135 FERC ¶ 61,135
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
John R. Norris, and Cheryl A. LaFleur.

ISO New England Inc. and
New England Power Pool

Docket No. ER11-3048-000

ORDER ACCEPTING ISO NEW ENGLAND'S PROPOSED INSTALLED CAPACITY REQUIREMENT, HYDRO QUEBEC INTERCONNECTION CAPABILITY CREDITS, AND RELATED VALUES

(Issued May 13, 2011)

1. On March 8, 2011, ISO New England Inc. (ISO-NE) and New England Power Pool (NEPOOL) Participants Committee jointly filed, pursuant to section 205 of the Federal Power Act (FPA),[1] proposed values for the Installed Capacity Requirement, Hydro Quebec Interconnection Capability Credits, and related values, for use in the 2014/2015 capability year Forward Capacity Auction to be held on June 6, 2011. As discussed below, we will accept the values submitted, effective May 13, 2011, subject to the outcome of the pending request for rehearing in Docket No. ER11-2580-001.

I. Background

2. ISO-NE procures the resources needed to reliably serve the New England Control Area via its Forward Capacity Market. The Forward Capacity Market consists of a primary auction, which takes place approximately three years before the start of a capacity commitment period, and three subsequent annual reconfiguration auctions. In this proceeding, ISO-NE and NEPOOL jointly submit values for the Installed Capacity Requirement, Local Sourcing Requirement, Maximum Capacity Limit, and Hydro Quebec Interconnection Capability Credits for the 2014/2015 capability year Forward Capacity Auction.[2] This auction, to be held on June 6, 2011, is the primary Forward

[1] 16 U.S.C. § 824d (2006).

[2] The Installed Capacity Requirement, Local Sourcing Requirement, and Maximum Capacity Limit are key inputs for the Forward Capacity Auction, while the

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Capacity Auction for the 2014/2015 capability year, and is also known as the fifth Forward Capacity Auction.

3. Differing from prior ISO-NE Installed Capacity Requirement filings, the instant filing uses a new methodology to calculate the tie benefits value.[3] On February 28, 2011, in Docket No. ER11-2580-000, the Commission accepted the new methodology, subject to a compliance filing,[4] which ISO-NE submitted in Docket No. ER11-2580-002 on April 6, 2011 (April 6 compliance filing).

4. As explained in ISO-NE's filing, the quantity of resources to be procured in the Forward Capacity Market is specified through the Installed Capacity Requirement. The Installed Capacity Requirement is the minimum amount of resources needed to meet the New England Control Area reliability requirement of disconnecting non-interruptible customers (sometimes referred to as a "loss of load expectation") no more than once every ten years or 0.1 days per year.[5] Section III.12.1 of Market Rule 1 in ISO-NE's Transmission, Markets and Services Tariff (Tariff) sets forth the methodology for the Installed Capacity Requirement calculation,[6] which includes five essential components: (1) the load forecast, (2) resource capacity ratings, (3) unit availability, (4) transmission security analysis, and (5) tie benefits. ISO-NE states that, with the exception of the tie benefits values, the calculation methodologies submitted here for the Installed Capacity Requirement, related values, and the Hydro Quebec Interconnection Capability Credits are consistent with previous capability year filings.[7]

Hydro Quebec Interconnection Capability Credit is a factor in calculating the Installed Capacity Requirement. The Local Sourcing Requirement and Maximum Capacity Limit values are collectively known as the "related values."

[3] Tie benefits represent the amount of emergency capacity assistance derived from neighboring control areas that the New England Control Area could rely on, without jeopardizing reliability in the New England Control Area or the neighboring control areas in the event of a capacity shortfall in the New England Control Area. ISO-NE March 8, 2011 Filing at 13-14.

[4] *ISO New England Inc.*, 134 FERC ¶ 61,144 (2011) (February 28, 2011 Order), *reh'g pending*.

[5] ISO New England Inc. (ISO-NE) Mar. 8, 2011 Filing at 5.

[6] ISO-NE Tariff, § III.12.1 (1.0.0).

[7] ISO-NE March 8, 2011 Filing at 8, 10.

5. ISO-NE proposes an Installed Capacity Requirement of 34,154 MW for the 2014/2015 Forward Capacity Auction.[8] This value includes tie benefits totaling 1,689 MW, assumed obtainable from New Brunswick (Maritimes), New York, and Quebec.[9] The 34,154 MW Installed Capacity Requirement, however, does not include the deduction of 954 MW per month to account for the value of the Hydro Quebec Interconnection Capability Credits.[10] Therefore, the amount of capacity to be purchased in the Forward Capacity Auction is 33,200 MW.[11]

A. Tie Benefits

6. Tie benefits reflect the amount of emergency assistance that is assumed will be available to New England from its neighboring control areas, without jeopardizing reliability in New England or its neighboring control areas, in the event of a capacity shortage in New England. ISO-NE states that tie benefits from neighboring control areas reduce the Installed Capacity Requirement and are therefore an important element of the Installed Capacity Requirement calculation.[12] The 2014/2015 capability year Installed Capacity Requirement incorporates tie benefits from the control areas of New Brunswick, New York, and Quebec.[13] The tie benefits calculation is conducted using the probabilistic General Electric Multi-Area Reliability Simulation (GE MARS) program to model the expected system conditions of New England and the three directly interconnected neighboring control areas mentioned above.[14]

7. As noted above, the instant filing uses the tie benefits methodology accepted in Docket No. ER11-2580-000 to calculate the tie benefits value. The methodology affects

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[8] *Id.* at 8.

[9] *Id.* at 8, 19.

[10] *Id.* at 8-9.

[11] *Id.* at 9. This is a 1,073 MW increase over the 2013/2014 capability year, which required the purchase of 32,127 MW. *See ISO New England Inc.*, 133 FERC ¶ 61,230, at P 2 (2010); ISO-NE Filing, Docket No. ER10-1182-000, at 2 (filed May 4, 2010).

[12] ISO-NE March 8, 2011 Filing at 13.

[13] *Id.* at 14.

[14] *Id.*

three aspects of tie benefits: internal transmission constraints, accounting for capacity imports, and individual interconnections.

1. Internal Transmission Constraints

8. As explained in ISO-NE's filing, the first aspect of the revised tie benefits methodology is the modeling of internal transmission constraints. The methodology requires that the tie benefits calculation model all transmission constraints within the New England Control Area that were identified in the most recent regional system plan and not accounted for in either a local sourcing requirement or maximum capacity limit calculation.[15] By modeling these internal constraints, the tie benefits calculation reflects the effect of constraints on the New England Control Area's ability to utilize emergency assistance from neighboring control areas.[16]

9. According to ISO-NE, the methodology also requires that the tie benefits calculation model all transmission constraints within a neighboring control area if the Northeast Power Coordinating Council (NPCC) models the constraint in its annual analysis of conditions in the NPCC Control Areas, and ISO-NE finds that the constraint is critical to the neighboring control area's ability to provide tie benefits to the New England Control Area.[17] ISO-NE will not, however, model a constraint if doing so increases the modeled level of tie benefits from that control area above that which would otherwise be obtained if no constraints were modeled for the control area.[18]

10. Implementing this new methodology results in a 90 MW reduction in available emergency assistance through tie benefits.[19]

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[15] ISO-NE March 8, 2011 Filing at 14, Karl-Wong Testimony at 35:16-36:16; *see also* ISO-NE Tariff, § III.12.9.2.2 (1.0.0).

