

161 FERC ¶ 61,035  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;  
Cheryl A. LaFleur, and Robert F. Powelson.

ISO New England Inc.

Docket No. ER17-795-000  
ER17-795-002

ORDER ACCEPTING FILING

(Issued October 6, 2017)

1. On January 13, 2017, ISO New England Inc. (ISO-NE) submitted, pursuant to section 205 of the Federal Power Act (FPA),<sup>1</sup> proposed revisions to ISO-NE's Transmission, Markets and Services Tariff (Tariff) to update the Cost of New Entry (CONE), Net CONE, and Offer Review Trigger Price (ORTP) values used in the Forward Capacity Market (FCM). On March 6, 2017, ISO-NE amended its filing to extend the statutory action date indefinitely. On August 8, 2017, ISO-NE filed a subsequent amendment to re-establish a statutory action date. In this order, the Commission accepts the Tariff revisions, effective March 15, 2017.

**I. Background**

2. ISO-NE operates the FCM to procure capacity.<sup>2</sup> ISO-NE holds an annual Forward Capacity Auction (FCA), in which capacity suppliers compete to provide capacity to the New England region for the relevant delivery year, three years later. A resource whose capacity clears the FCA receives monthly capacity payments, in return for which it must offer its capacity into the day-ahead and real-time energy markets every day during the relevant capacity commitment period.

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<sup>1</sup> 16 U.S.C. § 824d (2012).

<sup>2</sup> See generally *Devon Power LLC*, 115 FERC ¶ 61,340 (FCM Settlement Order), *order on reh'g*, 117 FERC ¶ 61,133 (2006), *aff'd in relevant part sub nom. Maine Public Utilities Comm'n v. FERC*, 520 F.3d 464 (D.C. Cir. 2008), *order on remand*, *Devon Power LLC*, 126 FERC ¶ 61,027 (2009).

## II. Summary of the Filing

3. Every three years ISO-NE is required to recalculate its values for CONE, Net CONE, and ORTPs, using updated data.<sup>3</sup> In this proceeding, ISO-NE submitted Tariff revisions updating the CONE, Net CONE, and ORTP values.<sup>4</sup> The revised values will be used in FCA 12,<sup>5</sup> to be held in February 2018, for the capacity commitment period June 2021 – May 2022, as well as in FCAs 13 and 14. ISO-NE states that it retained the energy consultancy firm Concentric Energy Advisors (Concentric) to assist in the preparation of the updated CONE, Net CONE, and ORTP values.<sup>6</sup>

4. ISO-NE requests an effective date of March 15, 2017, to ensure that the new values will be in place during the initial stages of the FCA 12 qualification process.<sup>7</sup> ISO-NE explains that the CONE and Net CONE values will first be used during that process when capacity suppliers with existing resources submit any retirement de-list bids. According to ISO-NE, retirement de-list bids must be submitted between March 10 and March 24, 2017.<sup>8</sup>

5. ISO-NE states that the proposed CONE, Net CONE, and ORTP values were considered through the NEPOOL stakeholder process. On January 6, 2017, the NEPOOL

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<sup>3</sup> Tariff sections III.13.2.4 and III.A.21.1.2(a).

<sup>4</sup> ISO-NE is also proposing minor uncontested changes to the method it uses to calculate annual adjustments to the CONE, Net CONE and ORTP values in the years between triennial updates, so as to apply a consistent adjustment method for both the ORTP and the CONE/Net CONE values. Transmittal, Docket No. ER17-795-000 (January 13, 2017 Transmittal), Attachment 1, Concentric Energy Advisors Report (CEA Report) at 15.

<sup>5</sup> For ease of reference, we refer to the eleventh, twelfth, thirteenth, and fourteenth FCAs as FCA 11, FCA 12, FCA 13, and FCA 14.

<sup>6</sup> See CEA Report.

<sup>7</sup> January 13, 2017 Transmittal at 2.

<sup>8</sup> January 13, 2017 Transmittal at 4.

Participants Committee failed to support the updated CONE, Net CONE, and ORTP values by a vote of 49.66 percent in favor.<sup>9</sup>

6. On March 6, 2017, ISO-NE filed an amendment to indefinitely extend the statutory action date, stating that it would submit a further amendment-type filing when the Commission again had a quorum to institute a new 60-day statutory action date.<sup>10</sup> Subsequently, on August 8, 2017, ISO-NE filed an amendment to re-establish a statutory action date, stating that, while it recognizes that the new statutory action date will be 60 days from August 8, 2017, ISO-NE continues to request an effective date of March 15, 2017 for the CONE and ORTP updates.<sup>11</sup>

### **III. Notice of Filing and Responsive Pleadings**

7. Notice of ISO-NE's January 13, 2017 filing was published in the *Federal Register*, 82 Fed. Reg. 8,422 (2016), with interventions and protests due on or before February 3, 2017. Avangrid Networks, Inc.; Brookfield Energy Marketing LP; Calpine Corporation; Consolidated Edison Energy, Inc.; Dominion Resource Services, Inc.; Eversource Energy Service Company; Exelon Corporation; FirstLight Power Resources, Inc.; LS Power Associates, L.P.; National Grid; New England Power Generators Association Inc. (NEPGA); New England Power Pool Participants Committee (NEPOOL); New England States Committee on Electricity (NESCOE); NextEra Energy Resources, LLC; NRG Power Marketing LLC and GenOn Energy Management, LLC; and PSEG Companies filed timely motions to intervene. Cogentrix Energy Power Management, LLC (Cogentrix) filed a motion to intervene out-of-time. NEPOOL submitted comments in response to the January 13, 2017 filing discussing the stakeholder process involving ISO-NE's proposal. NESCOE submitted comments supporting the proposal. NEPGA filed a protest.

8. On February 17, 2017 and March 21, 2017, ISO-NE filed motions for leave to answer and answers. On March 6, 2017, NEPGA filed a motion for leave to answer and answer to ISO-NE's answer.

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<sup>9</sup> January 13, 2017 Transmittal at 17; *see also* Comments of New England Power Pool Participants Committee.

<sup>10</sup> ISO-NE March 6, 2017 Amendment at 2. ISO-NE noted that it still seeks an effective date of March 15, 2017, but that it filed this amendment because "the Commission lacks a quorum and is unable to take actions in the normal course of business."

