150 FERC ¶ 61,120
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

February 20, 2015

In Reply Refer To:
ISO New England Inc. and New England Power Pool Participants Committee
Docket No. ER15-716-000

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Dear Ms. Wolfson and Mr. Lombardi:

1. On December 23, 2015, ISO New England Inc. (ISO-NE) and the New England Power Pool Participants Committee (NEPOOL) (together, Filing Parties) jointly filed revisions[1] to the ISO-NE Transmission, Markets and Services Tariff (Tariff) to allow new On-Peak Demand Resources, which include distributed solar and wind generation, to qualify for the Renewable Technology Resources exemption from the Forward Capacity Market's minimum offer price rules. As discussed below, the Commission accepts the proposed Tariff revisions, to become effective February 21, 2015, as requested.

2. The capacity market's minimum offer price rules prohibit a Market Participant from offering a new resource into the Forward Capacity Market at a price lower than

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[1] ISO New England Inc., ISO New England Inc. Transmission, Markets and Services Tariff, I.2, I.2 Rules of Construction; Definitions, 67.0.0, III.13.1, III.13.1 Forward Capacity Auction Qualification, 21.0.0, and III.13.2, III.13.2 Annual Forward Capacity Auction, 18.0.0.

ISO-NE's estimate of that resource's competitive costs. Filing Parties state that in May 2014, the Commission approved a limited exemption from the minimum offer price rules for Generating Capacity Resources that qualify as Renewable Technology Resources.[2] This exemption places a system-wide 200 MW cap on the amount of new resources that can be designated as Renewable Technology Resources in each Forward Capacity Auction and allows any unused portion of the 200 MW annual limit to carry forward for up to two years, with the total exemption never exceeding 600 MW.[3]

3. Filing Parties state that the rationale used in accepting the Renewable Technology Resources Exemption for Generating Capacity Resources applies to new On-Peak Demand Resources[4] that are subsidized under a state renewable or alternative energy portfolio standard or state renewable energy goal, and, thus, they also should have the opportunity to seek designation as a Renewable Technology Resource. Consequently, Filing Parties propose to revise the definition of Renewable Technology Resource to include On-Peak Demand Resources that meet the criteria outlined in Tariff sections I.2.2 and III.13.1.1.1.7.[5] Filing Parties explain that the proposed Tariff revisions also make clear that every asset that is part of an On-Peak Demand Resource must satisfy each

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[2] *ISO New England Inc. and New England Power Pool Participants Committee,* 147 FERC ¶ 61,173, at P 81 (2014).

[3] Transmittal at 4.

[4] An On-Peak Demand Resource is a type of non-dispatchable ("passive") demand resource that neither receives nor responds to Dispatch Instructions (as opposed to dispatchable, "active" demand resources, which are required to respond to Dispatch Instructions). On-Peak Demand Resources are often comprised of Distributed Generation, Energy Efficiency, or Load Management assets. Small- scale solar and wind generators, for example, tend not to be dispatchable, and so are often registered in the Forward Capacity Market as On-Peak Demand Resources. Transmittal at 5 (citing Tariff § 1.2.2).

[5] Under the existing rules, to qualify as a Renewable Technology Resource, a resource must: (1) receive out-of-market revenue supported by a state- or federally-regulated rate, charge or other regulated cost recovery mechanism; (2) qualify as a renewable or alternative energy generating resource under any New England state's mandated renewable or alternative energy portfolio standards or, in states without a standard, qualify under that state's renewable energy goals as a renewable resource; and (3) participate as a New Generating Capacity Resource in a Forward Capacity Auction for a Capacity Commitment Period beginning on or after June 1, 2018 (that is, in the ninth Forward Capacity Auction or after). Resources must be geographically located in the state in which they qualify. Transmittal at 4 (citing Tariff §§ 1.2.2 and III.13.1.1.1.7).

Renewable Technology Resource requirement. Filing Parties state that the revisions do not change the 200 MW annual cap or any other aspect of the Renewable Technology Resource exemption.[6]

4. Notice of Filing Parties' proposed Tariff revisions was published in the *Federal Register*, 80 Fed. Reg. 215 (2015), with interventions and protests due on or before January 13, 2015. Exelon Corporation, NRG Companies, Electric Power Supply Association, Entergy Nuclear Power Marketing, Northeast Utilities Service Company, and New England States Committee on Electricity submitted timely motions to intervene. New England Power Generators Association (NEPGA) filed a timely motion to intervene and comments. On January 28, 2015, ISO-NE filed an answer to NEPGA's comments. On February 4, 2015, NEPGA filed an answer to ISO-NE's answer. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2014), prohibits an answer to a protest or an answer unless otherwise ordered by the decisional authority. We will accept ISO-NE's and NEPGA's answers because they have provided information that assisted us in our decision-making process.

5. In its comments, NEPGA states that a reduction in the Installed Capacity Requirement (ICR) value due to distributed generation forecasts has an effect from the demand side similar to the effect the Renewable Technology Resource exemption has from the supply side, namely, the suppression of market clearing prices due to the uneconomic displacement of otherwise economic capacity resources.[7] NEPGA argues that this effect could be exacerbated if the same resources used to reduce the ICR also are granted a Renewable Technology Resources exemption. Accordingly, NEPGA states that it does not oppose the instant proposal, as long as the cap on the exemption does not exceed the annual 200 MW per year threshold, and future Tariff changes do not provide further opportunities to bypass ISO-NE's market power protections through a reduction in the ICR or otherwise. NEPGA recognizes a reduction in the ICR is not before the Commission in this proceeding but states that the two issues are linked.[8] In its answer, ISO-NE reiterates that neither the 200 MW annual limit on resources that may qualify as Renewable Technology Resources nor any aspect of the ICR has been revised or are at issue in this proceeding, and that NEPGA's concerns will be discussed in the stakeholder

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[6] Transmittal at 5.

[7] *Id.* at 6-7 (citing *ISO New England Inc.*, 150 FERC ¶ 61,003 (2015)).

[8] NEPGA Comments at 6-7.

process.[9] In its response to ISO-NE's answer, NEPGA clarifies that it is requesting that the Commission examine the cumulative effect of multiple rule changes that cause a common market consequence, including the proposed change in the Renewable Technology Resource definition and the Commission's discussion of a reduction in the ICR.[10]

6. We will accept the Filing Parties' proposed Tariff revisions to allow new On-Peak Demand Resources to qualify for the Renewable Technology Resources exemption. We find that the revisions recognize and accommodate state renewable or alternative energy policy objectives while limiting the resulting price impacts on the capacity market, and are consistent with the Commission's acceptance of the initial Renewable Technology Resources exemption. NEPGA raises a concern that multiple market rule changes could have a cumulative effect on the functioning of the Forward Capacity Market; however, we find this concern to be speculative at this time. We encourage NEPGA, as ISO-NE noted in its answer, to raise these issues in the stakeholder process.

7. The proposed Tariff revisions are hereby accepted for filing, effective February 21, 2015, as requested, as discussed in the body of this order.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

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[9] ISO-NE Answer at 2.

[10] NEGPA Answer at 3.