[16] ISO-NE March 8, 2011 Filing at 15.

[17] ISO-NE March 8, 2011 Filing at 15, Karl-Wong Testimony at 37:9-38:2; *see also* ISO-NE Tariff, § III.12.9.2.3 (1.0.0).

[18] *Id.* at 37:18-21.

[19] *Id.* at 39:6-8.

2. Accounting for Capacity Imports

11. As set forth in ISO-NE's filing, the second aspect of the tie benefits methodology involves how capacity imports are accounted for. Accounting for capacity imports is necessary to ensure that there is adequate transmission capability on the interconnections for both capacity imports and tie benefits.[20] Under the former methodology, capacity imports were deducted from the transfer capability of the interconnections before tie benefits were calculated so as to limit the transfer capability for tie benefits to the capability available after capacity imports were accounted for.[21] The methodology accepted in the February 28, 2011 Order takes a different approach where the interconnection transfer capability is not reduced before tie benefits are calculated.[22] Subsequently, however, the tie benefits are adjusted to account for capacity imports that would lower the available transfer capability.[23] ISO-NE states that calculations using the methodology resulted in a 1 MW reduction in the value of tie benefits, therefore having minimal impact.[24]

3. Individual Interconnections

12. As stated in ISO-NE's filing, the third revised aspect of the tie benefits methodology requires that tie benefits be calculated for each individual interconnection for which a discrete and material transfer capability can be calculated.[25] Notwithstanding this requirement, individual interconnections that operate in parallel, with significant overlapping of each line's contribution toward the aggregate transfer capability, shall have their tie benefits calculated as a group.[26] Transfer capability of an interconnection is defined as "the amount of power that can flow over the interconnection from the neighboring Control Area and into New England at a time and in a manner that is

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[20] ISO-NE March 8, 2011 Filing at 16.

[21] *Id.*

[22] *Id.*

[23] *Id.*

[24] *Id.* at 17.

[25] ISO-NE March 8, 2011 Filing at 17, Attachment 2, Joint Testimony of Richard V. Kowalski and Brent K. Oberlin (hereinafter, Kowalski-Oberlin Testimony) at 12-13.

[26] ISO-NE March 8, 2011 Filing at 17, Kowalski-Oberlin Testimony at 14:14-18.

consistent with New England's need" to obtain capacity through tie benefits.[27] In general, the transfer capability does not refer to one distinct value or state of an interconnection, but can vary depending on a number of factors.[28]

13. ISO-NE states that the determination of the transfer capability of an individual interconnection is a critical component of the tie benefits calculation, because the tie benefits will be useless to the New England Control Area unless there is adequate transfer capability to bring the emergency assistance into the control area during times when it is needed.[29] Transfer capability of an interconnection is determined using ISO-NE's most recent transmission transfer capability analysis as calculated pursuant to the current ISO-NE operating and planning procedures.[30]

14. Calculation of the transfer capability of an interconnection is a two-step process. First, the total transfer capability is calculated using parameters found in the ISO-NE Tariff.[31] Second, this value is reassessed based on the contingencies found in ISO New England Planning Procedure No. 3 to account for load, resource, and other electrical system conditions consistent with the relevant capacity period.[32] Load is modeled at 90/10 peak load conditions, generators are modeled on their capacity network resource status, and demand response resources are modeled on their previously qualified and cleared capacity supply obligation.[33] The calculation also accounts for any incremental capacity incorporated into the interconnection's design.[34] Performance of an

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[27] ISO-NE March 8, 2011 Filing, Kowalski-Oberlin Testimony at 5:18-22.

[28] *Id.* at 5-6.

[29] ISO-NE March 8, 2011 Filing at 17.

[30] *Id.*; *see also* ISO-NE Tariff, § III.12.9.2.4 (1.0.0). The current planning procedures are contained in section three of the ISO New England Planning Procedure No. 3, Reliability Standards for the New England Area Bulk Power Supply System, effective March 5, 2010. ISO-NE March 8, 2011 Filing at 18.

[31] ISO-NE March 8, 2011 Filing, Kowalski-Oberlin Testimony at 9:10-12. The tariff referred to here is the ISO-NE Tariff, § II, Attachment C (1.0.0).

[32] ISO-NE March 8, 2011 Filing, Kowalski-Oberlin Testimony at 9:12-16.

[33] *Id.* at 9:16-22.

[34] *Id.* at 10:1-7.

interconnection is tested for a variety of contingencies to assess the viability of the transmission system as a whole and the transfer capability of an individual interconnection or transmission facility.[35]

15. Using the methodology described here, ISO-NE calculated the following interconnection transfer capability values: 700 MW for the New Brunswick Interconnections; 1,400 MW for the Hydro Quebec Phase I/II HVDC Transmission Facilities; 200 MW for the Highgate Interconnection; and Zero MW for the Cross Sound Cable.[36] The New York-New England AC Interconnections were calculated as a group and have a transfer capability of 1,400 MW.[37]

4. Tie Benefits Values

16. Employing the tie benefits methodology approved in Docket No. ER11-2580-000, which accounts for internal transmission constraints, capacity imports, and individual interconnections, ISO-NE calculates the availability of 1,689 MW of tie benefits in the 2014/2015 capability year. The 1,689 MW is broken down by source: 439 MW from New Brunswick over the New Brunswick Interconnections; 954 MW from Quebec over the Hydro Quebec Phase I/II HVDC Transmission Facilities; 6 MW from Quebec over the Highgate Interconnection; 290 MW from New York over the New York-New England AC Interconnections; and zero MW over the Cross Sound Cable because it was determined to have zero MW of transfer capability.[38]

[35] *Id.* at 7:6-20.

[36] ISO-NE March 8, 2011 Filing at 19.

[37] *Id.* The New York-New England AC Interconnections consist of Alps-Berkshire 375 kV, Pleasant Valley-Long Mountain 345 kV, Rotterdam-Bear Swamp 230 kV, Hoosick-Bennington 115 kV, Whitehall-Blissville 115 kV, Plattsburgh-South Hero 115 kV, Smithfield-Salisbury 69 kV, and Northport-Norwalk Cables, which include the 138 kV cables between Northport and Norwalk Harbor. *Id.*

[38] *Id.* at 19.