<sup>11</sup> ISO-NE August 8, 2017 Amendment (August 8, 2017 Amendment) at 1.

9. Notice of ISO-NE's March 6, 2017 amendment to its filing was published in the *Federal Register*, 82 Fed. Reg. 13,326 (2017) with comments and protests due on or before March 27, 2017. On March 21, 2017, NEPOOL filed comments in response to ISO-NE's amendment. NEPOOL explains that ISO-NE is required by its Tariff to proceed with the qualification process for FCA 12 with ISO-NE's proposed new CONE and ORTP values. NEPOOL does not oppose the amendment, but states that it submits comments to ensure that ISO-NE's actions in resetting the statutory action date are not construed to have any precedential effect in future contested section 205 proceedings.

10. Notice of ISO-NE's August 8, 2017 amendment to its filing was published in the *Federal Register*, 82 Fed. Reg. 37,855 (2017) with comments or protests on the amendment due on or before August 29, 2017. No comments or protests on this amendment were filed.

#### IV. **Discussion**

##### A. **Procedural Matters**

11. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2017),<sup>12</sup> the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

12. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure,<sup>13</sup> we will grant Cogentrix'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.

13. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure<sup>14</sup> 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.

##### B. **Substantive Matters**

14. As discussed below, we accept ISO-NE's filing, effective March 15, 2017, as requested.

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<sup>12</sup> 18 C.F.R. § 385.214 (2017).

<sup>13</sup> *Id.* § 385.214(d).

<sup>14</sup> *Id.* § 385.213(a)(2).

## 1. CONE and Net CONE

### a. ISO-NE's Proposal

15. As part of the FCM design, ISO-NE estimates the cost of developing new resources that may enter the market. CONE (or gross CONE) is the total cost of developing a new resource, without any adjustment for the revenues that the resource might earn outside of the FCM.<sup>15</sup> Net CONE is the gross cost of new entry, less the profit the resource is expected to earn from providing energy, ancillary services, and other market services. Net CONE is intended to approximate the compensation a new entrant would need from the capacity market in the first year of operation to recover its capital and fixed costs under long-term equilibrium conditions.<sup>16</sup> In this filing, ISO-NE proposes to set CONE at \$11.35/kW-month and Net CONE at \$8.04/kW-month for FCA 12.<sup>17</sup>

16. ISO-NE bases the CONE and Net CONE values on a reference resource that represents “the technology that is expected to be the most economically efficient and that is commercially available to new capacity suppliers.”<sup>18</sup> ISO-NE then uses the CONE and Net CONE values to set the capacity auction starting price<sup>19</sup> and as an input to the calculation of the FCA demand curve.<sup>20</sup> ISO-NE, the Internal Market Monitor

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<sup>15</sup> Tariff section I.2.2 (“Cost of New Entry (CONE) is the estimated cost of new entry (\$/kW-month) for a capacity resource that is determined by the ISO for each Forward Capacity Auction”).

<sup>16</sup> January 13, 2017 Transmittal at 3 (citing Tariff, Section I.2.2 (Definitions)).

<sup>17</sup> CEA Report at 7.

<sup>18</sup> January 13, 2017 Transmittal at 9. ISO-NE further cited to *ISO New England Inc. and New England Power Pool Participants Committee*, 147 FERC ¶ 61,173, at P 32 (2014) (2014 Demand Curve Order), see January 13, 2017 Transmittal at 9 n.24.

<sup>19</sup> Per the Tariff, the starting price is the higher of CONE or 1.6 times Net CONE. Tariff section III.13.2.4.

<sup>20</sup> The system-wide demand curve is based on the marginal reliability impact of additional capacity – the change in the likelihood of a loss of load event as additional capacity is added to the system. Net CONE is used to translate the demand curve from a reliability basis (probability of a loss of load event) to a dollars per kW-month basis. Specifically, the system-wide demand curve in the capacity auction is scaled such that the capacity quantity associated with the Net CONE value satisfies the region’s resource adequacy criteria (a Loss of Load Expectation (LOLE) of 0.1 days per year). January 13,

(IMM), and market participants also use the CONE and Net CONE values during the qualification process that precedes each auction.

17. To determine the reference technology used to set the CONE and Net CONE values for FCA 12, ISO-NE states it first identified the resource types that should be subject to a detailed cost and expected revenue evaluation using the following screening criteria: the resources (1) must be likely to be economic for merchant entry under long-term equilibrium conditions and (2) must have reliable cost information available to calculate a CONE value using a full “bottom up” analytical approach. ISO-NE states that these same screening criteria were used when the initial CONE and Net CONE values were set in 2014 in Docket No. ER14-1639-000 and that, in its order accepting those values, the Commission acknowledged that the CONE and Net CONE values should reflect a reference technology that is commercially available to new capacity suppliers, is likely to be developed in New England, and for which cost and revenue estimates can be developed with confidence.<sup>21</sup>

18. ISO-NE states that it evaluated four possible reference resource technologies: (1) the 7HA.02 Simple Cycle Gas Turbine (the CT); (2) the 7HA.02 Combined Cycle Gas Turbine (the CC); (3) the M6000PF+ Aeroderivative Gas Turbine; and (4) the LMS100PA Advanced Aeroderivative.<sup>22</sup> ISO-NE explains that these technologies were considered because they might be economic for merchant entry under long-term equilibrium conditions and because there is reliable cost information available to estimate entry costs for each technology.<sup>23</sup> Additionally, ISO-NE’s evaluation assumed that the candidate resource types would share certain characteristics, including that development would occur at a previously undeveloped, or “greenfield” site. According to ISO-NE, the costs of re-development at existing, or “brownfield,” power plant sites

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2017 Transmittal at 4. *See also* Tariff section III.13.2.2.4 (“The demand curve scaling factor shall be set at the value such that, at the quantity specified by the System-Wide Capacity Demand Curve at a price of Net CONE, the Loss of Load Expectation is 0.1 days per year”); 2014 Demand Curve Order, 147 FERC ¶ 61,173 at P 32 (“[T]he choice of the . . . [reference resource] should result in a demand curve that can be expected to elicit an amount of capacity for this region that meets the stated reliability objective.”).

<sup>21</sup> January 13, 2017 Transmittal at 6. *See also id.* at 9.

