

153 FERC ¶ 61,017
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

October 7, 2015

In Reply Refer To:
ISO New England Inc. and New England
Power Pool Participants Committee
Docket No. ER15-2404-000

ISO New England Inc.
One Sullivan Road
Holyoke, MA 01040-2841

Attention: James H. Douglass

Day Pitney LLP
242 Trumbull Street
Hartford, CT 06103

Attention: Sebastian M. Lombardi, Esq.

Dear Mr. Douglass and Mr. Lombardi:

1. On August 10, 2015, pursuant to section 205 of the Federal Power Act (FPA),¹ ISO New England Inc. (ISO-NE) and the New England Power Pool Participants Committee (NEPOOL) (together, Filing Parties) jointly filed revisions² to the ISO-NE Transmission, Markets and Services Tariff (Tariff) to incorporate the system-wide sloped demand curve used in ISO-NE's Forward Capacity Auctions (FCAs) into the

¹ 16 U.S.C. § 824d (2012).

² ISO New England Inc., ISO New England Inc. Transmission, Markets and Services Tariff, [I.2, I.2 Rules of Construction; Definitions, 75.0.0, III.13.1, III.13.1 Forward Capacity Auction Qualification, 38.0.0, III.13.2, III.13.2 Annual Forward Capacity Auction, 36.0.0, III.13.4, III.13.4 Reconfiguration Auctions, 11.0.0, and III.13.7, III.13.7 Performance, Payments and Charges in the FCM, 42.0.0.](#)

Annual Reconfiguration Auctions. As discussed below, we accept the proposed Tariff revisions, to become effective October 12, 2015, as requested.

2. Filing Parties state that earlier this year, ISO-NE held its ninth FCA (FCA 9) for the capacity commitment period that begins on June 1, 2018. According to Filing Parties, this is the first FCA in which ISO-NE began using a system-wide sloped demand curve, as accepted by the Commission in May 2014.³ Filing Parties state that, beginning in June 2016, ISO-NE will conduct three Annual Reconfiguration Auctions leading up to the beginning of the 2018/2019 capacity commitment period to allow for the exchange of Capacity Supply Obligations, among other things, prior to the commitment period.⁴

3. Filing Parties state that the purpose of the proposed Tariff revisions is to reflect the use of the system-wide sloped demand curve in the Annual Reconfiguration Auctions, and therefore consistently represent demand in both the FCA and subsequent Annual Reconfiguration Auctions.⁵ Filing Parties state that consistency between the FCA and Annual Reconfiguration Auctions is important because, otherwise, there may be predictable, structural price differences between the auctions that could motivate suppliers to either defer the acquisition of Capacity Supply Obligations or acquire extra Capacity Supply Obligations in earlier auctions.⁶ Filing Parties state that the proposed Tariff revisions do not affect how suppliers participate in Annual Reconfiguration Auctions,⁷ however the revisions will affect how supply and demand offers are cleared. Under the new rules, offers and bids may clear using the system-wide sloped demand curve, subject to constraints, even in the absence of a counterparty offer or bid.⁸ In addition, Filing Parties state that the Installed Capacity Requirement value used in the

³ *ISO New England Inc. and New England Power Pool Participants Committee*, 147 FERC ¶ 61,173 (2014).

⁴ Transmittal at 4.

⁵ *Id.*

⁶ *Id.*; Testimony of Matthew C. Brewster at 4-5.

⁷ Filing Parties explain that suppliers will still submit supply offers if they are seeking to acquire additional obligations or demand bids if they are seeking to shed obligations. Transmittal at 4.

⁸ Transmittal at 5. The current Annual Reconfiguration Auction rules require the matching of counterparty offers and bids to clear, but using a system-wide sloped demand curve will allow the market to re-optimize the quantity and allocation of Capacity Supply Obligations among suppliers, benefiting consumers and suppliers. *Id.* at 4-5.

Annual Reconfiguration Auction will continue to be an updated value.⁹ Filing Parties state that in import and export constrained capacity zones, demand will continue to be established by Local Sourcing Requirements and Maximum Capacity Limits, respectively. The Filing Parties state the proposed Tariff revisions also include minor conforming and clean-up changes to the existing Annual Reconfiguration Auction rules.

4. Notice of Filing Parties' proposed Tariff revisions was published in the *Federal Register*, August 14, 2015, 80 Fed. Reg. 48,853 (2015), with interventions and protests due on or before August 31, 2015. NRG Companies, Entergy Nuclear Power Marketing, LLC, Eversource Energy Service Company, and Dominion Resources Services, Inc. filed timely motions to intervene, and New England Power Generators Association (NEPGA) filed a timely motion to intervene and comments. On September 9, 2015, ISO-NE filed an answer to NEPGA's comments.

5. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), 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) (2015), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We accept ISO-NE's answer because it has provided information that assisted us in our decision-making process.

6. In its comments, NEPGA states the Commission should approve the Filing Parties' proposed Tariff revisions without modification. NEPGA asserts that incorporating the system-wide sloped demand curve into the Annual Reconfiguration Auctions will improve the ability to identify the economic price for capacity by allowing the amount of Capacity Supply Obligations procured to vary based on any of the acceptable price/quantity pairs represented by the curve, as well as limit price volatility, efficiently price New England's resource adequacy needs, and eliminate the potential for predictable arbitrage opportunities between the base FCAs and the Annual Reconfiguration Auctions. NEPGA further states that the proposed Tariff revisions will largely eliminate ISO-NE's participation in the market at a system-wide level.¹⁰

7. However, NEPGA argues that the proposed Tariff revisions, while improving the overall Forward Capacity Market design, are incomplete until ISO-NE files sloped zonal

⁹ Transmittal at 4. Under the proposed changes ISO-NE will shift the system-wide sloped demand curve either to the left or right according to changes in capacity requirement values. The Installed Capacity Requirement value will be updated versus the value from the initial FCA. Testimony of Matthew C. Brewster at 6-7.

¹⁰ NEPGA Comments at 3-4.

demand curves.¹¹ NEPGA states that ISO-NE has offered several reasons for why it has not filed sloped zonal demand curves for FCA 10, including uncertainty regarding the capacity zone boundaries for FCA 10. However, according to NEPGA, ISO-NE has since resolved the relevant issues, and has a configuration it can use to design and test zonal demand curves for FCA 10.¹² NEPGA notes that it also filed a motion in Docket No. ER14-1639-002,¹³ asking the Commission to direct ISO-NE to submit zonal demand curves for FCA 10.¹⁴

8. In its answer, ISO-NE argues that NEPGA's comments regarding zonal sloped demand curves are outside the scope of the proceeding, which ISO-NE states is limited to how the Annual Reconfiguration Auction rules should be updated to reflect the system-wide sloped demand curve utilized in FCA 9, as well as following FCAs. In addition, ISO-NE argues that the Commission should reject NEPGA's comments on substantive grounds, stating that an effort to design sloped zonal demand curves for use in FCA 10 would require a minimum of two months of ISO-NE staff time, as well as additional time to obtain stakeholder input and Commission approval, and to test and validate software changes.¹⁵ ISO-NE states that an attempt to rush this process would impair ongoing efforts to develop longer-term sloped zonal demand curves for future FCAs.¹⁶

9. We accept the Filing Parties' proposed revisions to reflect the use of the new system-wide sloped demand curve in the Annual Reconfiguration Auctions associated with FCA 9 and future FCAs. We find that the Tariff revisions will harmonize the FCA and Annual Reconfiguration Auction rules by utilizing the same system-wide sloped demand curve, ensuring consistent representation of demand. Applying the system-wide sloped demand curve in the Annual Reconfiguration Auctions will provide the same benefits as in the FCA, such as allowing the amount of Capacity Supply Obligations to

¹¹ *Id.* at 4.

¹² *Id.* at 6.

¹³ Docket No. ER14-1639-000 is the proceeding in which ISO-NE submitted and the Commission conditionally accepted the system-wide sloped demand curve. *See ISO-NE and New England Power Pool Participants Committee*, 147 FERC ¶ 61,173 (2014), *order on reh'g*, 150 FERC ¶ 61,065 (2015).

¹⁴ NEPGA, Motion for Clarification and Request to Direct Compliance, Docket No. ER14-1639-002 (filed June 22, 2015).

¹⁵ ISO-NE Answer at 3-4.

¹⁶ *Id.* at 4.

vary by price, limiting market price volatility as quantities change, and creating additional trading opportunities.

10. We find NEPGA's concerns regarding implementation of zonal sloped demand curves for FCA 10 to be beyond the scope of this section 205 proceeding, which is limited to ISO-NE's proposal to incorporate the existing system-wide demand curve into the Annual Reconfiguration Auction.

11. The proposed Tariff revisions are hereby accepted for filing, effective October 12, 2015, as requested, as discussed in the body of this order.

By direction of the Commission.

Kimberly D. Bose,
Secretary.