B. Hydro Quebec Interconnection Capability Credits

17. ISO-NE assigns a value of 954 MW per month to the Hydro Quebec Interconnection Capability Credits for the 2014/2015 capability year.[39] These values were approved in the stakeholder process.[40]

C. Local Sourcing Requirements and Maximum Capacity Limits

18. ISO-NE's filing explains that the Forward Capacity Market also requires the calculation of Local Sourcing Requirements and Maximum Capacity Limits, where necessary, for use in the Forward Capacity Auction and subsequent reconfiguration auctions. The Local Sourcing Requirement is "the minimum amount of capacity that must be procured within an import-constrained Load Zone."[41] The Maximum Capacity Limit is defined as "the maximum amount of capacity that can be procured in an export-constrained Load Zone to meet the Installed Capacity Requirement."[42] ISO-NE states that the general purpose of the Local Sourcing Requirement and the Maximum Capacity Limit is to ensure that capacity resources are geographically distributed within the New England Control Area in a manner that helps to ensure that capacity is located where it is needed to meet reliability planning criteria.[43]

19. As set forth in ISO-NE's filing, for the 2014/2015 capability year, the Local Sourcing Requirement was calculated for the Connecticut and Northeast Massachusetts/Boston (NEMA/Boston) load zones, and the Maximum Capacity Limit was calculated for the Maine load zone. The Local Sourcing Requirement is 7,478 MW for Connecticut, and 3,046 MW for NEMA/Boston.[44] The Maximum Capacity Limit for the Maine load zone is 3,702 MW.[45]

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[39] *Id.* at 20.

[40] *Id.*

[41] ISO-NE Tariff, § III.12.2 (1.0.0).

[42] ISO-NE Tariff, § III.12.2 (1.0.0).

[43] ISO-NE Mar. 8, 2011 Filing at 7, 20.

[44] *Id.* at 22.

[45] *Id.*

D. Requested Effective Date

20. ISO-NE and NEPOOL request that the values associated with the Installed Capacity Requirement, Hydro Quebec Interconnection Capability Credits, and related values contained in the March 8, 2011 filing become effective on May 9, 2011, to allow for their use in the fifth Forward Capacity Auction.

II. Notice of Filing and Responsive Pleadings

21. Notice of the filing was published in the *Federal Register*, 76 Fed. Reg. 14,963 (2011), with interventions and protests due on or before March 29, 2011. Upon a motion to extend the deadline to April 11, 2011, submitted by Long Island Power Authority, its operating subsidiary, Long Island Lighting Company, and Cross-Sound Cable Company, LLC (collectively, the Joint Parties),[46] the deadline for submitting interventions and protests was extended to April 5, 2011.

22. On March 29, 2011, the Joint Parties filed a motion for clarification that the grant of extension for interventions and protests was to April 11, 2011, as requested, rather than April 5, 2011.[47]

23. Notices of intervention were filed by the Massachusetts Department of Public Utilities and the Maine Public Utilities Commission. Timely motions to intervene were filed by Northeast Utilities Service Company,[48] New England States Committee on Electricity, and the New England Conference of Public Utilities Commissioners. The Joint Parties filed a timely motion to intervene and protest.[49] On April 6, 2011, Dynegy[50] filed a motion to intervene out-of-time.

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[46] The Joint Parties sought an extension of time through April 11, 2011, arguing that the requested extension would allow additional time to review ISO-NE's tie benefits compliance filing directed by the February 28, 2011 Order, which was due on or before April 6, 2011.

[47] Joint Parties Mar. 29, 2011 Filing at 2.

[48] Northeast Utilities Service Company is the agent for its electric utility transmission, distribution, and generation company affiliates, The Connecticut Light and Power Company, Western Massachusetts Electric Company, and Public Service Company of New Hampshire.

[49] On April 7, 2011, the Joint Parties filed a duplicate of their April 5, 2011 filing containing formatting corrections. On April 8, 2011, the Joint Parties filed an errata to

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24. On April 14, 2011, Commission staff issued a letter informing ISO-NE that its March 8, 2011 filing was deficient, requesting a response within six days. On April 20, 2011, as supplemented on April 21, 2011, ISO-NE filed a response to the deficiency letter.

25. Notice of the April 20 and 21, 2011 filings was published in the *Federal Register*, 76 Fed. Reg. 23,805 (2011), with interventions and protests due on or before April 29, 2011.

26. On April 22, 2011, ISO-NE filed an answer to the Joint Parties' protest, requests for waiver of the 60-day notice requirement and for a shortened comment period with regard to its response to the deficiency letter, and expedited order.

27. On April 29, 2011, the Joint Parties filed an answer to ISO-NE's request for waiver, and comments to ISO-NE's deficiency letter response.

28. On May 3, 2011, the Joint Parties filed an answer to ISO-NE's April 22, 2011 answer.

29. On May 4, 2011, ISO-NE filed an answer to comments filed by the Joint Parties on April 29, 2011.

III. Response to Deficiency Letter

30. ISO-NE provided additional information and supporting documentation in response to the deficiency letter explaining the tie benefits calculation methodology for individual interconnections used for the 2014/2015 capability year Installed Capacity Requirement. In addition, ISO-NE provides supplemental information including attachments explaining how it evaluated the transfer capability of the Cross Sound Cable; Hydro Quebec Phase I/II HVDC Interconnection; Highgate Interconnection; New Brunswick Interconnections; and the Northport-Norwalk Cables and the New York-New England AC Interconnections. ISO-NE provides further explanation concerning its determination of zero MW in transfer capability available for emergency assistance over the Cross Sound Cable; its implementation of the tie benefits calculation methodology for the New Brunswick Interconnections; the determination of the 446 MW transfer

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their April 5, 2011 filing consisting of the replacement of a missing sheet, specifically, page 11 of exhibit C, affidavit of David Clark.

[50] Dynegy consists of the Dynegy Power Marketing, Inc. and Casco Bay Energy Company, LLC.

capability value for the New Haven Harbor unit; and the assumptions used to assign the new proposed peaking units at the New Haven Harbor station an installed capacity factor of 129.6 MW.

IV. Discussion

A. Procedural Matters

31. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2010), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

32. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2010), the Commission will grant Dynegy's late-filed motion to intervene given its interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

33. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2010), prohibits an answer to a protest and answer unless otherwise ordered by the decisional authority. We will accept the answers filed by ISO-NE and the Joint Parties because they have provided information that assisted us in our decision-making process.

34. With regard to the Joint Parties' motion for clarification, which, in essence, reiterates its request for extension of time for filing comments, we note that extensions of time are wholly within the Commission's discretion.[51] In any case, pursuant to Rule 215 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.215 (2010), the Joint Parties could have amended, and did amend, their timely-filed protest. Moreover, while the Joint Parties argued that an extension of time for filing comments in this case was warranted to allow time to review ISO-NE's tie benefits compliance filing filed in Docket No. ER11-2580-002, any responsive comments to that compliance filing should be properly submitted in that proceeding.