<sup>22</sup> January 13, 2017 Transmittal at 6.

<sup>23</sup> January 13, 2017 Transmittal at 9-10.

could be highly variable and site-specific and, therefore, not a reliable predictor of future entry costs.<sup>24</sup>

19. Based on the results of the cost estimates for the four technologies, ISO-NE states that the most economically efficient commercially available resource type is the CT, with a Net CONE value of \$8.04/kW-month. The next most efficient resource type is the CC, according to ISO-NE, but it has a Net CONE value of \$10.00/kW-month, over 24 percent higher than the CT. Accordingly, consistent with the CEA Report recommendation, ISO-NE proposes to use the CT as the reference technology to set the updated CONE and Net CONE values.<sup>25</sup>

20. ISO-NE notes that the selection of the CT reference technology reflects a change from the earlier selection of a CC reference technology in 2014. It states, however, that while the CT could have been an appropriate choice in 2014 based solely on estimated costs, ISO-NE proposed to use the CC as the reference technology in part because at that time no new CT facilities had cleared the FCM, and the Commission accepted that proposal. ISO-NE also states that, in 2014, environmental considerations could have made it difficult for a CT to be permitted in New England, and the market rules in place might have resulted in under-procurement of capacity if ISO-NE set the CONE and Net CONE values too low. In the instant filing, ISO-NE states that conditions have changed since 2014, in that CT resources have cleared in ISO-NE FCAs and concerns regarding systemic under-procurement have been addressed by changes to the market rules, including the implementation of the marginal reliability impact-based system and zonal demand curves and elimination of the former administrative pricing rules. According to ISO-NE, the design principles used to establish the new marginal reliability impact-based demand curves more accurately reflect the incremental reliability value of capacity than did the previous demand curves.<sup>26</sup>

21. In addition, ISO-NE states that in the past few years there have been several changes to the capacity, energy, and reserve markets that are likely to favor the

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<sup>24</sup> January 13, 2017 Transmittal at 7.

<sup>25</sup> January 13, 2017 Transmittal at 10.

<sup>26</sup> The marginal reliability impact-based demand curves have a convex shape (while the price increases dramatically when the system is short of capacity, it decreases only gradually when the system is long of capacity), reflecting that the incremental value of additional capacity is high when the system is short of capacity and is low when the system has surplus capacity, which works to ensure that the system is able to meet its reliability objective over time even if capacity market clearing prices are not equal to Net CONE every year. January 13, 2017 Transmittal at 10-11.

development of more flexible resources such as the CT reference technology. ISO-NE cites the implementation of Pay-for-Performance capacity market design, which links capacity revenues to resource performance during reserve deficiencies,<sup>27</sup> and the increase in the reserve constraint penalty factors, which will result in higher energy and ancillary service prices during scarcity conditions.<sup>28</sup> Finally, ISO-NE also states that use of the CT technology in New England is consistent with the reference technologies used to set CONE and Net CONE in the PJM Interconnection, L.L.C. (PJM) and the New York Independent System Operator, Inc. (NYISO) markets.<sup>29</sup>

**b. Comments and Protests**

**i. NESCOE's Comments**

22. NESCOE supports ISO-NE's proposal to use a CT as the reference technology as an overall reasonable approach to updating CONE and Net CONE values to reflect

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<sup>27</sup> Pay-for-Performance is intended to incent capacity suppliers to provide energy during scarcity conditions using a two settlement mechanism. Under the first settlement, resources that take on a Capacity Supply Obligation will receive a Capacity Base Payment, which is determined for each resource by multiplying the amount of MW associated with its Capacity Supply Obligation by the FCA clearing price. The second settlement entails a Capacity Performance Payment, determined for each resource by measuring its performance against its forward position (i.e., its share of the system's requirements at the time of each Capacity Scarcity Condition). *See ISO New England Inc.*, 147 FERC ¶ 61,172, at PP 5-6 (2014) (Pay-for-Performance Order), *reh'g denied*, 153 FERC ¶ 61,223 (2015), *appeal pending sub nom. NEPGA v. FERC*, No. 16-1023 (D.C. Cir. filed January 19, 2016).

<sup>28</sup> In 2014, Reserve Constraint Penalty Factors were increased from \$500/MWh to \$1,000/MWh for 30-Minute Operating Reserves and from \$850/MWh to \$1,500/MWh for 10-Minute Non-Spinning Reserves in order to provide additional incentives for performance during scarcity conditions. *See ISO New England Inc.*, 147 FERC ¶ 61,172 at P 107, *reh'g denied*, 153 FERC ¶ 61,223, *appeal pending sub nom. NEPGA v. FERC*, No. 16-1023 (D.C. Cir. filed January 19, 2016).

<sup>29</sup> January 13, 2017 Transmittal at 11-12.

changed market conditions and market designs.<sup>30</sup> NESCOE states that selecting the most efficient resource, in this case the CT chosen by ISO-NE, as the reference technology is consistent with the proper functioning of the demand curves and achieves the market function of meeting the region's reliability needs at the lowest possible cost. NESCOE asserts that the use of the convex demand curve in FCAs 12 through 14 will not restrict capacity prices from rising above Net CONE and will mitigate any reliability impact of underestimating Net CONE. Further, NESCOE comments that ISO-NE has the ability under its Tariff to reconsider the CONE and Net CONE values at any time, and NESCOE supports ISO-NE's commitment to reviewing those numbers if circumstances merit a new analysis.<sup>31</sup>

**ii. NEPGA Protest**

23. NEPGA contends that ISO-NE "misstates the Commission's standard" when basing the reference technology on the most economically efficient resource available to new suppliers, and the CT does not meet the standards for the reference technology that the Commission outlined in the 2014 Demand Curve Order.<sup>32</sup> Specifically, NEPGA states that the Commission explained that:

the reference technology must: (1) create a Starting Price "high enough to accommodate projects that use a variety of combustion turbine technologies" but "not so high as to add unnecessary costs"; (2) create demand curve parameters that meet New England's reliability objective; (3) "be likely to be developed in New England;" and (4) ISO-NE must be able to develop cost and revenue estimates for the reference technology "with confidence."<sup>33</sup>

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<sup>30</sup> NESCOE February 3, 2017 Comments at 1 (NESCOE Comments). NESCOE notes that its comments in support are limited to the proposed CONE and Net CONE values.

