

151 FERC ¶ 61,183  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

ISO New England Inc.

Docket No. ER15-1462-000

ORDER ACCEPTING FILING

(Issued May 29, 2015)

1. In this order, the Commission accepts a filing by ISO New England Inc. (ISO-NE) that identifies two potential new boundaries for Capacity Zones for ISO-NE's tenth Forward Capacity Auction (FCA 10), to become effective May 29, 2015.

**I. Background**

**A. Forward Capacity Market**

2. ISO-NE operates a Forward Capacity Market (FCM) that procures capacity on a three-year forward basis. Each year, capacity suppliers make offers into an FCA in which ISO-NE procures the amount of capacity needed in a one-year period (the Installed Capacity Requirement). Suppliers of the capacity that clears each FCA are committed to, and receive payment for, providing capacity for that one-year period three years in the future. FCA 10 will take place in February 2016 and will procure capacity for the 2019-2020 Capacity Commitment Period.

3. The FCM design incorporates locational pricing, in which Capacity Zones are modeled as either import- or export-constrained, in order to permit zonal price separation when binding constraints arise. Section III.12.3 of ISO-NE's Transmission, Markets and Services Tariff (Tariff) requires ISO-NE to file with the Commission, pursuant to section 205 of the Federal Power Act (FPA),<sup>1</sup> the proposed identification of potential new Capacity Zones when the boundaries of the potential new Capacity Zones differ from the

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<sup>1</sup> 16 U.S.C. § 824d (2012).

boundaries of existing Load Zones or Capacity Zones. In order to be used in a given FCA, any new potential Capacity Zone boundary must have been accepted by the Commission prior to the Existing Capacity Qualification Deadline of the applicable FCA. For FCA 10, the Existing Capacity Qualification Deadline is June 1, 2015.

**B. Instant Filing**

4. ISO-NE states that the current filing represents the first step in a two-step process for modeling a new Capacity Zone in an FCA. ISO-NE states that, if the Commission approves the identified boundaries, then, in the second step, the objective criteria specified in the ISO-NE Tariff section III.12.4(b) will be used to determine whether the potential zones will be modeled as separate Capacity Zones in FCA 10. ISO-NE explains that the outcome of that determination will be addressed in a pre-FCA informational filing made by ISO-NE pursuant to its Tariff section III.13.8.1(a). ISO-NE notes that it will make that filing with the Commission in early November 2015.

5. ISO-NE notes that it modeled the following four Capacity Zones in the ninth FCA (FCA 9), held in February 2015 for the 2018-2019 Capacity Commitment Period: Northeastern Massachusetts /Boston (NEMA/Boston), Southeast Massachusetts/Rhode Island (SEMA/Rhode Island), Connecticut, and Rest-of-Pool. The Rest-of-Pool Capacity Zone includes West/Central Massachusetts, Vermont, and New Hampshire. In its filing, ISO-NE proposes two new potential Capacity Zones. One of the new potential Capacity Zones is a combination of the existing NEMA/Boston Capacity Zone and the SEMA/Rhode Island Capacity Zone (collectively, Southeastern New England Capacity Zone, or SENE). The other potential new Capacity Zone is a combination of the existing Maine, New Hampshire and Vermont Load Zones (together, Northern New England Capacity Zone). ISO-NE states that the SENE Capacity Zone is proposed to be an import-constrained capacity zone, while the Northern New England Capacity Zone is proposed to be an export-constrained Capacity Zone. ISO-NE explains that there are no changes to the boundaries associated with the West/Central Massachusetts or Connecticut portions of the system.

6. ISO-NE states that it started with the Capacity Zones from FCA 9 and used a variety of inputs and assumptions to perform the transmission transfer capability assessment in relation to FCA 10. For example, the power flow model used to identify the transfer capability utilized the forecast 90/10 peak load conditions for 2019. Additionally, consistent with the requirements of section III.12.4(b) of the Tariff, ISO-NE took into account any rejected Static and Dynamic De-List Bids from FCA 9. ISO-NE explains that the generation units associated with these de-list bids and Non-Price

Retirement Requests were modeled for purposes of the analysis as “out-of-service.”<sup>2</sup> Furthermore, the assessment modeled as “in service” all certified transmission upgrades accepted by ISO-NE, and considered both first contingency (N-1) and second contingency (N-1-1) conditions in accordance with North American Electric Reliability Corporation (NERC), Northeast Power Coordinating Council (NPCC) and ISO-NE criteria.<sup>3</sup>

7. ISO-NE states that the constraints observed in the transfer of power into the Southeastern New England area were found to be on or near the interface of the boundary formed by the combined existing SEMA/Rhode Island and NEMA/Boston Capacity Zones.<sup>4</sup> ISO-NE states that these constraints were observed for the contingency loss of other transmission elements on or near the boundary formed by the combination of the two Capacity Zones. In other words, power can generally flow freely within this new zone, but imports into the zone remain constrained. These constraints are such that new qualified resources located in either zone would be helpful in addressing the overall constraints. That is, new resources in SEMA/Rhode Island would be helpful in unloading the constraints expected on the northern border of NEMA/Boston, and new resources in NEMA/Boston would unload the west-to-east constraints that also limit imports into SEMA/Rhode Island. In addition, ISO-NE notes that the removal of capacity (through retirements or de-list bids) in either zone would exacerbate the import constraints into

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<sup>2</sup> ISO-NE Transmittal at 6 n.23 (citing Attached Testimony of Alan McBride (McBride Testimony)) at 10-11.

<sup>3</sup> ISO-NE Transmittal at 6 n.24 (citing McBride Testimony at 12).

<sup>4</sup> With regard to the SEMA/Rhode Island Capacity Zone, ISO-NE explains that since the creation of that zone, two sets of system changes have caused that “stand-alone” zone to become relieved. First, 353 MW of new capacity resources were added in the SEMA/Rhode Island Capacity Zone in FCA 9. Second, certain transmission upgrades (the V148N 115 kV line between Washington and Woonsocket in Rhode Island and the increase of 345/115 kV autotransformer ratings at West Farnum and Kent County) have been certified and accepted by ISO-NE for inclusion in FCA 10 that will allow the increase of the SEMA/Rhode Island N-1 and N-1-1 import capabilities by approximately 500 and 300 MW, respectively. ISO-NE states that since the “stand-alone” SEMA/Rhode Island issues have been relieved, both zones (SEMA/Rhode Island and NEMA/Boston) share the same remaining constraints located on the outer boundaries of the combined SENE Capacity Zone. ISO-NE states that for the conditions studied, no constraints were observed between NEMA/Boston and SEMA/Rhode Island within the SENE zone. McBride Testimony at 14-15.

