

148 FERC ¶ 61,253
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Chairman;
Philip D. Moeller, Tony Clark,
and Norman C. Bay.

ISO New England Inc.

Docket No. ER12-1643-004

ORDER ON COMPLIANCE AND EXTENDING EFFECTIVE DATE

(Issued September 30, 2014)

1. On August 1, 2014, ISO New England Inc. (ISO-NE) submitted a compliance filing to revise its Transmission, Markets and Services Tariff (Tariff) to extend the effective date of its frequency regulation market rules and to update certain Tariff records to reflect intervening filings and Commission orders. In this order, we grant ISO-NE an extension of time to and including March 31, 2015, to implement the frequency regulation market rules, and we accept ISO-NE's instant Tariff revisions to be effective March 31, 2015, as requested.

I. Background

2. On October 20, 2011, the Commission issued Order No. 755 to address market design issues involving compensation for frequency regulation service provided by participants in the organized wholesale electricity markets.¹ On June 20, 2013, the Commission accepted ISO-NE's proposed frequency regulation market rule changes as compliant with Order No. 755.² On July 29, 2013, the Commission granted ISO-NE an extension of time to and including October 1, 2014, for ISO-NE to implement its frequency regulation market rule changes.³

¹ *Frequency Regulation Compensation in the Organized Wholesale Power Markets*, Order No. 755, FERC Stats. & Regs. ¶ 31,324 (2011), *reh'g denied*, Order No. 755-A, 138 FERC ¶ 61,123 (2012).

² *ISO New England Inc. and New England Power Pool*, 143 FERC ¶ 61,250 (2013); *see also ISO New England Inc. and New England Power Pool Participants Committee*, Docket No. ER12-1643-003, at 2 (Oct. 7, 2013) (delegated letter order).

³ *See Notice of Extension of Time*, Docket No. ER12-1643-002 (issued July 29, 2013).

3. On March 20, 2014, in Docket No. ER14-1537-000, ISO-NE and the New England Power Pool Participants Committee (NEPOOL) jointly proposed several modifications to the frequency regulation market rules that the Commission had previously accepted but that had not yet become effective. These changes included, among other things, a proposal to use a single dispatch method for all frequency regulation market resources, rather than use different dispatch methods for different resources, i.e., one method for generation resources and another method for Alternative Technology Regulation Resources.⁴ Beacon Power LLC and the Electricity Storage Association protested ISO-NE's proposal, arguing that the changes unduly discriminated against limited-energy resources and thereby favored traditional generating resources.

4. On May 20, 2014, the Commission rejected ISO-NE's proposed rule changes in Docket No. ER14-1537-000, finding that ISO-NE had not shown the proposed Tariff revisions to be just and reasonable, and not unduly discriminatory or preferential.⁵ The Commission explained that ISO-NE's proposed Tariff revisions would restrict the ability of limited-energy resources to participate in the frequency regulation market to the fullest extent possible while other resources would face no such restrictions.⁶

II. ISO-NE's Filing

5. ISO-NE states that, in rejecting ISO-NE's proposed Tariff revisions in Docket No. ER14-1537-000, the Commission's May 20, 2014 Order identified an issue regarding limited-energy resources that the currently accepted frequency regulation market rules do not address. ISO-NE states that it intends to submit Tariff revisions to address that issue, but that doing so will require extending the effective date for the frequency regulation market rule changes beyond October 1, 2014. Therefore, ISO-NE requests that the Commission extend the deadline for the effective date of its frequency regulation market rules to March 31, 2015.

6. According to ISO-NE, the Commission expressed concerns in the May 20, 2014 Order regarding the ability of limited-energy resources to participate in the frequency regulation market in a not unduly discriminatory manner. ISO-NE states that the

⁴ On August 5, 2008, the Filing Parties submitted tariff revisions establishing the Alternative Technologies Regulation Pilot Program in order to permit Market Participants with resources incorporating new, alternative technologies to provide and be paid for frequency regulation services on a trial basis. *See ISO New England Inc. and New England Power Pool*, 129 FERC ¶ 61,213, at P 4 (2009).

⁵ *ISO New England Inc.*, 147 FERC ¶ 61,135 (2014) (May 20, 2014 Order).

⁶ *Id.* P 26.

Commission's concerns relate to the potential for limited-energy resources to "fade,"⁷ which results in limited-energy resources, but not generation resources, being required to limit the amount of capacity they offer in order to avoid potential penalties for non-performance due to drift or fading. However, according to ISO-NE, the frequency regulation market rules accepted by the Commission to be effective on October 1, 2014, also do not include a mechanism to address this issue.⁸

7. To address these concerns, ISO-NE has revised its implementation plan. ISO-NE believes that the concern regarding fading can be best addressed by modifying the accepted rules to provide for the use of an "energy neutral" signal as part of the dispatch method used by non-generating resources. ISO-NE states that it will present Tariff revisions incorporating an energy neutral signal to its stakeholders.⁹

8. ISO-NE states that, with the revised implementation plan, the frequency regulation market rules can no longer be effective October 1, 2014. ISO-NE states that, if the Commission accepts the revised frequency regulation market changes outlined above, ISO-NE will thereafter begin the remaining software development and related work needed for implementation.¹⁰

9. ISO-NE further states that, in addition to the software work necessary to support the revised frequency regulation market rules, there are other factors affecting the timing for implementation of the frequency regulation market rules. According to ISO-NE, it is focused on a number of relatively large projects, which include the offer flexibility

⁷ Fading, also called "drift," refers to when a storage resource either fills up or runs out of energy and is therefore unable to follow Automatic Generation Control dispatch instruction until such time as the Area Control Error reverses and the resource is dispatched in the opposite direction. *See* May 20, 2014 Order, 147 FERC ¶ 61,135 at P 16 n.24.