B. Joint Parties' Protest

35. In their protest, the Joint Parties assert that ISO-NE's assignment of zero MW of tie benefits value to the Cross Sound Cable, and the lack of a separate tie benefits value for the Northport-Norwalk Cables, is erroneous and renders the ISO-NE Installed

[51] *See City of Anaheim, California*, 114 FERC ¶ 61,311, at P 99 (2006); *El Paso Natural Gas Co.*, 62 FERC ¶ 61,212, at 62,518 (1993).

Capacity Requirement filing unjust, unreasonable, unduly discriminatory, and preferential.

36. The Joint Parties allege that ISO-NE's assignment of zero MW tie benefits value to the Cross Sound Cable is contrary to ISO-NE's own record evidence supporting the provision of emergency assistance to New England. The Joint Parties state that four of the five contingencies that ISO-NE studied demonstrate a transfer capability from the Cross Sound Cable ranging up to 132 MW.[52] The Joint Parties assert that ISO-NE arbitrarily chose the single scenario which resulted in the conclusion that Cross Sound Cable provided no measurable beneficial incremental capacity value and thus a zero MW tie benefit. The Joint Parties point to ISO-NE's studies,[53] a statement from ISO-NE officers,[54] and ISO-NE's curtailment of Forward Capacity Auctions cleared exports over the Cross Sound Cable,[55] as both explicit and implicit acknowledgements of the value of the tie benefits provided by the Cross Sound Cable. Further, the Joint Parties state that the availability of the Cross Sound Cable as an emergency assistance resource is specifically identified in the ISO-NE/New York Independent System Operator (NYISO) Coordination Agreement.[56]

37. The Joint Parties allege that the zero MW tie benefits value for the Cross Sound Cable is based on flawed assumptions and modeling of the potential transfer capability over the Cross Sound Cable. Specifically, the Joint Parties state that: (1) ISO-NE failed to properly model exports from the Cross Sound Cable; (2) ISO-NE improperly modeled the New Haven Harbor generating unit; and (3) ISO-NE's own studies contradict its assumption that there is insufficient transmission system capability to support New Haven Harbor operation in conjunction with exports over the Cross Sound Cable.

1. Tie Benefits Value of Cross Sound Cable

38. First, the Joint Parties state that ISO-NE's modeling of the Cross Sound Cable in a zero MW state is, practically speaking, not a realistic operational scenario that ISO-NE

[52] Joint Parties April 5, 2011 Protest at 10.

[53] Joint Parties April 5, 2011 Protest at 11.

[54] *Id.*

[55] Joint Parties April 5, 2011 Protest, Rotger Testimony at 7:6-9.

[56] *See* ISO-NE Tariff, Attachment F NYISO Coordination Agreement, Section C: Emergency Energy Transactions Schedule (1.0.0).

will encounter during the capacity commitment period that it was supposed to be replicating. Even if ISO-NE was intending to model its "worst case" scenario, the Joint Parties state that there would be at a minimum 100 MW of exports over the Cross Sound Cable because in the 2014/2015 Forward Capacity Market, there has been a 100 MW administrative de-rate of a capacity resource to support exports over the Cross Sound Cable.[57] The Joint Parties allege that by setting the Cross Sound Cable to a zero MW flow for the purpose of its transfer capability, ISO-NE failed to model how emergency assistance can occur over the Cross Sound Cable. Furthermore, the Joint Parties submit witness testimony that states, whether as a capacity-backed export or as a real-time energy export, a fully or partially loaded Cross Sound Cable, with exports, can facilitate emergency assistance to New England.[58] The Joint Parties assert that ISO-NE could exercise its ISO-NE/NYISO Coordination Agreement to have NYISO increase generation on Long Island as a substitute for ISO-NE exports into NYISO.

39. Second, the Joint Parties state that the testimony provided in ISO-NE's filing confirmed ISO-NE's modeling assumption of having the New Haven Harbor generating unit operating at its capacity supply obligation limit at 100 percent availability for the purpose of its modeling in their supporting affidavit.[59] However, the Joint Parties state that the problem with ISO-NE's approach is that this is based on the unrealistic assumption of the full operation of a 35 year-old, oil fired steam turbine with very low capacity factors (ranging from 2.8 to 4 percent since 2008), and a ramp time of potentially over 12 hours.[60] According to the Joint Parties, the impact of this improper modeling assumption is a removal of approximately 440 MW of transfer capability from the system, which reduced the amount of transfer capability that could be measured over the Cross Sound Cable. The Joint Parties allege that, "ISO-NE has affectively concluded that the approximate 440 MW transfer capability at the East Shore substation injection point is more appropriately assigned to the New Haven Harbor Generating unit rather than a rapid-response and fully controllable HVDC facility connected to a 5,000 MW system on Long Island."[61] The Joint Parties state that this assumption is unrealistic and consequently produces an unjust and unreasonable calculation of the transfer capability value for the Cross Sound Cable.

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[57] Joint Parties April 5, 2011 Protest at 14.

[58] *Id.*

[59] *Id.* at 15.

[60] *Id.*; *see also* Joint Parties April 5, 2011 Protest, Rotger Testimony at 15:4-16.

[61] Joint Parties April 5, 2011 Protest, Rotger Testimony at 15:17-20.

40. Third, the Joint Parties allege that ISO-NE's own studies contradict its assumption that there is insufficient transmission system capability to support the New Haven Harbor generating unit operation in conjunction with exports over the Cross Sound Cable. More specifically, the Joint Parties state that ISO-NE's key assertion on this point, that certain points of the 115 kV transmission system in southwest Connecticut would be overloaded by imports over the Cross Sound Cable, is contradicted by ISO-NE's studies. Joint Parties claim that ISO-NE studies found that approximately 130 MW of new, yet to be built peaking units proposed to be interconnected at the East Shore substation (NHH Peakers) are eligible as capacity resources in the Forward Capacity Market in the third and fourth Forward Capacity Auction[62] with minimal upgrades to the 115 kV side of the East Shore substation. The Joint Parties state that the proposed peaking units are assigned a capacity obligation of 129.6 MW.

41. The Joint Parties state that ISO-NE's treatment for calculating the transfer capability of the Cross Sound Cable has demonstrated a lack of comparable treatment in accordance with ISO-NE's tariff and consequently represents undue discrimination against Cross Sound Cable and preferential treatment toward other interconnections in the process. The Joint Parties state that ISO-NE's Tariff § III.12.9.2.4.A provides for the comparable treatment of all the transfer capability of all external interconnections, which are to be "determined using the ISO's most recent transmission transfer capability as calculated pursuant to the current Operating and Planning Procedures." The Joint Parties state that only the Cross Sound Cable interconnection was subjected to a separate and complete transfer capability analysis. According to the Joint Parties, the New Brunswick Interconnections were subjected to a limited, yet different, analysis.[63] The Joint Parties allege that with the HVDC Phase II, Highgate, and New York-New England AC Interconnections, ISO-NE used historical values, but provided no historical studies to confirm these values.[64] The Joint Parties further allege that this exception, which is presented as a modeling assumption by ISO-NE, is actually a back-door deliverability test, which is not the purpose of a tie benefits test. Additionally, the Joint Parties state that ISO-NE's Tariff § III.12.9.5 provides that, "[a]ll interconnections or groups of interconnections shall have equal rights in calculating individual tie benefits, with no grandfathering or incremental tie capability treatment."[65] However, the Joint Parties

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[62] Joint Parties April 5, 2011 Protest at 16.