<sup>31</sup> NESCOE Comments at 4.

<sup>32</sup> NEPGA February 3, 2017 Protest at 9-10 (NEPGA Protest).

<sup>33</sup> NEPGA Protest at 9 (citing 2014 Demand Curve Order, 147 FERC ¶ 61,173 at PP 32-33).

According to NEPGA, “[t]he Commission also agreed with ISO-NE’s position that ‘there should be consistency in the use of reference technology to provide certainty to the market.’”<sup>34</sup>

24. To the first point, NEPGA claims that the proposed Net CONE value will generate a low auction starting price that will prohibit certain gas turbine technologies from participating in the capacity market, limiting competition.<sup>35</sup> As quoted above, NEPGA contends the 2014 Demand Curve Order required that the starting price be high enough to accommodate a variety of combustion turbine technologies. With regard to the second point, NEPGA contends that underestimating Net CONE could create reliability risks. Specifically, NEPGA argues that underestimating Net CONE could lead the market to under-procure capacity and that this risk, especially in light of potential retirements, outweighs the risk of overestimating Net CONE and potentially over-procuring capacity at a higher price.<sup>36</sup> In addition, NEPGA contends that zonal clearing prices in FCAs 7-9, which were at or above \$14.99/kW-month, indicate that the actual cost of new entry is higher than the proposed Net CONE value, meaning that the proposed value may not be high enough to incent new entry.<sup>37</sup>

25. NEPGA asserts that reducing Net CONE by over thirty percent in a single auction increases the risk of an inefficient market solution that does not reflect the actual cost of new entry.<sup>38</sup> NEPGA states that, in order for a market to attract new entry, market participants must expect that resources will be able to earn the actual cost of new entry<sup>39</sup> over time; otherwise, the market will not attract new entry when needed. NEPGA further states that existing resources also depend on a market design that allows clearing prices to reflect actual new entry costs. NEPGA explains that, if market participants believe that market design elements will suppress clearing prices below the actual cost of new entry (in the long run), market participants may price this risk, as

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<sup>34</sup> NEPGA Protest at 9 (citing 2014 Demand Curve Order, 147 FERC ¶ 61,173 at P 34).

<sup>35</sup> NEPGA Protest at 17.

<sup>36</sup> NEPGA Protest at 20, 23.

<sup>37</sup> NEPGA Protest at 16.

<sup>38</sup> NEPGA Protest at 21, 40.

<sup>39</sup> Here and throughout, “cost of new entry” is a generic term and is distinguishable from “CONE” or “Cost of New Entry,” which are defined terms in ISO-NE’s Tariff.

well as the risk that Net CONE itself is underestimated, into their capacity supply offers. NEPGA claims that ISO-NE has not justified a departure from the Commission's call for consistency in the use of reference technology.<sup>40</sup>

26. NEPGA also argues that ISO-NE estimates energy revenues based on an unbalanced system model, the AURORA model, which NEPGA contends is not consistent with the purpose of Net CONE. NEPGA makes three arguments in support of the proposition that the system model is unbalanced. First, NEPGA claims that the model does not build the offshore wind resources expected to be developed pursuant to recent Massachusetts legislation and that it builds out CCs but not CTs when new generation is needed to meet load growth and/or retirements.<sup>41</sup> NEPGA explains that the legislation requires up to 1,600 megawatts (MW) of "cost-effective" offshore wind be developed, and ISO-NE's assumption that only 25 MW will be built is unreasonable, because recent court rulings have found that "cost-effective" includes environmental benefits and the first offshore wind resource cleared FCA 10.<sup>42</sup> Second, NEPGA argues that the AURORA model sometimes retires capacity but does not add sufficient resources to meet demand and balance the system until a year later, which can result in more volatile energy and ancillary services revenue streams. Third, NEPGA claims that ISO-NE's CONE and Net CONE calculations for the different candidate reference technologies are inconsistent with the AURORA model. For example, ISO-NE's Net CONE calculations use different heat rates than units of the same technology type in the AURORA model (e.g. the heat rate for the candidate CC technology resource in ISO-NE's Net CONE calculations is not equal to the heat rate of new CC units in the AURORA model). In addition, according to NEPGA, the capacity factors ISO-NE assumes for different technology types in the Net CONE calculations differ from the capacity factors for those types of units in the AURORA model (e.g. the capacity factor assumed by ISO-NE for various technology types does not match the results from the AURORA model).<sup>43</sup>

27. Moreover, NEPGA argues, ISO-NE's projections of reserve revenues are flawed. NEPGA states that ISO-NE relies on an average of historical reserve clearing prices, then applies a static inflation factor to those historical average prices in order to forecast future reserve prices and revenues. NEPGA contends that this is inconsistent

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<sup>40</sup> NEPGA Protest at 14, 21, 40-42.

<sup>41</sup> NEPGA Protest at 26.

<sup>42</sup> NEPGA Protest at 37-38.

<sup>43</sup> NEPGA Protest at 38-39.

with actual trends in futures for energy and natural gas prices.<sup>44</sup> NEPGA claims that ISO-NE should take into account the relationship between natural gas and energy prices, as well as future changes in forward and real-time operating reserve supply and demand. NEPGA asserts that demand for operating reserves has stayed relatively constant, while supply has increased, suggesting reserve prices will actually decrease, rather than increase.<sup>45</sup>

28. NEPGA also argues that ISO-NE has not demonstrated that the reference technology is likely to be developed in New England. NEPGA contends that no greenfield CT has recently cleared the FCA and that AURORA does not project new CTs will be built either. Further, NEPGA argues that, because ISO-NE projects that the CT's primary source of net energy and ancillary services revenue will be when it is acting as a peaking and reserve resource, in developing its Net CONE value ISO-NE should consider non-traditional resource types that may be economic in the future (such as distributed energy resources, demand response and energy storage) to provide these services during the capacity commitment period.<sup>46</sup>

**c. Answers**

**i. ISO-NE's Answer**

29. ISO-NE responds that NEPGA misrepresents the Commission's discussion of the issues in the 2014 Demand Curve Order.<sup>47</sup> ISO-NE also argues that NEPGA has not demonstrated that the auction starting price will be unreasonable under the proposed CONE and Net CONE values, explaining that the formula that determines the starting price is not at issue in the instant filing. ISO-NE claims that the concerns NEPGA raises about the starting price will be true regardless of whether the existing or proposed CONE and Net CONE values are used.