both zones. Therefore, ISO-NE contends that the relevant transmission constraints form a coherent single zone defined by the outer borders of the combined eastern Massachusetts and Rhode Island system, which is encompassed within the existing NEMA/Boston and SEMA/Rhode Island Load Zones.<sup>5</sup>

8. Additionally, with regard to the Northern New England Zone, ISO-NE states that planning studies evaluated the interface along the combined southern borders of New Hampshire and Vermont and the northern border of Massachusetts (the North-South Interface) and determined that the pattern of North-South flows had changed following the retirement of the Brayton Point Station and the earlier retirement of the Vermont Yankee nuclear facility. After these retirements, the North-South flows are now forecast to be more concentrated along the lines connecting southeastern New Hampshire with eastern Massachusetts, and the existing capacity resources north of the North-South boundary all contribute to the transfer over the interface. ISO-NE further states that it has reviewed the Show of Interest applications that have been submitted for FCA 10, and those submittals are generally supportive of the evaluation of the North-South interface as a potential boundary for an export-constrained zone.<sup>6</sup>

9. ISO-NE requests waiver of the Commission's 60-day prior notice requirements<sup>7</sup> to allow the new Capacity Zone boundaries to take effect on or prior to May 29, 2015. ISO-NE notes that May 29, 2015 is the last business day prior to June 1, 2015, the Existing Qualification Deadline for FCA 10. ISO-NE states that good cause therefore exists to grant the waiver of the 60-day notice requirement.<sup>8</sup>

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<sup>5</sup> ISO-NE Transmittal at 6 nn.27-28 (citing McBride Testimony at 7, 13).

<sup>6</sup> ISO-NE Transmittal at 7, 7 nn.29-30 (citing McBride Testimony at 15-17). Mr. McBride notes that "as a result of the change in specific flows that are caused by the pending and completed resource retirements, the transfer capability is being lowered to appropriately capture the transmission facility usage under heavy transfers. This change in transfer capability is a driver for the proposed evaluation of the North-South interface as a Capacity Zone boundary in FCA 10" (McBride Testimony at 16).

<sup>7</sup> 18 C.F.R. § 35.11.

<sup>8</sup> ISO-NE Transmittal at 7-8.

## II. Notice of Filing, Protests and Interventions

10. Notice of the filing was published in the *Federal Register*, with interventions and protests due on or before April 27, 2015.<sup>9</sup>

11. Timely motions to intervene were filed by Champlain VT, LLC, Emera Energy Services Inc., New England Power Pool Participants Committee (NEPOOL), Calpine Corporation (Calpine), Essential Power,<sup>10</sup> Verso Corporation, Entergy Nuclear Power Marketing, LLC, SunEdison Utility Holdings, Inc., NRG Companies,<sup>11</sup> Consolidated Edison,<sup>12</sup> PSEG Companies,<sup>13</sup> New England Power Generators Association, Inc. (NEPGA), Dynegy Marketing and Trade, LLC, NextEra Energy Resources, LLC, Dominion,<sup>14</sup> GDF SUEZ,<sup>15</sup> New Hampshire Electric Cooperative, Inc., Footprint Power Salem Harbor Development LP, Massachusetts Municipal Wholesale Electric Company, Granite Ridge Energy, LLC, Northeast Utilities Service Company, and the New England States Committee on Electricity (NESCOE). Timely protests or comments were filed by NEPOOL, the New England Suppliers,<sup>16</sup> the NRG Companies, PSEG Companies, Calpine, NEPGA, and Dominion. Out-of-time motions to intervene were filed by Exelon

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<sup>9</sup> 80 Fed. Reg. 19,657 (2015)

<sup>10</sup> Essential Power includes Essential Power, LLC, Essential Power Massachusetts, LLC, and Essential Power Newington, LLC.

<sup>11</sup> NRG Companies include NRG Power Marketing LLC and GenOn Energy Management, LLC.

<sup>12</sup> Consolidated Edison includes Consolidated Edison Energy, Inc. and Consolidated Edison Solutions, Inc.

<sup>13</sup> PSEG Companies include PSEG Power LLC, PSEG Energy Resources & Trade LLC, and PSEG Power Connecticut LLC.

<sup>14</sup> Dominion includes Dominion Resources Services, Inc., Dominion Energy Marketing, Inc., Dominion Energy Manchester Street, Inc., and Dominion Nuclear Connecticut, Inc.

<sup>15</sup> GDF SUEZ includes GDF SUEZ Energy Marketing NA, Inc. and GDF SUEZ Energy Marketing North America, Inc.

<sup>16</sup> The New England Suppliers include Essential Power, LLC, Essential Power Massachusetts, LLC, Essential Power Newington, LLC, Granite Ridge Energy, LLC, and NextEra Energy Resources, LLC.

Corporation and the Connecticut Public Utilities Regulatory Authority. Out-of-time supplemental comments and a request for clarification were filed by the New England Suppliers.

12. On May 7, 2015, NESCOE submitted an answer to the protests and on May 8, 2015, ISO-NE submitted an answer to the protests and comments. On May 13, 2015, ISO-NE submitted a supplemental answer to the New England Suppliers' supplemental comments and request for clarification. On May 15, 2015, NEPGA submitted a motion to amend its protest and amended protest. Also, on May 15, 2015, GDF SUEZ submitted an answer to the New England Suppliers' request for clarification. On May 19, 2015, NEPOOL filed an answer to the New England Suppliers' request for clarification.

### **III. Procedural Issues**

13. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), the timely-filed, unopposed motions to intervene serve to make the entities filing them parties to this proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2014), we will grant Exelon's late-filed motion to intervene given its interests in this proceeding, the early stage of this proceeding, and the absence of undue prejudice or delay.

14. 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 unless otherwise ordered by the decisional authority. We will accept the answers filed by NESCOE and ISO-NE, the New England Suppliers' out-of-time supplemental comments and request for clarification, ISO-NE's answer to the New England Suppliers' out-of-time supplemental comments and request for clarification, the motion to amend and amended protest by NEPGA, and GDF SUEZ's and NEPOOL's answers to the New England Suppliers' request for clarification because they have provided information that has assisted us in our decision-making process.

### **IV. Discussion**

15. We find that ISO-NE followed the Commission-approved methodology to establish the proposed potential new zones, consistent with the ISO-NE Tariff, and we will therefore accept the filing, effective May 29, 2015, as requested. We address the issues raised by protestors below.