[63] *Id.* at 18.

[64] *Id.*

[65] Joint Parties April 5, 2011 Protest at 19.

argue that the assumption of historical values that ISO-NE relies upon is, in practice, a grandfathering of perceived transfer capabilities of certain ties to the detriment of the Cross Sound Cable.

42. In their supplemental comments, the Joint Parties largely reiterate the arguments set forth in their protest.

43. Additionally, Joint Parties argue that the Commission should disregard ISO-NE's fundamentally misleading estimation of the Cross Sound Cable "capacity factor" as basis for suggesting that the Cross Sound Cable is not available to provide emergency assistance. Joint Parties also argue that the direction of flows over a directionally controlled facility does not affect its ability to provide emergency assistance. Its ability to provide emergency assistance is fundamentally a function of availability to transmit energy.

2. Tie Benefits Value of Northport-Norwalk Cables

44. The Joint Parties state that the ISO-NE decision not to calculate an individual tie benefit for the Northport-Norwalk Cables is flawed and contradicts any "logical" interpretation of the standard proposed by § III.12.9.5 of ISO-NE's Tariff revisions. Further, the Joint Parties state that there is ample support for treatment of the Northport-Norwalk Cables as a facility with discrete and material transfer capability and for identification of an appropriate individual contribution to the overall tie benefits from external control areas to New England.[66] As evidence of this discrete and material transfer capability, the Joint Parties point to the Northport-Norwalk Cables' controllable operation, ISO-NE's posting of Total Transfer Capability (TTC)[67] and Available Transfer Capability (ATC)[68] for the facility, and treatment of the Northport-Norwalk Cables in the ISO-NE/NYISO Coordination Agreement. The Joint Parties point to the fact that in daily market operations, ISO-NE routinely assigns a unique transfer limit to the Northport-Norwalk Cables scheduling interface and to the ISO-NE/NYISO scheduling interface comprised of the New York-New England AC Interconnections.[69] In both instances,

[66] Joint Parties April 5, 2011 Protest at 20.

[67] Total Transfer Capability is the amount of electric power that can be transferred over the interconnected transmission network in a reliable manner.

[68] Available Transfer Capability is the amount of electric power remaining in the physical transmission network for further commercial activity over and above already committed uses.

[69] Joint Parties April 5, 2011 Protest, Clarke Testimony at 12:10-19.

TTC is posted separately for imports and exports from the three New York interfaces: North Import, the Northport-Norwalk Cables, and the Cross Sound Cable.[70] Further, the Joint Parties state that the Northport-Norwalk Cables are explicitly acknowledged in the ISO-NE/NYSIO Coordination Agreement as a facility over which emergency assistance may be provided.[71] Finally, the Joint Parties argue that despite the evidence of ISO-NE's treatment of the Northport-Norwalk Cables as an individual connection, ISO-NE incorrectly asserts that the Northport-Norwalk Cables should be modeled together with the New York-New England AC Interconnections since they "operate in parallel to form a transmission interface in which there are significant overlapping contributions of each line towards establishing the transfer limit" and as a result, individual contributions cannot be assigned to interconnections within the group of AC ties.[72]

45. In its supplemental comments, Joint Parties contend that ISO-NE improperly relies upon a single relationship of flows between the Northport-Norwalk Cables and the New York-New England AC Interconnections to deny that the separately-scheduled Northport-Norwalk Cables have a discrete and material transfer capability requiring its separate assessment of contribution to tie benefits. Joint Parties argue that Mr. Clarke's affidavit includes a submission of the more current 2009-10 operating study showing that other contingencies, not the Pleasant Valley-Long Mt. 398 are the most severe limiting contingency. Further, Joint Parties argue that Mr. Clarke explains that in "no case are the normal operating limits of the [New York-New England AC Interconnections] and Northport-Norwalk Cables set in a way that allows the flows to go outside of the allowed operating range, or to create overloads." Joint Parties argue that ISO-NE fails to provide any arguments or information contesting Mr. Clarke's findings regarding the operating study contingencies or the fact that there is no overlapping contribution between the Northport-Norwalk Cables and the New York-New England AC Interconnections.[73]

3. Request to Establish a Hearing or Technical Conference

46. The Joint Parties state that ISO-NE and NEPOOL have failed to show that the proposed Installed Capacity Requirement values are just and reasonable and not unduly

[70] *Id.* at 12:10-19.

[71] ISO-NE Tariff, Attachment F Coordination Agreements, NYISO Coordination Agreement at Schedule C.

[72] Joint Parties April 5, 2011 Protest at 22.

[73] Joint Parties April0 29, 2011 Comments at 5-6.

discriminatory or preferential.[74] Given the highly technical matters raised in protest, which involve modeling assumptions and an understanding of operational practices associated with emergency assistance between ISO-NE and NYISO, the Joint Parties request that the Commission convene additional fact-finding proceedings, either through a technical conference or an evidentiary hearing. Finally, the Joint Parties express their concern that ISO-NE is using the reliability values of the Cross Sound Cable and the Northport-Norwalk Cables, but they are not being compensated under New England's reliability and resource adequacy pricing mechanism. Further, the Joint Parties allege that ISO-NE's refusal to recognize the reliability values of the Cross Sound Cable and the Northport-Norwalk Cables does not mean that reliability benefits do not exist. Ultimately, the Joint Parties opine that ISO-NE's failure to recognize the reliability benefits afforded to New England by these cables undermines Commission policy, harms consumers through an inaccurate calculation of the Installed Capacity Requirement for New England, and ultimately sends the wrong signal to the market regarding transmission investment.

C. ISO-NE's Answer

47. As an initial matter, ISO-NE seeks waiver of the Commission's 60-day notice requirement, arguing that good cause exists to grant waiver. ISO-NE states that the Installed Capacity Requirement value submitted in ISO-NE's March 8, 2011 filing is a critical input to the Forward Capacity Auction for the 2014/2015 Capacity Commitment Period, without which its ability to proceed with the fifth Forward Capacity Auction, scheduled to commence on June 6, 2011, would be significantly jeopardized.