30. With regard to NEPGA's reliability concerns, ISO-NE further argues that the convex shape of the new marginal reliability impact-based demand curves essentially eliminates the reliability risk associated with underestimating CONE and Net CONE

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<sup>44</sup> NEPGA Protest at 31.

<sup>45</sup> NEPGA Protest at 36.

<sup>46</sup> NEPGA Protest at 25, 28. *See also* New England Power Generators Association Motion to Intervene and Protest, Attachment A, Prepared Testimony of Tanya Bodell, at 39-40 (filed February 3, 2017) (Bodell Testimony).

<sup>47</sup> ISO-NE February 17 Answer at 3-4.

and claims that NEPGA's arguments concerning this risk should be dismissed as a collateral attack on the 2016 Demand Curve Order.<sup>48</sup> ISO-NE states that, contrary to NEPGA's assertion that private investors would not be willing to invest in new resources at a capacity price less than ISO-NE's estimated CC Net CONE (\$10.00/kW-month), new natural gas-fired generation resources cleared FCAs 9 and 10 below that amount.<sup>49</sup> ISO-NE also argues that the proposed reduction in Net CONE should not create uncertainty, as NEPGA alleges, because investors and market participants are aware of auction results and should be expecting a new Net CONE value that is more in line with them.<sup>50</sup>

31. In response to NEPGA's modeling concerns, ISO-NE asserts that AURORA was only used for the limited purpose of estimating future energy prices as one component of a much broader analysis to determine the appropriate reference technology. ISO-NE states that the Net CONE analysis "considers specialized factors that are important in the New England markets, such as how each candidate technology participates in the region's multi-product forward and real-time reserve markets, that AURORA is not able to accurately model."<sup>51</sup> Regarding the offshore wind legislation, ISO-NE argues that legislation in Massachusetts authorizes, but does not require, procurement of offshore wind and that NEPGA has not demonstrated that ISO-NE's estimate of the amount of offshore wind likely to be developed is not reasonable. Furthermore, ISO-NE claims, entry of a single new offshore wind resource does not predict the scale of future development. ISO-NE argues that more offshore wind development would only result in a small reduction in energy revenues, a reduction that would tend to increase Net CONE for a CT less than for a CC, since less of a CC's total revenues come from energy market revenues. Based on these factors, ISO-NE concludes that, disregarding

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<sup>48</sup> ISO-NE February 17 Answer at 9, 13 (citing *ISO-NE and New England Power Pool Participants Committee*, 155 FERC ¶ 61,319 (2016) at P 5 (2016 Demand Curve Order)).

<sup>49</sup> ISO-NE states that, in FCA 9 (held in 2015), two new natural gas-fired resources cleared at a price of \$9.55/kW-month. In FCA 10 (held in 2016), three more new gas-fired resources cleared at a price of \$7.03/kW-month. ISO-NE February 17 Answer at 6 (footnotes omitted).

<sup>50</sup> ISO-NE February 17 Answer at 8.

<sup>51</sup> ISO-NE February 17 Answer at 18.

that ISO-NE believes its assumptions are reasonable, a larger amount of offshore wind development would not change the choice of reference technology.<sup>52</sup>

32. In response to NEPGA's arguments that ISO-NE has overestimated reserve market revenues, ISO-NE asserts that NEPGA's conclusion is flawed and based on a false premise. According to ISO-NE, NEPGA argues that ISO-NE's analysis is biased toward CTs, because it projects that reserve revenues will increase over time, even though potential margins for energy sales are declining. ISO-NE explains that "potential margins" refers to the "spark spread," or wholesale energy revenue less fuel costs and variable operating costs, and that a declining spark spread for a CT does not imply that reserve revenues will decrease, only that it is more efficient for a CT to supply reserves than energy.<sup>53</sup> ISO-NE states that there is no economic logic to support NEPGA's argument about reserve market revenues; rather, according to ISO-NE, increases in prices will tend to lead to increased reserve market revenues.<sup>54</sup> ISO-NE states that reserve market prices have been volatile, making long-term data misleading. ISO-NE contends that Concentric accounts for this by excluding "the most outlying historical prices."<sup>55</sup> ISO-NE also argues that NEPGA's use of excess supply data to forecast reserve prices is speculative, as there are many factors that may influence these prices. Finally, ISO-NE claims that reserve market revenues are non-material in the reference technology choice, because the total projected forward reserve market revenue for a CT is less than the difference in estimated net cost of new entry for the CC and CT units.

**ii. NEPGA's Answer**

33. NEPGA clarifies that it does not challenge the cost estimates in the instant filing. Rather, NEPGA states it is protesting the choice of the CT as a reference technology, arguing that it is not just and reasonable. NEPGA also reiterates its argument that high clearing prices in FCAs 7-9 indicate that the actual cost of new entry is higher than ISO-NE's proposed values. NEPGA states that the prices paid to new resources in the NEMA/Boston zone in FCA 7 and to all new resources system-wide in FCA 8 were based on actual supply offers, not on administrative prices.<sup>56</sup> NEPGA further states that

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<sup>52</sup> ISO-NE February 17 Answer at 23-24.

<sup>53</sup> ISO-NE February 17 Answer at 19-20.

<sup>54</sup> ISO-NE February 17 Answer at 20 (citing CEA Report at 58).

<sup>55</sup> ISO-NE February 17 Answer at 21.