#### **A. Stakeholder Process and Timing**

##### **1. Position of the Parties**

16. Dominion, Calpine, NRG Companies, NEPOOL, New England Suppliers, and NEPGA contend that ISO-NE provided little opportunity for stakeholders to

meaningfully evaluate and comment on the proposed creation of new capacity zones.<sup>17</sup> Calpine states that the transmission transfer capability assessment was presented to the ISO-NE Planning Advisory Committee on March 24, 2015, less than two weeks before submission of the instant filing, and to the Reliability Committee on April 2, 2015, four days before the instant filing. The New England Suppliers contend that relevant information and all of the factors that ISO-NE must consider, including rejected static and permanent de-list bids from FCA 9 and changes in transmission topology, were known three to four months before stakeholders were first notified of the boundary changes on March 24, 2015. NEPGA states that up until one week prior to filing, ISO-NE gave stakeholders no reason to believe it would propose a significant change to the transmission interfaces that ISO-NE would consider for FCA 10.<sup>18</sup> NEPOOL posits that ISO-NE's timing was partly due to the timing of other FCA-related processes, including ISO-NE's informational filing for FCA 9, but states that participants also expressed concern that some of the information could have been released much earlier, before the Show-of-Interest window closed, and such information might have affected market participants' decisions regarding whether or not to submit a Show of Interest form for FCA 10.<sup>19</sup>

17. NRG Companies assert that the filing includes a variety of "curious" claims as to how FCA 9 separately cleared several zones that ISO-NE now proposes to collapse.<sup>20</sup> They further assert that lack of a stakeholder process makes it impossible for stakeholders to meaningfully evaluate the complicated power flow modeling conducted by ISO-NE.<sup>21</sup>

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<sup>17</sup> Dominion Protest at 4, Calpine Comments at 3-4, NRG Companies Protest at 4-5, NEPGA Protest at 6.

<sup>18</sup> NEPGA Protest at 6-7. NEPGA acknowledges that ISO-NE's development of proposed Capacity Zone boundaries took into account market information that was not available to ISO-NE until relatively late in the process, but argues that the conflict between using information relevant to ISO-NE's determination and providing stakeholders a meaningful opportunity to participate can be resolved by instead evaluating a relatively static set of transmission interfaces against the objective criteria used in the next step of modeling Capacity Zones.

<sup>19</sup> NEPOOL Comments at 6; see also New England Suppliers Protest at 6-7, noting that investors in new capacity made decisions on whether or not to submit a Show of Interest form to ISO-NE on March 3, 2015 to participate in FCA 10.

<sup>20</sup> NRG Companies Protest at 6.

<sup>21</sup> *Id.* at 6-7.

Dominion and NEPOOL argue that the 34.25 percent vote in favor of ISO-NE's proposal by the Reliability Committee shows that stakeholders did not believe that their opportunity for input was meaningful.<sup>22</sup>

18. Dominion asks that the Commission direct ISO-NE to provide stakeholders with a more robust opportunity to review the proposed potential zonal boundaries, including requiring additional intervening committee meetings between the time the potential zonal boundaries are presented and the final review at the Reliability Committee.<sup>23</sup> Calpine and NEPOOL similarly urge the Commission to direct ISO-NE to work with stakeholders to develop a schedule that will allow for meaningful stakeholder input on proposed zonal boundaries.<sup>24</sup>

19. In its answer, ISO-NE explains that, in the Capacity Zones determination process, its "commitments"<sup>25</sup> to stakeholders are to follow the regional system planning process, present the output of that process to the Reliability Committee, and seek the committee's input and advice in the form of an advisory vote. ISO-NE states that it fulfilled its commitment by seeking an advisory vote from the Reliability Committee on April 2, 2015, and nothing in the current filing supports NEPOOL's assertion that ISO-NE is backing away from that commitment in the future.<sup>26</sup>

20. ISO-NE explains that the Tariff makes clear that the Capacity Zone process will be time-constrained, since section II.K.3.1 of the Tariff requires the consideration of the results of the prior FCA, and section III.12.3 of the Tariff specifies that ISO-NE's filing of changed boundaries must be approved by the Commission prior to the Existing Capacity Qualification Deadline of the upcoming FCA. In addition, ISO-NE cites to the McBride Testimony, which states that "[i]n order to be reactive to system changes, it is important that the ISO reflect the outcome of the preceding FCA in its analysis of zonal boundaries."<sup>27</sup> ISO-NE states that prior to presenting the potential zonal boundaries to

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<sup>22</sup> Dominion Protest at 4-5.

<sup>23</sup> *Id.* at 5.

<sup>24</sup> Calpine Comments at 3-4, NEPOOL Comments at 6.

<sup>25</sup> ISO-NE Answer at 12 (referencing its compliance filing pertaining to the modeling of Capacity Zones, submitted in Docket No. ER12-953-002 at p. 10 (Jan. 31, 2014)).

<sup>26</sup> ISO-NE Answer at 12-13.

<sup>27</sup> *Id.* at 13 (citing McBride Testimony at p 17).

stakeholders, ISO-NE needed to complete and analyze the results from FCA 9, which was held on February 2, 2015.

21. Moreover, ISO-NE states that many protestors' claims discount the stakeholder process that occurred outside of NEPOOL. Specifically, ISO-NE argues that the Capacity Zone determination process was intended to occur through the Planning Advisory Committee, which includes state parties and other interested stakeholders that advise ISO-NE on planning-related matters. ISO-NE contends that the Planning Advisory Committee process to consider zones began in December of 2014.<sup>28</sup> ISO-NE further contends that the potential zonal boundaries were discussed with stakeholders over two months prior to the deadline for submission of de-list bids and almost three months before the New Capacity Qualification deadline for FCA 10.<sup>29</sup>

22. ISO-NE states that while the process is streamlined when compared to the stakeholder processes for market rule development, this is an appropriate choice given that the subject matter is not the development of new methodologies, but the review of ISO-NE's application of an established, Commission-approved methodology. ISO-NE acknowledges that the Commission has encouraged ISO-NE and stakeholders to work through the stakeholder process to develop improvements to ISO-NE's market rules, as necessary.<sup>30</sup> ISO-NE states that it will work with NESCOE, NEPOOL, and other stakeholders to identify any appropriate process-related improvements for future FCAs.<sup>31</sup>

## 2. Commission Determination

23. We find that ISO-NE complied with its Tariff in providing for stakeholder input. Under Tariff section III.12.3, ISO-NE must "review the modeling assumptions and resulting Installed Capacity Requirement, Local Sourcing Requirements, Maximum Capacity Limits and capacity requirement values for the System-Wide Capacity Demand Curve with the Governance Participants, the state utility regulatory agencies in New England and, as appropriate, other state agencies." Only after following that consultation may ISO-NE file its proposed identification of a potential new Capacity Zone with the Commission. The protestors do not allege that ISO-NE has failed to comply with these requirements; rather, they assert that not enough time was given for stakeholders to

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<sup>28</sup> ISO-NE Answer at 14.

