify what time period would be used in assessing the historical megawatt hour production for a particular asset. Further, it is unclear how the resulting cost allocation would be used in developing the specific level of default de-list bids for resources at a station with common costs. Specifically, ISO-NE should clarify what historical period would be used to determine the historical megawatt hour production for a particular asset. We will also require ISO-NE to explain and clarify in revised tariff sheets how the resulting cost allocation would be used in developing the specific levels of default de-list bids.³

5. Section III.13.1.2.3.1.6.3 sets forth the criteria that the IMM will use to review each de-list bid for stations with common costs, which include the requirement that bids be monotonically decreasing. It is our understanding that ISO-NE intends to use the methodology set forth in its February 5, 2010 presentation to the Participants Committee.⁴ ISO-NE should clarify, and, as necessary, make tariff revisions if it intends that the bids must be monotonically *non-increasing*, rather than monotonically

² 18 C.F.R. § 385.214 (2009).

³ ISO-NE may want to consider whether Section III.13.1.2.3.1.6.2 is necessary, and, if not, whether it could be deleted. Based upon slide 5 of the ISO-NE presentation dated December 3, 2009 (*see* n.4), it appears that this section is intended to establish the preferred de-list order of units. However, it is unclear why an efficient preferred order for de-listing units would include an allocation of common costs (such as the one derived from this section), since common costs are not avoided by de-listing any individual unit.

⁴ "Computation of Capacity De-list Bids in the Presence of Power Station Common Costs" (December 3, 2009); "Computation of Capacity De-list Bids in the Presence of Power Station Common Costs – Revised" (January 12, 2010), http://www.iso-ne.com/committees/comm_wkgrps/prtcpnts_comm/prtcpnts/mtrls/2010/feb52010/supp_notice_npc_mtg_20100205_p1.pdf.

decreasing, as described in ISO-NE's presentation to the Participants Committee.⁵ We will also require ISO-NE to explain and, as necessary, clarify the methodology identified in the presentation to the Participants Committee in its tariff and specify the details in one of its manuals.

6. ISO-NE is directed to file a compliance filing with these changes within 45 days from the date of this order.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁵ In the context of bidding, “monotonically decreasing” means that as the quantity offered increases, the offer price is always decreasing; the offer price would not stay the same or increase. By contrast, “monotonically non-increasing” means that as the quantity offered increases, the offer price could either decrease or stay the same, but the offer price couldn’t increase.