<sup>56</sup> NEPGA March 6, 2017 Motion for Leave to Answer and Answer (NEPGA

the administrative price paid to new resources in the SEMA/RI zone in FCA 9 (\$17.728/kW-month) was based on the Inadequate Supply rule, which resulted in new resources in the SEMA/RI zone being paid the auction starting price. NEPGA contends that this value is relevant, despite being set administratively, because it was set at a level necessary to attract new capacity resources when needed.<sup>57</sup> NEPGA also argues that its protest does not collaterally attack prior Commission orders, as ISO-NE contends, but rather cites to prior Commission findings that underestimating Net CONE can lead to under-procurement of capacity.<sup>58</sup>

34. NEPGA states that, contrary to ISO-NE's answer, it is significant that the AURORA model finds that ISO-NE's future needs will be met most economically with CCs, rather than CTs, and that CCs will be in demand and economic.<sup>59</sup> With regard to the reserve revenue projections, NEPGA argues that ISO-NE does not support its contention that, because energy prices will rise over time, reserve revenues will rise as well. NEPGA further argues that there is no relationship between ISO-NE's reserve revenue projections and the growth in energy prices.<sup>60</sup> NEPGA also refutes ISO-NE's claim that a declining spark spread for CTs does not lead to the conclusion that CTs' reserve revenues will decline as well. NEPGA contends that a declining spark spread for CTs means those resources are more efficient as reserve resources, which will increase the supply of reserves, driving reserve prices and reserve revenues down.<sup>61</sup> Finally, NEPGA argues that, contrary to ISO-NE's claim in its answer, NEPGA has not misrepresented Commission precedent with regard to the criteria for choosing a reference technology.<sup>62</sup>

### **iii. ISO-NE's March 21 Answer**

35. ISO-NE reiterates its argument that CONE and Net CONE should be based on the most economically efficient type of new capacity resource in New England and that

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Answer) at 3-7.

<sup>57</sup> NEPGA Answer at 8-9.

<sup>58</sup> NEPGA Answer at 9-10.

<sup>59</sup> NEPGA Answer at 12.

<sup>60</sup> NEPGA Answer at 13.

<sup>61</sup> NEPGA Answer at 14-15.

<sup>62</sup> NEPGA Answer at 16.

changing those values just to get a different starting price value would distort other, more fundamental aspects of the market. ISO-NE also explains that energy and reserve prices are correlated because reserve prices are based on the opportunity cost of not selling energy, meaning when energy prices are high, reserve prices will also tend to be high. ISO-NE argues that the volatility of reserve market prices does not negate the economic principles behind this association. ISO-NE also argues that, while the forecasted reserve revenues may be conservative, as NEPGA contends, less conservative values would have disproportionately benefited faster-responding technologies like the CT. Finally, ISO-NE contends that NEPGA's arguments about spark spreads are speculative, and as such do not demonstrate that the proposed values are unreasonable.<sup>63</sup>

**d. Commission Determination**

36. We find ISO-NE's proposed CONE and Net CONE values, using the CT as the reference technology, to be just and reasonable, as discussed below.

37. As a threshold matter, we note that ISO-NE's Tariff is not prescriptive as to how the reference technology should be chosen. The Tariff states that ISO-NE determines the estimated cost of new entry for a capacity resource pursuant to section III.13.2.4 of the Tariff.<sup>64</sup> Under section III.13.2.4, "[w]henver these values are recalculated, the ISO will review the results of the recalculation with stakeholders and the new values will be filed with the Commission prior to the [FCA] in which the new value is to apply."<sup>65</sup> We find ISO-NE's proposal to use a CT consistent with the requirements of the Tariff.

38. In its protest, NEPGA argues that ISO-NE's choice of reference technology does not meet the criteria discussed in the 2014 Demand Curve Order, as well as that ISO-NE has not shown sufficient cause to change the reference technology. We disagree. In the 2014 Demand Curve Order, the Commission accepted ISO-NE's proposal for the reference unit, agreeing with ISO-NE that a CC unit met the following factors: (1) it was likely to be developed in New England; (2) ISO-NE could develop cost and revenue estimates for it with confidence;<sup>66</sup> and (3) it would result in a demand curve that "should produce prices high enough to meet the reliability standard but not so high

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<sup>63</sup> ISO-NE March 21 Answer at 4-6.

<sup>64</sup> ISO-NE Tariff, General Terms and Conditions, Cost of New Entry (CONE).

<sup>65</sup> Tariff section III.13.2.4 of the ISO-NE Tariff.

<sup>66</sup> 2014 Demand Curve Order, 147 FERC ¶ 61,173 at P 32.

as to add unnecessary costs.”<sup>67</sup> Nothing in that order prohibited ISO-NE from later proposing to use a CT as the reference technology. Specifically, the order states: “ISO-NE states that it will reevaluate its choice of reference unit, as appropriate. We recognize that such reevaluation is important, since market activity and technology change over time, but agree with ISO-NE that there should be consistency in the use of reference technology to provide certainty to the market.”<sup>68</sup> We clarify here that that this should not mean the reference technology can never change. Rather, the reference technology should be identified using the three criteria enumerated above, and should be evaluated, as needed, to ensure it continues to meet those criteria. Here, we find the instant proposal to use a CT as the reference technology consistent with the factors that the Commission considered when reviewing ISO-NE’s proposed reference technology in the 2014 Demand Curve Order, and further find that changes in market activity and technology, as explained below, make a change in the reference technology appropriate at this time. Though a CC unit may meet some of the criteria, because of its relatively higher cost, it does not meet the third.

39. With regard to factor (1), the 2014 Demand Curve Order found that the reference technology should “appear[] likely to be developed in New England.”<sup>69</sup> We agree with ISO-NE that CTs are likely to be developed in New England because they are a technology available to developers that is efficient to build and CTs have recently cleared the capacity market. In fact, one of these units, currently under development at a brownfield site, will use the exact reference technology, a GE7HA.02 CT.<sup>70</sup> We acknowledge that ISO-NE bases its estimate of Net CONE on the deployment of the reference technology at a greenfield site and, as NEPGA points out, no greenfield projects using the reference technology have cleared the capacity auction. However, we agree with ISO-NE that its analysis of resource costs, combined with the brownfield projects that have cleared in previous FCAs, is sufficient to demonstrate that the

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<sup>67</sup> *Id.* P 33.

<sup>68</sup> 2014 Demand Curve Order, 147 FERC ¶ 61,173 at P 34.

<sup>69</sup> *Id.* P 32.

<sup>70</sup> This unit will be located in the Canal 3 facility in Southeastern Massachusetts, and has an expected in service date of 2019. CEA Report at 5-6, 13.

reference technology is likely to be developed in New England.<sup>71</sup> We are not convinced by NEPGA's argument that since the AURORA model added CC units rather than CT units to meet future needs, the AURORA results indicate the reference technology is unlikely to be developed in New England. As noted below, AURORA does not model all of the intricacies of ISO-NE's markets, particularly the ancillary services markets. Thus, the AURORA model's results are not conclusory as to the technologies likely to be developed in ISO-NE in the future because the results do not reflect all of the revenue streams a developer would consider when determining whether to build a new resource.