<sup>29</sup> *Id.*

<sup>30</sup> *Id.* at 14-15.

<sup>31</sup> *Id.* at 15.

engage in meaningful review of ISO-NE's information. The Tariff, however, does not set forth a specific period of time for ISO-NE to consult with stakeholders, and we find that ISO-NE appropriately operated within the confines of its Tariff.

24. As ISO-NE notes, its Tariff requires ISO-NE to consider the results of the prior FCA before establishing any potential new zones. We note that FCA 9 was held on February 2, 2015. Therefore, ISO-NE needed to complete and analyze the results from that FCA prior to presenting the potential zonal boundaries to stakeholders. In addition, the Tariff specifies that any ISO-NE filing of changed boundaries must be approved by the Commission prior to the Existing Capacity Qualification Deadline of the applicable FCA (June 1, 2015 for FCA 10). Considering that ISO-NE had approximately four months to evaluate new boundaries, provide for stakeholder review and submit the proposal to the Commission for approval prior to June 1, 2015, we are not persuaded that ISO-NE improperly truncated stakeholder review in this case.

25. However, as ISO-NE acknowledges, the Commission has encouraged ISO-NE and stakeholders to work through the stakeholder process to develop ongoing improvements to ISO-NE's market rules.<sup>32</sup> ISO-NE commits to work with stakeholders to identify appropriate process-related improvements for future FCAs.<sup>33</sup> We encourage ISO-NE to consider concerns about the process and to identify any improvements that would provide additional time for stakeholder input. In particular, we note parties' concern that it would be beneficial to market participants to have information as to possible new zonal boundaries prior to the deadline for submitting Show of Interest forms. We encourage ISO-NE and its stakeholders to consider the possibility of providing such information in that timeframe.

## **B. Methodology of Determining Capacity Zones**

### **1. Positions of the Parties**

#### **a. Durability and Granularity**

26. Calpine expresses concern that the evaluation process used by ISO-NE could result in transitory Capacity Zones. Calpine states that PJM Interconnection, L.L.C. (PJM) will only "propose a new [locational deliverability area (LDA)] when [PJM's] annual market efficiency analysis identifies persistent congestion on a 500 kV or above facility or interface for multiple years beyond the next [Base Residual Auction

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<sup>32</sup> *Id.* at 14-15.

<sup>33</sup> *Id.* at 15.

(BRA)].”<sup>34</sup> Calpine requests the Commission to direct ISO-NE to work with stakeholders to determine whether this type of approach would be preferable. NEPOOL states that some market participants expressed a desire for more stability of existing Capacity Zones while allowing for new zones to be added (although NEPOOL also states that other market participants believed the zonal boundaries should not be allowed to persist for the sake of stability if doing so over- or under-states the constraints on the system).<sup>35</sup>

27. Several protestors assert that the evaluation of Capacity Zones should be more granular. NRG Companies state that the Tariff provisions approved in the Commission’s 2014 order requiring ISO-NE to develop criteria for capacity zones<sup>36</sup> make it clear that ISO-NE must establish zonal boundaries based on the results of past FCAs and new transmission projects in its revised network model, which serve as the basis for the zonal boundary changes proposed by ISO-NE in the instant filing.<sup>37</sup> PSEG Companies argue that ISO-NE’s process to determine which zones are modeled in the FCA undermines the objective of the market to send appropriate, efficient and stable market signals to investors in order to incent new resources where and when needed, and the current process and resultant outcomes are poor substitutes for modeling all zones all the time. PSEG Companies assert that if a zone is not modeled, then irrespective of the auction outcome, the market design will not allow a locational price signal to be revealed.<sup>38</sup> PSEG Companies also argue that the expected construction of transmission in New England is not a reason to eliminate zones but instead supports having more granularity. PSEG Companies state that zones are created as the outcome of transmission capability and the location of capacity resources in relation to those constraints. With the expected transmission construction, PSEG Companies argue that resources delisting or retiring are now expected to be the major component impacting the determination of whether a zone is constrained or not. As such, PSEG Companies argue that it is only logical that all zones should be modeled in the auctions so that those retirements and delist decisions can be reflected in the locational capacity price. PSEG Companies contend that, if such

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<sup>34</sup> Calpine Comments at 4-5 (citing PJM Manual 14B).

<sup>35</sup> NEPOOL Comments at 7.

<sup>36</sup> *ISO New England Inc.*, 147 FERC ¶ 61,071 (2014) (Capacity Zones Order)

<sup>37</sup> NRG Companies Protest at 6-7.

<sup>38</sup> PSEG Companies Protest at 3, 5.

granularity is not needed, this will be revealed in the market, as there will not be price separation between zones.<sup>39</sup>

28. NEPGA similarly contends that there is no harm to modeling a capacity zone where a modeled transmission constraint does not bind and therefore does not cause price separation in the auction, but that failing to model an import-constrained zone would cause the market to under-value local resource adequacy and could lead to out of market solutions; thus, it is preferable to “over model” the system rather than to risk the inefficient effects of “under-modeling” Capacity Zones.<sup>40</sup> NEPGA therefore requests the Commission direct ISO-NE to (1) identify and evaluate a relatively static set of transmission interfaces in identifying new boundaries; (2) model as an import-constrained Capacity Zone any Capacity Zone that has signaled a need for new resources in a recent FCA; (3) make any other changes the Commission deems necessary to provide greater predictability to the transmission interfaces that will be evaluated as potential Capacity Zone boundaries; and (4) provide stakeholders with an opportunity to participate in the identification of relevant transmission interfaces early enough in the process for that participation to be meaningful.<sup>41</sup>

29. Some commenters make specific criticisms of ISO-NE’s choices for new zonal boundaries. NRG Companies express concern that ISO-NE’s proposed new Capacity Zone boundaries ignore long-recognized interfaces that are routinely assessed as part of planning studies and that will no longer be modeled if the Commission approves ISO-NE’s proposal. NRG Companies state that FCA 9 sent distinct price signals for the SEMA/Rhode Island Capacity Zone, and this existing zone reflects zonal boundaries routinely used in system planning studies that are a necessary component to effect price formation in the capacity market.<sup>42</sup> NRG Companies note that even though they cannot reproduce ISO-NE’s analysis, it is puzzling that the supporting testimony asserts that resources in SEMA/Rhode Island are perfectly substitutable for resources in other parts of the new SENE Capacity Zone in light of the fact that (i) several transmission “enhancements” relied upon by ISO-NE as justification for combining these zones starting in 2019 have actually been in place for over five years; (ii) there is a history of the NEMA/Boston and SEMA/Rhode Island zones separating in FCA 9; and (iii) the retirement of any of the large resources within either of those existing zones could easily

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<sup>39</sup> *Id.* at 7-8.