48. ISO-NE states that tie benefits must be assumed conservatively because emergency assistance is not guaranteed. ISO-NE argues that while the Joint Parties would have ISO-NE assign tie benefits to the Cross Sound Cable and the Northport-Norwalk Cables based on their overly optimistic analysis of the individual interconnections, ISO-NE is charged with fitting the pieces into a broader picture that considers the reliability and operation of the grid on a system-wide basis. ISO-NE elaborates that such analysis must respect the inherent limitations on New England's ability to plan for the use of, and make use of in real-time, emergency assistance from tie benefits in the operation of the electric system. Furthermore, ISO-NE states that the tie benefits analysis must also be guided by the operational concerns raised by excessive reliance on emergency assistance, and the fact that there is no obligation for another

[74] *See, e.g., United Gas Pipe Line Co. v. Mobile Gas Serv. Corp.*, 350 U.S. 332 (1956); *Fed. Power Comm'n v. Sierra Pac. Power Co.*, 350 U.S. 348 (1956). *See, e.g., Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,076, at P 14, 35 (2007).

control area to make emergency energy available for tie benefits, in contrast to resources with a capacity supply obligation.[75] ISO-NE explains that it can only rely on the amount of excess capacity that is available to it in real-time in a neighboring control area after all of its reliability needs have been met.[76] ISO-NE states that this amount cannot be determined in advance of any emergency with any certainty. Further, ISO-NE states that even if capacity is available to be utilized as emergency assistance, system operators in the neighboring control areas must be able to dispatch the capacity in time for use within New England. Finally, ISO-NE states that capacity must be deliverable to New England, meaning that the power must be able to flow from the neighboring control area into New England. Notwithstanding the operating concerns and limitation on tie benefits, ISO-NE states that it has underscored that there is value to maintaining *some* level of tie benefits.[77]

49. ISO-NE states that its conservative approach to tie benefits is well supported in its review of the appropriate allocation of tie benefits to the Cross Sound Cable and in its treatment of the Northport-Norwalk Cables. ISO-NE states that it has identified real obstacles to Cross Sound Cable providing emergency assistance when needed. Additionally, ISO-NE argues that while the Joint Parties assert that ISO-NE is "confusing the existence of a relationship in flows to the occurrence of an overlapping contribution" in treating the Northport-Norwalk Cables as a group with the New York-New England AC Interconnections, the Joint Parties downplay the interdependencies in the operation of these interconnections that requires such treatment.[78] As an example, ISO-NE highlights the fact that while the Joint Parties point to the Northport-Norwalk Cables' controllable operation, ISO-NE's posting of TTC for the Northport-Norwalk Cables, and treatment of the Northport-Norwalk Cables in the ISO-NE/NYISO Coordination Agreement as evidence of the Northport-Norwalk's discrete and material transfer capability, the value of this interconnection is greatly diminished upon the loss of other ties.[79] As a result, ISO-NE states that its approach simply recognizes the facts. ISO-NE argues that the electrical characteristics of the interconnected system run counter to the Joint Parties' suggestion that they be compensated under their "best case scenario."

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[75] ISO-NE April 22, 2011 Filing at 9.

[76] *Id.*

[77] *Id.* at 10.

[78] *Id.*

[79] *Id.* at 11.

50. ISO-NE disputes the Joint Parties' argument that by exercising its rights under its coordination agreement with NYISO, ISO-NE could gain up to 330 MW of emergency assistance by increasing generation on Long Island to "replace" the deliveries of energy exports over the Cross Sound Cable and backing down actual flows over the Cross Sound Cable.[80] ISO-NE argues that the Joint Parties oversimplify their assumption that tie benefits could be gained by reducing load "through a simple, ramping up of generation levels by the NYISO on Long Island."[81] ISO-NE notes that there are operating concerns and limitations on tie benefits that may preclude the import of power into the New England Control Area. ISO-NE states that the fact that the outgoing flows over the Cross Sound Cable were backed down to allow for incoming power flows is insufficient to overcome a lack of excess capacity that is both available in real-time and able to be dispatched in time for use within New England. Accordingly, ISO-NE argues that, contrary to the Joint Parties assertion, the termination of exports from New England to Long Island is not comparable to bringing power into New England, and should not be viewed as "gaining significant, possibly 330 MW of emergency assistance."[82]

51. ISO-NE further disputes the Joint Parties' claim that ISO-NE should have given priority in its transfer capability study to the Cross Sound Cable rather than the New Haven Harbor generating unit. Specifically, ISO-NE argues that contrary to the Joint Parties' protest, (1) the New Haven Harbor unit and the Cross Sound Cable are not equivalent alternatives from the standpoint of reliability; (2) the New Haven Harbor unit's capacity factor does not provide any justification for allocating tie benefits to Cross Sound Cable; and (3) the Joint Parties' argument on capacity factor raises national implications because of the similarities between Commission-approved RTO and ISO interconnection procedures.

52. Further, ISO-NE alleges that the intent of the Joint Parties is to elevate the Cross Sound Cable to the same level of recognition as capacity resources and to be paid accordingly. ISO-NE argues that, by doing so, transmission lines like Cross Sound Cable will be in the position of receiving capacity payments but having absolutely no obligation in the New England capacity market. Additionally, ISO-NE states that although the Joint Parties repeatedly refer to the "reliability benefits" provided by the Cross Sound Cable, it is important to recognize that reliability benefits are not the same as capacity, and should not be treated equivalently. ISO-NE points out that in a number of prior proceedings, the

[80] ISO-NE April 22, 2011 Filing at 12.

[81] *Id.* at 11-12.

[82] *Id.* at 12.

Joint Parties have advocated that the Cross Sound Cable be treated comparably to the Hydro Quebec Phase II Interconnection.[83] ISO-NE states that in this proceeding, the Joint Parties are bluntly asserting that the Cross Sound Cable and the Northport-Norwalk Cables should receive compensation in the Forward Capacity Market for the reliability benefits that these interconnections afford to New England. ISO-NE argues that in doing so, the Joint Parties overlook the fact that the source of the consideration accorded to the Hydro Quebec Phase II Interconnection is a series of Commission rulings in which the Commission has determined that the Hydro Quebec Interconnection is entitled to unique treatment among the interconnections between New England and external control areas because of its unique facts. Furthermore, ISO-NE states that before the issue of compensation for tie benefits is addressed by the Commission, ISO-NE believes it is appropriate for the matter to be addressed through the stakeholder process. ISO-NE explains that stakeholder discussions have focused on whether and how to determine tie benefits for individual interconnections, and the question of compensation has yet to be directly addressed in that forum.

D. Commission Determination

53. The Commission will accept for filing ISO-NE's Installed Capacity Requirement, Hydro Quebec Interconnection Capability Credits, and related values, for use in the fifth Forward Capacity Auction. We find the proposed values to be just and reasonable and calculated in accordance with ISO-NE's Tariff and Commission-approved methodology. For the reasons discussed, by issue, below, we find that ISO-NE properly took a conservative approach to establishing tie benefits, considering the reliability and operation of the grid on a system-wide basis as well as individual interconnections and the limitations of tie benefits, as compared to resources with capacity supply obligations, for purposes of reliability. In making this determination, we reject the Joint Parties' arguments to the contrary.