40. With regard to factor (2), the 2014 Demand Curve Order found that ISO-NE must be able to develop cost and revenue estimates for the chosen reference technology with confidence.<sup>72</sup> ISO-NE states it has been able to do so, and the proposed estimates for CONE and Net CONE are not contested in this proceeding. NEPGA states that it "does not challenge the cost estimates developed by ISO-NE and its consultant...."<sup>73</sup>

41. With regard to factor (3), the 2014 Demand Curve Order found that the reference unit should produce prices high enough to meet the reliability standard but not so high as to add unnecessary costs.<sup>74</sup> ISO-NE states that the choice of reference technology is appropriate because it is the most economically efficient unit that is commercially available.<sup>75</sup> We agree that the CT is an appropriate reference technology, because, as stated above, the proposed reference technology is both likely to be built in New England and is significantly more economically efficient than the next lowest cost technology, indicating that the proposed Net CONE value will be high enough to incent new entry into the market, but not so high as to introduce unnecessary costs. While using a CC as the reference technology would also meet the reliability standard, the estimated Net CONE for the CC is 24 percent higher than that for the CT.

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<sup>71</sup> At the time that ISO-NE made its filing in January 2017, several CT units were in development in ISO-NE, with estimated in service dates in 2018 or 2019. CEA Report at 17. Since that filing, it appears that at least one of these projects, two CTs being added at Medway, has begun construction. *See* Exelon Generation Medway Peaker Project, *Project Construction Information* (September 2017), <http://www.medwayenergy.com/construction/>.

<sup>72</sup> 2014 Demand Curve Order, 147 FERC ¶ 61,173 at P 32.

<sup>73</sup> NEPGA Answer at 3.

<sup>74</sup> 2014 Demand Curve Order, 147 FERC ¶ 61,173 at P 33.

<sup>75</sup> January 13, 2017 Transmittal at 9.

42. With respect to reliability, we find here that ISO-NE's choice of a CT as the reference technology would result in a demand curve that would elicit an amount of capacity that meets ISO-NE's stated reliability objective. We recognize that, as ISO-NE has done here, it may be appropriate to modify the reference technology used to calculate CONE and Net CONE to accommodate relevant factors such as technological progress. In addition, we emphasize the importance of using consistent criteria to select a reference technology from one triennial update to the next to provide certainty to the market. Using consistent criteria to select the reference technology would help to ensure that ISO-NE changes the reference technology it uses in its calculations only when justified and in a manner that is transparent to and predictable for market participants, given the significant impact on cost recovery that such a change would have. The criteria should produce demand curves such that a developer sponsoring efficient and needed new entry has a reasonable opportunity to recover the full costs of the new resource from ISO-NE's markets over its useful life.

43. Turning to other issues raised in NEPGA's protest, we disagree with NEPGA that the Commission previously required the FCA starting price to be high enough to accommodate any combustion turbine technology. The 2014 Demand Curve Order did not require the starting price to be at any certain level, or specify a number of combustion turbine resources that must be able to participate in the auction,<sup>76</sup> and we decline to impose such a requirement here. Although the FCA starting price does place a cap on the auction clearing price, the starting price is established based on a formula in ISO-NE's Tariff and is not a factor in determining CONE or Net CONE.<sup>77</sup> In addition, we note that, as long as the FCA clears below the starting price, no economic resource has been prohibited from participating. Further, we note that ISO-NE's proposed CONE and Net CONE values will generate a starting price that exceeds the Net CONE values that ISO-NE calculated for both the CT and CC units that were considered for the reference technology. Specifically, the Net CONE value for the CC is \$10.00/kW-month, while the starting price based on the CT choice is the higher of (1) CONE (\$11.35/kW-month) and (2) 1.6 times Net CONE (\$12.864/kW-month); therefore, the starting price for FCA 12 will be \$12.864/kW-month, which is higher than the Net CONE value of \$10.00/kW-month for the CC. Furthermore, ISO-NE states that the proposed value will "accommodate the participation of a range of resource types."<sup>78</sup> As such, NEPGA has not persuaded us that the proposed Net CONE value will result in a starting price that will limit investment and competition in the FCA.

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<sup>76</sup> 2014 Demand Curve Order, 147 FERC ¶ 61,173 at PP 32, 34.

<sup>77</sup> Tariff section III.13.2.4.

<sup>78</sup> ISO-NE February 17 Answer at 9.

44. We agree with ISO-NE that zonal capacity prices in previous auctions may not reflect the actual cost of new entry for resources on a going forward basis. Previous capacity auctions have cleared at prices both above and below the proposed Net CONE values. Moreover, starting in FCA 11, ISO-NE used new sloped system-wide and zonal demand curves based on the marginal reliability impact of capacity, which is intended to allow FCA clearing prices to more accurately reflect the actual reliability value of capacity.<sup>79</sup> In contrast, the zonal demand curves used prior to FCA 11 were not sloped, resulting in prices that were often based in part on administrative rules, rather than market dynamics. While NEPGA states that the prices resulting from prior auctions, including administrative prices, are directly relevant to the starting price going forward, we note that the FCA is a forward-looking auction, which should anticipate future market conditions and should not be bound by previous auction results. We also disagree with NEPGA that the risk of potentially underestimating Net CONE, by choosing a different reference technology than that chosen in the past, is so great that a higher starting value should be chosen purely to mitigate this risk.

45. We are not convinced by NEPGA's arguments that the differences between the AURORA model and ISO-NE's analysis make the proposed Net CONE value unjust or unreasonable. While AURORA assumes that CC units, rather than CT units, will be added in the future to meet retirements and/or load growth, for example, that is in part because AURORA is not able to (or designed to) accurately model all of ISO-NE's energy and ancillary services markets. However, this does not render AURORA's forecasts of future energy prices unjust and unreasonable. As ISO-NE states, AURORA is the most appropriate tool for forecasting energy prices and it was used only for this purpose.<sup>80</sup> NEPGA also argues that AURORA delays adding new generation after retirement, but this is not unreasonable as new generation might not immediately enter the market following a retirement.