<sup>40</sup> NEPGA Protest at 9.

<sup>41</sup> *Id.* at 10.

<sup>42</sup> NRG Companies Protest at 5-6.

cause the interface between them to bind.<sup>43</sup> NRG Companies further note that under ISO-NE's proposal, with the interface not being modeled, such an outcome would likely lead to an unresolvable reliability determination and the possibility that an out-of-market agreement will be required.<sup>44</sup>

30. NRG Companies also contend that ISO-NE's proposal ignores the internal constraints within the SENE Capacity Zone and appears to pre-judge the outcome of the next step, modeling the zone, which is designed to identify whether or not possible zones have the potential to separate in FCA 10. NRG Companies argue that, contrary to ISO-NE's assertion, there are commercial possibilities in FCA 10 that could cause intra-zonal constraints to bind if ISO-NE aggregates the existing NEMA/Boston and SEMA/Rhode Island zones. NRG Companies argue that by not considering potentially meaningful interfaces (e.g., Orrington South, Maine/NH, SEMA/NEMA, and other known interfaces that ISO-NE routinely analyzes in its planning work) in an auction, there is the potential for harm if a delist or retirement cannot be allowed because the constraint that it triggers is not modeled.<sup>45</sup>

31. Additionally, according to NRG Companies, there is a need for ISO-NE to move towards the capability of modeling nested capacity zones. NRG Companies suggest that the Commission institute a new proceeding to determine whether it should require ISO-NE to abandon the current "descending clock" auction and institute a more sophisticated auction clearing mechanism that can handle multiple nested and perhaps overlapping interface constraints to optimize the locational auction.<sup>46</sup> NRG Companies note that while this is outside the scope of the instant proceeding, these auction design characteristics are worthy of additional consideration, particularly as New England enters a new investment cycle.<sup>47</sup>

32. ISO-NE, in its answer, states that the process it used to identify potential Capacity Zone boundaries for FCA 10 is what the Commission approved in the Capacity Zones Order and is set forth in section II.K.3.1 and section III.12.3 of the Tariff. ISO-NE contends that none of the comments or protests filed in response to the current filing

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<sup>43</sup> *Id.* at 7.

<sup>44</sup> *Id.*

<sup>45</sup> *Id.* at 8.

<sup>46</sup> *Id.* at 9.

<sup>47</sup> *Id.* at 8-9.

provides any evidence demonstrating that ISO-NE failed to follow the Commission-approved process; rather, they challenge that process because of the outcome, i.e. larger Capacity Zone boundaries. ISO-NE adds that the process for identifying potential Capacity Zone boundaries is not the subject of this proceeding.<sup>48</sup>

33. In response to arguments that the potential Capacity Zone boundaries evaluation process could result in short-term, transitory Capacity Zones or that the evaluation of Capacity Zones should be more granular, ISO-NE states that there is no requirement for durability in the Commission-approved process, and there is no requirement for Capacity Zones to only be modeled if they would endure for more than one FCA. ISO-NE explains that the Commission envisioned a process that was as reactive as possible to changes on the system.<sup>49</sup> ISO-NE states that it has made the instant filing pursuant to section III.12.3 of the Tariff solely to seek the Commission's review and approval of the potential new Capacity Zone boundaries, and the arguments raised by protestors should be rejected, as they ask the Commission to go well beyond the scope of this proceeding to modify the stakeholder review process and the methodology used to determine zones.<sup>50</sup>

34. NESCOE, in its answer to the protests, similarly states that the Commission should reject the requests that the Commission direct multiple prescriptive changes defining zonal boundaries for FCA 10 and other revisions that would alter the criteria applied in evaluating the modeling of zones.<sup>51</sup> NESCOE notes that the Capacity Zones Order was issued on April 28, 2014, and under the FPA, applicants had 30 days to request rehearing; thus, any request in the current proceeding for the Commission to establish the boundaries to be used in FCA 10, or otherwise direct changes in the Tariff relative to the evaluation or creation of new zones, is effectively a late-filed rehearing request that must be rejected. NESCOE also contends that attempts to re-litigate issues

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<sup>48</sup> ISO-NE Answer at 15.

<sup>49</sup> *Id.* at 16-17 (citing Capacity Zones Order, 147 FERC ¶ 61,071 at PP 38, 40 (“ISO-NE has met its compliance obligation by filing Tariff revisions that articulate appropriate objective criteria to revise the number and boundaries of capacity zones automatically as the relevant conditions change. . . . [T]he Compliance Filing reflects the Commission's directive that the Tariff articulate appropriate objective criteria that account for relevant changes in system conditions”)).

<sup>50</sup> ISO-NE Answer at 24.

<sup>51</sup> NESCOE Answer at 4 (citing NEPGA Protest at 10; PSEG Companies Protest at 3-4).

related to the Capacity Zone Order represent an impermissible collateral attack on the Commission's final order in that proceeding.<sup>52</sup>

**b. Northern New England Capacity Zone**

35. NEPOOL states that market participants raised a number of concerns about ISO-NE's analysis and its proposed formation of the Northern New England Capacity Zone, such as whether Vermont should be part of it, how the effect of the retirement of Vermont Yankee should be assessed, and the lack of stability of the zone due to transmission system changes.<sup>53</sup>

36. The New England Suppliers argue that ISO-NE improperly established the boundaries for a new Northern New England Capacity Zone, because it did not provide sufficient evidence to support its boundary determinations, and it should be directed by the Commission to maintain the status quo for FCA 10.<sup>54</sup> The New England Suppliers contend that ISO-NE's filing fails to cite any significant transmission topology changes from FCA 9 to FCA 10, and the only new piece of information appears to be the consideration of new Show of Interest applications.<sup>55</sup> The New England Suppliers argue that ISO-NE improperly included new capacity from Show of Interest applications in its review. The New England Suppliers contend that Show of Interest forms are a poor predictor of actual new MWs that may seek to participate in the FCA, as they are submitted far in advance of the auction and require little financial security.<sup>56</sup> The New England Suppliers further note that entities proposing new resources are free to reduce capacity or withdraw Show of Interests all the way up to the point where deposits are due

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<sup>52</sup> NESCOE Answer at 5-6.

<sup>53</sup> NEPOOL Comments at 7.

<sup>54</sup> New England Suppliers Protest at 6-7.

<sup>55</sup> *Id.* at 8-9.