⁸ ISO-NE Transmittal at 3-4.

⁹ ISO-NE Transmittal at 4. ISO-NE filed the Tariff revisions to incorporate an energy neutral signal on September 22, 2014, in Docket No. ER14-2918-000. *See* ISO-NE, Tariff Filing, Docket No. ER14-2918-000 (filed Sept. 22, 2014). The merits of that filing will be addressed in a subsequent order.

¹⁰ ISO-NE Transmittal at 4-5.

changes,¹¹ the 2014-2015 Winter Reliability Program,¹² the two-settlement forward capacity market design,¹³ and the forward capacity market sloped demand curve.¹⁴ ISO-NE states that it is focused on completing these projects during the last quarter of 2014 and prior to the upcoming winter because they are very important to the New England region from both reliability and economic efficiency perspectives.

10. ISO-NE asserts that, although the frequency regulation market could perhaps be implemented in early 2015, it is appropriate to implement the market on March 31, 2015, “the end of the winter peak season, so as to avoid adding to control room burdens by implementing a change to the real-time markets (energy, reserves and frequency regulation) in the middle of what has become the most stressed period of the year in New England from a system operations perspective.”¹⁵ ISO-NE states that it has discussed this filing with the four active participants in the Alternative Technologies Regulation Pilot Program and they have all indicated that they do not oppose deferring the implementation of the new regulation market until March 31, 2015.¹⁶

¹¹ See *ISO New England Inc. and New England Power Pool*, 145 FERC ¶ 61,014 (2013), *order on compliance*, 147 FERC ¶ 61,073 (2014). The offer flexibility changes refer to a set of market rule changes that will allow market participants to, among other things, submit hourly reoffers in the real-time market and submit offers that vary by hour.

¹² See *ISO New England Inc. and New England Power Pool*, 148 FERC ¶ 61,179 (2014). The 2014-2015 Winter Reliability Program includes market monitoring changes along with incentives for dual-fuel capability, unused fuel inventory, and demand response.

¹³ See *ISO New England Inc.*, 147 FERC ¶ 61,172 (2014). The two-settlement capacity market design refers to a set of rules intended to address resource performance problems by linking capacity revenues to resource performance during reserve deficiencies through a two-settlement process.

¹⁴ See *ISO New England Inc. and New England Power Pool*, 147 FERC ¶ 61,173. The changes implement a system-wide, sloped demand curve, along with a limited renewable resource exemption and an extension of the clearing price lock-in period for new resources from five years to seven years.

¹⁵ ISO-NE Transmittal at 5.

¹⁶ ISO-NE Transmittal at 6. These participants include Ameresco Inc., Beacon Power, LLC, Demansys Energy, Inc. and VCharge, Inc.

11. Lastly, ISO-NE explains that, because it is now requesting that the frequency regulation market rules become effective *after* the offer flexibility changes are implemented, certain Tariff provisions that were originally included in the frequency regulation market rules that the Commission previously accepted are no longer necessary because they are also included in the Tariff revisions implementing the offer flexibility changes. Therefore, ISO-NE states that the instant filing contains Tariff revisions that are necessary to reflect the change in sequence in the implementation of the frequency regulation market rules and the offer flexibility changes.

III. Notice of Filing and Responsive Pleadings

12. Notice of the filing was published in the *Federal Register*, 79 Fed. Reg. 46,429 (2014), with interventions and protests due on or before August 22, 2014.

13. On August 22, 2014, NEPOOL filed comments in support of ISO-NE's request to extend the frequency regulation market rules' effective date to March 31, 2015. According to NEPOOL, ISO-NE must choose between implementing the frequency regulation market rules *or* the offer flexibility changes before this winter, and NEPOOL supports ISO-NE's decision to prioritize the offer flexibility changes.

IV. Commission Determination

14. We grant ISO-NE's request to extend the implementation date of the frequency regulation market rules to March 31, 2015. ISO-NE has revised its implementation plan to enable it to file Tariff revisions that provide for an energy neutral signal, which will address the concern we articulated in the May 20, 2014 Order regarding limited-energy resources' ability to avoid fading while providing frequency regulation service. These changes require additional software and a change in the sequence of ISO-NE's planned Tariff revisions to permit offer flexibility changes to precede the implementation of the frequency regulation market rules. Therefore, we find good cause to allow ISO-NE additional time to submit revisions to the frequency regulation market rules that it believes are necessary to eliminate unnecessary barriers to entry for limited-energy resources. Accordingly, we grant ISO-NE an extension of time to and including March 31, 2015, to implement the frequency regulation market rules, and we accept ISO-NE's instant Tariff revisions to become effective March 31, 2015, as requested.

The Commission orders:

(A) ISO-NE is hereby granted an extension of time to and including March 31, 2015 to implement the frequency regulation market rules, as discussed in the body of this order.

(B) ISO-NE's Tariff revisions are hereby accepted to become effective March 31, 2015, as requested, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.