1. Cross Sound Cable Tie Benefits and Transfer Capability

a. Statements Regarding Reliability

54. The Joint Parties argue that ISO-NE erred when it assigned a zero MW tie benefits value to the Cross Sound Cable. The Joint Parties state that ISO-NE's own statements

[83] ISO-NE Apr. 22, 2011 Filing at 20. *See, e.g.*, ISO New England Inc. and New England Power Pool Participants Committee, Motion to Intervene and Comments of LIPA, Docket No. ER08-41-000, at 6 (filed Nov. 1, 2007) (As LIPA has frequently asserted, there is no justification for using different methodologies to compute the tie benefits of the Cross Sound Cable and Hydro Quebec Interconnections.).

and practices demonstrate the existence of tie benefits over the Cross Sound Cable. The Joint Parties also state that the dispatch scenarios used by ISO-NE to evaluate the Cross Sound Cable were flawed. Nevertheless, the Joint Parties claim that the modeling scenarios run by ISO-NE do show that measurable emergency assistance is available through the Cross Sound Cable. We disagree with the Joint Parties' arguments and assertions.

55. Prior general statements and practices that the Joint Parties rely on to support their assertion that ISO-NE has admitted in other forums that the Cross Sound Cable provides tie benefits are not included in the record of the instant proceeding and therefore are not relevant. ISO-NE filed specific tie benefits values, transfer capability values, along with other supporting materials for the interconnections, including the Cross Sound Cable, and it is these values and supporting materials, and their reasonableness, that are relevant in the instant proceeding. The transfer capability values derived from the modeling scenarios must be considered in accordance with the procedures as provided in the ISO-NE Tariff. ISO-NE states that its transfer capability analysis is conservative because tie benefits are intended for contingency or emergency situations. We reject the Joint Parties' assertion that if some modeling scenarios show some transfer capability, then ISO-NE is required to recognize this transfer capability despite another scenario showing zero transfer capability. Under ISO-NE's market rules, the transfer capability of all external interconnections with New England must be determined using ISO-NE's most recent transmission transfer capability analysis as calculated pursuant to the current Operating and Planning Procedures.[84] We find that ISO-NE properly incorporated the results of all five generation scenarios and, from those scenarios, concluded that the Cross Sound Cable would provide minimal incremental value when capacity network resources are producing at their committed capacity. ISO-NE's conclusion is reasonable because the units modeled have committed to making this energy available to ISO-NE[85] and the units modeled are critical sources of capacity for the New England region.

b. Transfer Capability Modeling and Assumptions

56. The Joint Parties assert that ISO-NE improperly modeled the dispatch scenarios used to evaluate the Cross Sound Cable. We, however, find that ISO-NE properly reviewed the operation of the Cross Sound Cable in conjunction with the appropriate study area associated with the five dispatch scenarios and the varying operational states of several Capacity Network Resource generation facilities in that area. The dispatch

[84] ISO-NE Tariff, § III.12.9.2.4 (1.0.0).

[85] ISO-NE Tariff, § III.13.6.1.2.1 (1.0.0).

scenarios represent possible generator outage contingencies that may impact the transfer capability of the Cross Sound Cable. The dispatch scenarios used a study area that included the following generation facilities: Norwalk Harbor, Milford Power, Bridgeport Harbor, Wallingford, Devon, and New Haven Harbor. The dispatch scenarios used peak periods and took into account 493 MW of demand response.

57. While the evaluations under some dispatch scenarios resulted in measurable transfer capability, no transfer capability is available when the New Haven Harbor facility is modeled as operating at its Capacity Supply Obligation. Based on this finding, ISO-NE determined that it was not possible to concurrently import power over the Cross Sound Cable and therefore, the Cross Sound Cable provides no measurable transfer capability.

58. The Joint Parties assertions that tie benefits are available because of the administrative de-rating and the availability of the ISO-NE/NYISO Coordination Agreement solely for the purpose of calculating tie benefits values are unpersuasive. According to ISO-NE, recalling capacity exports may require ISO-NE to shed load to honor the export.[86] The Joint Parties have failed to show the benefit in shedding load by ISO-NE to allow the Cross Sound Cable to incur a transfer capability. Thus, we reject the Joint Parties' assertions.

59. The Joint Parties argue that ISO-NE's modeling of the New Haven Harbor unit at its Capacity Supply Obligation level is unrealistic because of the unit's age and physical charactieristics. We disagree and find that ISO-NE's modeling of the New Haven Harbor unit at its Capacity Supply Obligation level is proper because ISO-NE's criteria and testing associated with a facility's Capacity Supply Obligation provides assurances that the unit will perform at this expected level. Further, to the extent the Joint Parties argue

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[86] Market Rule 1, Section III.1.10.7(i) of ISO-NE's Tariff, states, in part:

> When action is taken by the ISO to reduce External Transaction sales due to a system wide capacity deficient condition or the forecast of such a condition, and an external transaction sale designates a resource, or pro-ration of a resource, without a capacity supply obligation, to support the transaction, the ISO will review the status of the designated resource. If the designated resource is self-scheduled and online at a megawatt level greater than or equal to the external transaction sale, that external transaction sale will not be reduced until such time as Regional Network Load within the New England Control Area is also being reduced. When reductions to such transactions are required, the affected transactions shall be reduced pro-rate.

that the New Haven Harbor unit is incapable of performing as rated, that issue is beyond the scope of this proceeding. In any case, we note, the capability of the New Haven Harbor unit is tested annually through the resource audit process.[87] If the New Haven Harbor unit fails to meet its stated capability, it risks being de-rated.[88]

60. The Joint Parties assert that the eligibility of new generation to be connected at the New Haven Harbor location indicates that some transfer capability exists over the Cross Sound Cable. The Joint Parties point to an interconnection analysis performed by ISO-NE that shows that 133 MW of new generation may be interconnected to the transmission system near the location Cross Sound Cable interconnects after minimal upgrades. The Commission finds that the interconnection analysis is not a substitute for the transfer capability calculation and therefore we reject this assertion. Furthermore, the interconnection analysis performed by ISO-NE for the new generation is not before the Commission in this proceeding. Therefore, we will refrain from commenting on its validity. Notwithstanding the outcome of the interconnection analysis, the transfer capability analysis performed by ISO-NE of the Cross Sound Cable, which accounts for the adjacent New Haven Harbor unit, demonstrates that the Cross Sound Cable provides no transfer capability, as explained above.

2. Undue Discrimination Against the Cross Sound Cable

61. The Joint Parties further assert that the transfer capability calculations performed by ISO-NE were unduly discriminatory toward the Cross Sound Cable, while being preferential toward the other interconnections. The Joint Parties state that Cross Sound Cable was the only interconnection subject to a separate and complete transfer capability analysis. Other interconnections, they argue, were subject to a partial analysis, or no analysis at all. We find the Joint Parties' argument to be unconvincing.

62. ISO-NE submitted for filing the following transfer capability values: Hydro Quebec Phase I/II HVDC Transmission Facilities 1,400 MW, Highgate Interconnection 200 MW, New Brunswick Interconnections 700 MW, New York-New England AC Interconnections 1,400 MW, and the Cross Sound Cable 0 MW. These values were calculated using the method provided in ISO-NE's Tariff § III.12.9.2.4 (1.0.0), which incorporates by reference ISO-NE planning procedures and models the system using a 90/10 peak load condition. Although this method is uniformly applied, the actual calculations may vary because the analysis also takes into account the design of the

[87] *See* ISO New England Manual for Registration and Performance Auditing, at section 2.