<sup>56</sup> New England Suppliers note that in FCA 8, ISO-NE reported to NEPOOL that it received in excess of 10,000 MW of Show of Interest applications; yet the auction cleared only 2,795 MW of new resources, of which 1,360 MW were imports, *i.e.*, the Show of Interest applications overstated new resources by more than 250 percent. New England Suppliers Protest at 9-10.

in the late fall, and, therefore, a Show of Interest is an unreliable indicator of future FCM conditions and should not serve as a basis for Capacity Zone modeling.<sup>57</sup>

37. In its answer, ISO-NE contends that it identified potential new Capacity Zone boundaries consistent with the provisions set forth in the Tariff. Specifically, ISO-NE states that the transfer capability analysis was conducted pursuant to section II.K.3.1 of the Tariff, consistent with the conditions described in section III.12.5 and using the network model described in section III.12.6. In accordance with those provisions, ISO-NE states, the transfer analysis only included existing resources and did not include any new resources or consider any Show of Interest submittals because no new resources have yet qualified capacity for the relevant Capacity Commitment Period.<sup>58</sup>

38. ISO-NE notes that it is important to remember that accepting the current filing only establishes the potential Capacity Zone boundaries that are proposed here. ISO-NE states that the objective criteria specified in ISO-NE Tariff section III.12.4 will be used to determine whether the potential zones will actually be modeled as separate Capacity Zones in FCA 10. According to ISO-NE, that determination will use the finalized network model for FCA 10 and will use the updated capacity values for existing and new resources participating in FCA 10. Thus, ISO-NE maintains, even if the Commission approves the proposed boundary, the Northern New England Capacity Zone is still only a potential new Capacity Zone until the final determination is made in the next step.<sup>59</sup>

**c. North-South Interface**

39. The New England Suppliers argue that ISO-NE's proposal fails to reflect the upgrades needed for Greater Boston Upgrades in FCA 10, which are planned to be in place prior to the start of the 2019/2020 Capacity Commitment Period even though ISO-NE is not yet certifying them.<sup>60</sup> The New England Suppliers note that analysis conducted

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<sup>57</sup> *Id.* at 10.

<sup>58</sup> ISO-NE Answer at 18-19.

<sup>59</sup> *Id.* at 20-21.

<sup>60</sup> The Greater Boston Upgrades is a set of alternating current (AC) transmission solutions selected by ISO-NE to address a number of reliability concerns identified in the 2023 Needs Assessment. The upgrades were proposed by Eversource and National Grid and include two new 345 KV transmission lines, the reconductoring of several 115 KV transmission lines, other substation and transmission equipment upgrades, and voltage support equipment to be located in Maine.

by ISO-NE indicated that such upgrades would have the effect of increasing the North-South interface transfer limit by 800 MW to 1,000 MW, and although such modeling is stale and needs to be re-run, it stands to reason that such upgrades will impact the North-South Interface.<sup>61</sup>

40. In addition, the New England Suppliers contend that the proposed boundaries may have significant market impacts. The New England Suppliers note that according to the 2014 CELT documents,<sup>62</sup> the new Rest-of-Pool zone would represent only seven percent of New England load, even though the original FCM market design was premised on Rest-of-Pool being the largest zone. The New England Suppliers contend that the market impacts of this dramatic shift, as well as its interplay with auction clearing rules, bilateral transactions, reconfiguration auctions, Capacity Transfer Rights and forward reserves, have not been discussed by stakeholders. The New England Suppliers note that commercial decisions have already been made in reliance on the ability of resources to bilaterally manage their load obligations, including through self-supply arrangements, and there are no administrative pricing rules that exist in the Rest-of-Pool zone to address insufficient competition or inadequate supply.

41. The New England Suppliers further state that when the Commission approved ISO-NE's process for identifying and then modeling new Capacity Zones, it encouraged ISO-NE and its stakeholders to examine the impact implementing a sloped demand curve would have on decisions to retain or eliminate previously-created zones, but such an examination never occurred.<sup>63</sup> The New England Suppliers therefore request that the Commission direct ISO-NE to consider the impact creating a new zone would have on the existing sloped demand curve and upcoming FCA. The New England Suppliers also request that the Commission either: (1) reject the proposed new Capacity Zone boundaries and maintain for FCA 10 the zonal boundaries that were in place for FCA 9, or (2) set the matter for hearing or further evidentiary proceedings before approving the proposed Capacity Zone boundaries.<sup>64</sup> NEPOOL requests that, if the Commission shares in some or all of the concerns raised by stakeholders, the Commission direct discussion of those concerns to occur well in advance of the eleventh FCA (FCA 11) so that any

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<sup>61</sup> New England Suppliers Protest at 11.

<sup>62</sup> CELT is ISO-NE's annual 10-year forecast of capacity, energy, loads and transmission.

<sup>63</sup> New England Suppliers Protest at 11-12 (citing *ISO New England, Inc.*, 147 FERC ¶ 61,071 at P 43).

<sup>64</sup> *Id.* at 12.

changes can be considered at the time market participants are deciding whether to invest in or withdraw from the FCM.<sup>65</sup>

42. With regard to protesters' concerns about the impact of the Greater Boston Upgrades on the proposed zonal boundaries, ISO-NE explains in its answer that the boundaries are expected to endure regardless of the Greater Boston Upgrades. Specifically, ISO-NE points to the McBride Testimony, stating that, consistent with the requirements of section II.K.3.1 and III.12.4(b), in performing the transmission transfer capability assessment, ISO-NE "modeled as 'in-service' all transmission upgrades certified by the affected Transmission Owners and accepted by the ISO to be in-service for the relevant Capacity Commitment Period."<sup>66</sup> ISO-NE states that even if the Greater Boston Upgrades were accepted, it is not expected that the location of the proposed boundaries would change, and notes that it is in the final state of reviewing the certification for this project and will advise stakeholders of its ultimate decision in the near future.<sup>67</sup>

43. With regard to the New England Suppliers' claim that "[n]owhere in [ISO-NE's 2014 Regional System Plan] was there any mention that [the North-South Interface] could become a potential boundary for an export constrained zone,"<sup>68</sup> ISO-NE explains that section II.K.3.1 of the Tariff requires ISO-NE to conduct an annual assessment of transmission transfer capability in order to identify potential future transmission system weaknesses and limiting facilities that could impact the transmission system's ability to reliably transfer energy in the planning horizon, and to include that annual assessment in the corresponding annual Regional System Plan. ISO-NE further explains that the annual assessment of transmission transfer capability of FCA 10 was completed after the finalization of the 2014 Regional System Plan, and the process for alerting stakeholders to the potential new zonal boundaries began, as the Tariff requires, in the Planning Advisory Committee process. ISO-NE states that, contrary to the claims of the New England Suppliers, it did identify the North-South constraint as a point of concern at the January 21, 2015 Planning Advisory Committee meeting. In addition, ISO-NE states that, in the March 24, 2015 Planning Advisory Committee presentation, it highlighted that the North-South transfer capability had decreased in the annual assessment process

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<sup>65</sup> NEPOOL Comments at 8.

<sup>66</sup> ISO-NE Answer at 17-18 (citing McBride Testimony at 10-11).

<sup>67</sup> ISO-NE Answer at 18.

<sup>68</sup> *Id.* at 21 (citing New England Suppliers Protest at 5).

as part of the preparation for FCA 10.<sup>69</sup> ISO-NE also contends that it correctly performed the analysis resulting in the identification of the potential SENE Capacity Zone.

**d. Zonal Demand Curves**

44. NEPOOL states in its comments that participants expressed concern that there is some disconnection between the formation of new Capacity Zones, the evolution of the transmission system, and the development of zonal demand curves. It asserts that this disconnect may cause a lack of ability or willingness of potential investors to respond in the FCM.<sup>70</sup>

45. In their supplemental comments and request for clarification, the New England Suppliers state that, after the date on which protests in this docket were due, ISO-NE announced that, in light of changes to the zone configuration, it had decided not to propose the sloped zonal curves for FCA 10.<sup>71</sup> The New England Suppliers contend that, if the Commission accepts ISO-NE's zonal boundary proposal, the Commission should clarify that ISO-NE must implement sloped zonal demand curves for FCA 10, just as ISO-NE committed to do.<sup>72</sup> The New England Suppliers explain that the Commission allowed the January 2, 2015 deadline for submitting a filing to propose sloped zonal demand curves to pass because it did not wish to interrupt the ongoing stakeholder process. The New England Suppliers contend that ISO-NE has now ended that process of its own volition. The New England Suppliers contend that the sloped zonal demand curves will provide participants in the next auction with market certainty. The New England Suppliers contend that allowing ISO-NE to back out of a firm commitment and Commission directive<sup>73</sup> may erode investor confidence.

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<sup>69</sup> ISO-NE Answer at 21-22.

<sup>70</sup> NEPOOL Comments at 6-7.

<sup>71</sup> New England Suppliers Comments and Request for Clarification at 1 (citing Attachment A (MEMO to NEPOOL Markets Committee from Mark Karl dated April 28, 2015)).

<sup>72</sup> New England Suppliers Comments and Request for Clarification at 2 (citing *ISO New England Inc.*, 147 FERC ¶ 61,173, at P 41 (2014) (Demand Curve Order)).

<sup>73</sup> *Id.* New England Suppliers Comments and Request for Clarification at 2 n.1 (citing *ISO New England Inc.*, 148 FERC ¶ 61,179, at P 41 (2014); *order on clarif.*, 150 FERC ¶ 61,079, at P 10; *order on reh'g*, 151 FERC ¶ 61,052 (2015)).

46. The New England Suppliers contend that, if the Commission concludes that ISO-NE need not implement zonal demand curves in FCA 10, they urge the Commission at a minimum to reject the proposed Northern New England Capacity Zone and to retain the *status quo* from FCA 9. The New England Suppliers state that in so doing, the Commission should direct ISO-NE in FCA 10 to use the system-wide sloped demand curve in a combined capacity zone comprising the Rest-of-Pool Capacity Zone and Northern New England Capacity Zone, so as to eliminate the substantial price volatility that can result from having a vertical demand curve in a zone that is export-constrained zone due to excess capacity. Alternatively, the New England Suppliers request that the Commission reject ISO-NE's zonal boundary proposal in its entirety and direct ISO-NE to retain all of the zones that were in place for FCA 9, given the New England Suppliers' belief that ISO-NE intends to develop and file new market rules for FCA 11.<sup>74</sup>

47. In its amended protest, NEPGA requests that the Commission (1) find that in light of ISO-NE's failure to file sloped demand curves, it has failed to demonstrate that the proposed zonal boundaries are just and reasonable, and (2) initiate a section 206 proceeding ordering ISO-NE to file sloped demand curves for FCA 10.<sup>75</sup>

48. In its supplemental answer, ISO-NE contends that the New England Suppliers' comments regarding the sloped demand curve are outside the scope of this limited FPA section 205 proceeding and should be rejected by the Commission. Specifically, ISO-NE argues that this proceeding relates only to the identification of zonal boundaries for FCA 10 and the New England Suppliers' comments regarding sloped zonal demand curves for FCA 10 should be rejected.<sup>76</sup> NEPOOL, in its answer to the New England Suppliers' supplemental comments, urges the Commission not to permit the New England Suppliers' request to circumvent the NEPOOL stakeholder process for New England, and asks the Commission not to order Market Rule revisions that have not first gone through review in the NEPOOL stakeholder process as required by the Participants Agreement.<sup>77</sup>

49. GDF SUEZ argues that the New England Suppliers' request that the Commission direct specific zonal demand curve outcomes for FCA 10 is outside the scope of this proceeding and should be rejected. Although GDF SUEZ states that it would support a

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<sup>74</sup> New England Suppliers Comments and Request for Clarification at 2-3.

<sup>75</sup> NEPGA Amended Protest at 6-7.

<sup>76</sup> ISO-NE Answer to New England Suppliers Comments and Request for Clarification at 4-5.

<sup>77</sup> NEPOOL Answer at 2, 5.

well-designed zonal demand curve proposal for FCA 10, it contends that the curves that have been proposed in the NEPOOL Markets Committee meetings received only 42 percent of stakeholder support as it was a flawed design with reliability concerns that were noted by GDF SUEZ, other stakeholders, and ISO-NE.<sup>78</sup> GDF SUEZ therefore argues that the Commission should permit ISO-NE and the stakeholder process to address the concerns with the flawed zonal demand curves that have been identified, even if that means deferring sloped zonal demand curve implementation until FCA 11.<sup>79</sup>

## 2. Commission Determination

50. We find that ISO-NE followed its Tariff in identifying potential new boundaries and we will therefore accept the filing effective May 29, 2015, as requested. The Commission accepted ISO-NE's compliance filing on zonal changes in the Capacity Zones Order.<sup>80</sup> The Commission found

ISO-NE has met its compliance obligation by filing Tariff revisions that articulate appropriate objective criteria to revise the number and boundaries of capacity zones automatically as the relevant conditions change.... More specifically, ISO-NE's Compliance Filing reflects proposed standards for when new zones are created (or are not created), relying on objective or automatic triggers in response to delist bids, generation retirements, and other changes in system conditions.<sup>81</sup>

51. In the instant filing, we find the methodology implemented by ISO-NE to develop the potential zonal boundaries complied with the ISO-NE Tariff requirements that we accepted in the Capacity Zones Order, and reasonably identifies potential zone configuration changes for FCA 10. Specifically, we find that ISO-NE has reasonably identified the combined SENE Capacity Zone, based on the methodology specified in its Tariff. For example, ISO-NE identified that the SEMA/Rhode Island Capacity Zone transmission constraint issues had been relieved from FCA 9 and that zone now shares the same constraints as the NEMA/Boston Capacity Zone, which led to the combined zone. As described above, ISO-NE has explained that these zonal changes have resulted from capacity additions in the SEMA/Rhode Island Capacity Zone since FCA 9 and from

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<sup>78</sup> GDF SUEZ Answer at 5.