[88] *Id.*

interconnection, including system upgrades that may increase the transfer capability and system limitations that may decrease transfer capability.

63. Transfer capability value calculations take into account the inherent characteristics of the interconnection, and as a result, four of the interconnections experienced a downgrade in transfer capability. The Hydro Quebec Phase I/II HVDC Interconnection transfer capability value is subject to a single source limitation because of operating limitations in PJM Interconnection, L.L.C. (PJM) and NYISO. The single source limitation[89] causes a reduction in the interconnection's transfer capability value from 2,000 MW to 1,400 MW. The Highgate Interconnection transfer capability value is reduced from 225 MW to 200 MW to account for system limitations on the Quebec side. The New Brunswick Interconnections transfer capability value is reduced from 1,000 MW to 700 MW because internal limitations in the Maine transmission system prohibit the simultaneous operation of certain generators. Furthermore, two transmission facilities that are part of the New Brunswick Interconnections are limited by their design to 700 MW of transfer capability. The New York-New England AC Interconnections, comprised of multiple AC interties, are assigned a transfer capability value of 1,400 MW. And, as previously discussed, the Cross Sound Cable is assigned a transfer capability value of Zero MW because of the operation of the New Haven Harbor generator unit.

64. In addition to the single source limitation, the Hydro Quebec Phase I/II HVDC Interconnection is also subject to other specific tariff provisions that affect its tie benefits calculation. The determination of tie benefits available through the Hydro Quebec Phase I/II HVDC Interconnection is based on the availability of all generating capacity from Quebec that can be accessed through this interconnection. We agree with ISO-NE that equivalent treatment of the Cross Sound Cable may not be appropriate because, unlike the tie benefits ISO-NE receives from Quebec, tie benefits received from NYISO travel over multiple interconnections, including the Cross Sound Cable. Therefore, with respect to the circumstances described here, Hydro Quebec Phase I/II HVDC Interconnection and the Cross Sound Cable are not similarly situated.

65. Because the transfer capability values of the five interconnections were calculated using the same methodology, including adjustments in transfer capability values due to interconnection design and system limitations specific to each interconnection, we find no undue discrimination against the Cross Sound Cable, nor do we find preferential treatment afforded to the remaining interconnections.

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[89] The single source limitation determines the maximum size of a single resource contingency with the New England Control Area to prevent criteria violations on transmission facilities located in PJM or New York Control Areas.

3. The Northport-Norwalk Cables

66. The Joint Parties argue that ISO-NE erred when it did not calculate an individual tie benefits value for the Northport-Norwalk Cables.[90] The Joint Parties state that the Northport-Norwalk Cables have a discrete and material transfer capability, that they are a separate interconnection, that ISO-NE improperly treats interdependent flows as overlapping contributions, and that ISO-NE acknowledges that they provide an individual tie benefit contribution. We disagree with the Joint Parties and find that ISO-NE appropriately grouped the Northport-Norwalk Cables together with the New York-New England AC Interconnections for the purpose of calculating tie benefits.

67. ISO-NE market rules require tie benefits to be calculated for an individual interconnection or group of interconnections to the extent that a discrete and material transfer capability can be identified.[91] Conversely, AC interconnections that operate in parallel with significant overlap between the lines in their contribution to the total transfer limit shall be modeled as a single group.[92] Under ISO-NE's analysis, the Northport-Norwalk Cables and the New York-New England AC Interconnections are modeled as a single group because of the interdependency present between these interties. The interdependency consists of the significant amount of additional power flow that the Northport-Norwalk Cables must handle when another interconnection line is disabled. As explained in testimony attached to ISO-NE's filing:

> [T]he loss of the 345 kV interconnection between the Pleasant Valley Substation in New York and the Long Mountain Switching Station in Connecticut (the "398 line") directly impacts the ability to import energy into New England across the Northport-Norwalk Cables. Due to the electrical characteristics of the interconnected system, upon the loss of the 398 line, approximately 40 [percent] of the power flow which the 398 line was carrying flows over the Northport-Norwalk Cables. Therefore, if some value were to be assumed across the Northport-Norwalk Cables into New England, the capability of the remaining AC interconnections would have to be reduced by a value larger than the amount assumed on the

[90] The Northport-Norwalk Cables are the 138 kV transmission cables between the Northport substation in New York and the Norwalk substation in Connecticut, and are designated by ISO-NE as part of the New York-New England AC Interconnections.

[91] ISO-NE Tariff, § III.12.9.5 (1.0.0).

[92] *Id.*

> Northport-Norwalk Cables, reducing the available transfer capability between New York and New England across the AC interconnections. [For] example, if 100 MW into New England was assumed on the Northport-Norwalk Cables, the capability of the remaining AC interconnections would have to be reduced by approximately 250 MW (100 MW divided by 0.4 yields 250 MW).[93]

This example demonstrates the parallel operation and interdependency of the Northport-Norwalk Cables and the New York-New England AC Interconnections. Accordingly, the Commission finds that ISO-NE properly grouped together the Northport-Norwalk Cables with the New York-New England AC Interconnections. ISO-NE has made an adequate showing that these interconnections meet the standard for grouping, as set forth in the ISO-NE Tariff.

4. Request for a Hearing or Technical Conference

68. The Joint Parties also request a hearing or technical conference to address the concerns raised in their protest. We deny the Joint Parties' request given the extensive record developed by both ISO-NE and the Joint Parties and their various submissions in this case, which are adequate to make a determination on the merits.[94]

69. In sum, the Commission will accept for filing ISO-NE's Installed Capacity Requirement, Hydro Quebec Interconnection Capability Credits, and related values, effective May 13, 2011, for use in the fifth Forward Capacity Auction. We note, however, that requests for rehearing of the Commission's February 28, 2011 Order that accepted the tie benefits methodology, which ISO-NE seeks to implement here, remain pending. Accordingly, our acceptance of ISO-NE's proposal here is subject to the outcome of the proceeding in Docket No. ER11-2580-001.

The Commission orders:

The proposed Installed Capacity Requirement, Hydro Quebec Interconnection Capability Credits, and related values are hereby accepted, to become effective

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[93] ISO-NE March 8, 2011 Filing, Kowalski-Oberlin Testimony at 14:21-15:11.

[94] *See Moreau v. FERC*, 982 F.2d 556, 568 (D.C. Cir. 1993); *Pioneer Transmission, LLC*, 130 FERC ¶ 61,044, at P 35 (2010) ("The Commission need not conduct an evidentiary hearing when there are no disputed issues of material fact, and even where there are disputed issues, the Commission need not conduct a hearing if they may be adequately resolved on the written record.").

May 13, 2011, subject to the outcome of the pending request for rehearing in Docket No. ER11-2580-001, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.