<sup>79</sup> *Id.* at 6.

<sup>80</sup> Capacity Zones Order, 147 FERC ¶ 61,071 (2014).

<sup>81</sup> *Id.* at P 38.

certified and accepted transmission upgrades that will allow an increase in the SEMA/Rhode Island import capabilities. Similarly, we find ISO-NE's identification of the Northern New England Capacity Zone to be consistent with its Tariff requirements. For example, ISO-NE noted that while the North-South interface has been an evaluated interface for many years, the transfer capability is being lowered to appropriately capture changes in specific flows that are caused by pending and completed resource retirements. As ISO-NE noted, this transfer capability is the driving factor for the proposed evaluation of the North-South interface as a Capacity Zone boundary in FCA 10.

52. With regard to arguments about the durability of capacity zones and concerns about creating transitory zones, we agree with ISO-NE that there is no requirement for Capacity Zones to be modeled only if they would endure for more than one FCA. The Commission noted in its Capacity Zones Order that the methodology proposed by ISO-NE reflects the "Commission's directive that the Tariff articulate appropriate objective criteria that account for relevant changes in system conditions" and that "ISO-NE has met its compliance obligation by . . . articulat[ing] appropriate objective criteria to revise the number and boundaries of capacity zones automatically as the relevant conditions change."<sup>82</sup> The Commission further stated that it would not require ISO-NE to "model all load zones all of the time."<sup>83</sup> Moreover, with regard to allegations that ISO-NE's actions here will result in an insufficiently granular zonal network, we note accepting the current filing only establishes the potential for new Capacity Zones. As ISO-NE states, ISO-NE will next apply the criteria specified in its Tariff section III.12.4 to determine whether the potential zones will actually be modeled as separate Capacity Zones in FCA 10. No actual change will occur until ISO-NE completes that process, and the results must be submitted to the Commission.

53. With regard to the arguments that the Greater Boston Upgrades call into question the need for creating potential new Capacity Zones, we find that ISO-NE has adequately supported, in both its expert testimony<sup>84</sup> and answer,<sup>85</sup> its assessment that the increased transfer capability resulting from these upgrades will not change the location of the proposed boundaries. Specifically, according to ISO-NE, it is not expected that the increase in transfer capabilities will be sufficient to remove the need to use the proposed boundaries in the definition of potential Capacity Zones under the zone formation

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<sup>82</sup> *Id.*

<sup>83</sup> *Id.* at P 40.

<sup>84</sup> McBride Testimony at 12

<sup>85</sup> ISO-NE Answer at 17-18

process. We note that ISO-NE is in the final stage of reviewing the certification for this project and has committed to advise stakeholders of its ultimate decision in the near future. As to arguments regarding the Northern New England zone, ISO-NE expressly states in its answer that the transfer analysis supporting the Northern New England zonal boundary only included existing resources and did not include, as the New England Suppliers claim, any new resources or consider any Show of Interest submittals.<sup>86</sup> Moreover, we find that protesters have not provided sufficient evidence to contradict ISO-NE's expert testimony or ISO-NE's answer.

54. With respect to the comments and protests regarding the zonal demand curves, the request that the Commission require ISO-NE to investigate the possibility of nested zones and a change from the current descending clock auction mechanism, we find these arguments to be outside the scope of this proceeding. With specific regard to zonal demand curves, we acknowledge that ISO-NE's April 28, 2015 memorandum, which the New England Suppliers submitted as an attachment to their supplemental comments, indicates that ISO-NE has decided not to propose the sloped zonal demand curves for FCA 10.<sup>87</sup>

55. We note that, in its January 30, 2015 order in Docket No. ER14-463-001, the Commission noted that on May 30, 2014, it accepted, subject to condition, ISO-NE's proposal to implement a system-wide sloped demand curve starting in FCA 9 (this filing was submitted under Docket No. ER14-1639-000).<sup>88</sup> In that proceeding, ISO-NE stated that a system-wide sloped demand curve eliminates the need for the Inadequate Supply and Insufficient Competition pricing provisions at the system-wide level because the market will determine price and quantity. However, because there was insufficient time to develop appropriate sloped zonal demand curves for FCA 9, the sloped demand curve proposal retained the zonal administrative pricing mechanism and included revised administrative prices to apply in FCA 9 at the zonal level in the event of either Inadequate Supply or Insufficient Competition.<sup>89</sup> ISO-NE stated that it would implement sloped zonal demand curves for FCA 10, which will eliminate the need for the Inadequate Supply and Insufficient Competition rules at the zonal level. The Commission stated its expectation that ISO-NE will submit the zonal demand curve

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<sup>86</sup> *Id.* at 19.

<sup>87</sup> New England Suppliers Supplemental Comments at Attachment A.

<sup>88</sup> Demand Curve Order, 147 FERC ¶ 61,173.

<sup>89</sup> NEPGA did not object to that aspect of the sloped demand curve proposal.

changes in time to allow for review, approval, and implementation for FCA 10.<sup>90</sup> News of ISO-NE's plan to not implement the sloped zonal demand curves for FCA 10 comes as a late addition to this proceeding and is more appropriately addressed in the proceeding in which ISO-NE committed and the Commission relied on ISO-NE's representation that it will submit the zonal demand curve changes in time for FCA 10. We note that, on May 18, 2015, ISO-NE submitted a report on its progress towards developing sloped zonal demand curve improvements under Docket No. ER14-1639-000.

56. Finally, we find good cause to grant ISO-NE's request for waiver of the 60-day prior notice requirement because doing so will allow the filing to be effective before the June 1, 2015 Existing Qualification Deadline for FCA 10.<sup>91</sup> Therefore, we accept ISO-NE's identification of the potential new zonal boundaries, effective May 29, 2015, as requested.

The Commission orders:

ISO-NE's filing is hereby accepted, to become effective on May 29, 2015, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>90</sup> *ISO New England Inc.*, 150 FERC ¶ 61,066, at P 12 (2015); *see also ISO New England Inc. and New England Power Pool Participants Committee*, 150 FERC ¶ 61,065, at P 24 (2015).

<sup>91</sup> 18 C.F.R. § 35.11 (2014). *See Central Hudson Gas and Electric Corp.*, 60 FERC ¶ 61,106, *order on reh'g*, 61 FERC ¶ 61,089 (1992).