46. We are similarly not convinced by NEPGA's arguments that ISO-NE's assumptions regarding the forward reserve prices are unjust or unreasonable. ISO-NE states that its analysis for the Locational Forward Reserve Market revenues calculated a seasonal-weighted average clearing price for each reserve product in each commitment period, less the FCM clearing price, and divided that value by the average number of on-peak hours each month to generate an average annual price in dollars per megawatt hour.<sup>81</sup> ISO-NE states that it excludes "the most outlying historical prices" to avoid

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<sup>79</sup> 2016 Demand Curve Order, 155 FERC ¶ 61,319 at P 5.

<sup>80</sup> ISO-NE February 17 Answer at 18.

<sup>81</sup> CEA Report at 61.

bias.<sup>82</sup> For the Real-Time Reserve Market, ISO-NE states it took an average of the clearing price for each product for all off-peak hours, and similarly excluded the outliers.<sup>83</sup> We agree with ISO-NE that this is a reasonable approach and need not opine on whether it is the only reasonable approach.

## 2. ORTP Values

### a. ISO-NE's Proposal

47. ISO-NE calculates estimates of the entry costs for all resource types that are likely to participate in the FCM. These ORTP values are technology-specific thresholds that the IMM uses to screen for new resource offers that merit further review as part of the buyer-side market power mitigation rules.<sup>84</sup> Specifically, the IMM reviews new capacity offers that appear implausible absent out-of-market revenues so as to ensure that capacity prices are not suppressed by the uneconomic entry of subsidized new resources. Offers equal to or above the relevant ORTP are assumed to be competitively priced, but offers below the ORTP are subject to IMM review.<sup>85</sup> In the instant filing, ISO-NE proposes to establish the following ORTP values: CC \$7.856/kW-month, CT \$6.503/kW-month, onshore wind \$11.025/kW-month, energy efficiency \$0/kW-month, large demand response \$1.008/kW-month, mass-market demand response \$7.559/kW-month.<sup>86</sup>

48. ISO-NE states that it begins the ORTP review process by applying screening criteria to identify the resource types for which ORTPs will be calculated, including whether (1) a technology has been installed in the New England region and participated in recent auctions, (2) there is reliable cost information available to calculate an ORTP using a full “bottom-up” analytical approach, and (3) a resource’s first year revenue requirement would be below the expected FCA starting price. After applying these criteria, ISO-NE states it calculates ORTPs for CT, CC, onshore wind generation,

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<sup>82</sup> ISO-NE February 17 Answer at 21.

<sup>83</sup> CEA Report at 62.

<sup>84</sup> Tariff section III.A.21.1 (“For each new technology type, the Internal Market Monitor shall establish an Offer Review Trigger Price. Offers in the Forward Capacity Auction at prices that are equal to or above the relevant Offer Review Trigger Price will not be subject to further review by the Internal Market Monitor”).

<sup>85</sup> *See generally* Tariff, Appendix A, section III.A.21.1.

<sup>86</sup> CEA Report at 7.

energy efficiency, and Real-Time Demand Response Resources (sometimes referred to as active demand response resources). ISO-NE clarifies that it did not calculate ORTP values for solar photovoltaic technologies, offshore wind generation, biomass generation, or battery-storage technologies and, accordingly, offers for any of these resource types are subject to further review by the IMM.<sup>87</sup>

49. ISO-NE states that the process of calculating the ORTP values is very similar to the process used to calculate the new CONE and Net CONE values, but ISO-NE uses different assumptions to calculate ORTP values, to ensure they reflect the low end of the competitive range of expected offers. Based on assumptions about the operating characteristics of each resource type, ISO-NE states it estimates the gross entry costs and expected net revenues for each resource type. ISO-NE explains that the ORTP is then set to the resulting net entry cost calculated for each resource type.<sup>88</sup> Of note, ISO-NE also proposes to continue to include a Production Tax Credit in its calculation of the ORTP for onshore wind resources, as discussed below.

**b. NEPGA's Protest**

50. NEPGA protests the proposed ORTP value for onshore wind resources. NEPGA contends that the Commission had previously rejected the inclusion of the Production Tax Credit in the ORTP for onshore wind, in an instance when the credit had expired.<sup>89</sup> NEPGA requests the Commission repeat that finding here, because the credit is currently being phased out and ultimately expires in December 2019. NEPGA claims it is inappropriate to include the Production Tax Credit in the ORTP value because ISO-NE's Tariff requires out-of-market revenues that are not available to all resources of the same physical type be excluded from ORTP calculations.<sup>90</sup>

**c. Answers**

51. In response to NEPGA's argument that the Production Tax Credit benefit should be removed from the ORTP for onshore wind, ISO-NE argues that it included the credit based on a reasonable assumption that developers would have an incentive to begin construction to capture the benefit. Regarding NEPGA's argument that the

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<sup>87</sup> January 13, 2017 Transmittal at 13-14.

<sup>88</sup> January 13, 2017 Transmittal at 14.

<sup>89</sup> NEPGA Protest at 47 (citing *ISO New England Inc.*, 146 FERC ¶ 61,084, at P33 (2014)).

<sup>90</sup> NEPGA Protest at 47 (citing ISO-NE Tariff, section III.A.21.2(b)).

Commission previously rejected including Production Tax Credit in the ORTP, ISO-NE argues that the Production Tax Credit had expired by the time the Commission issued that order.<sup>91</sup> ISO-NE further contends that those circumstances are distinguishable from the instant filing, as the credit has not expired and is still available as a source of non-capacity revenue to qualifying resources. Finally, ISO-NE states that there is no Tariff requirement that the Production Tax Credit must be both available and shown to be 100 percent utilized by all onshore wind resource developers in order for that credit to be reflected in the updated ORTP value for onshore wind resources.<sup>92</sup>

52. NEPGA argues that ISO-NE's answer fails to address that the inclusion of the 2018 Production Tax Credit value in the ORTP for onshore wind contravenes the Tariff.<sup>93</sup> NEPGA reiterates that the credit will be phased out and therefore is unlikely to be available to all onshore wind in ISO-NE.<sup>94</sup> In its answer, ISO-NE argues that the Tariff provision NEPGA cites does not directly address the calculation of ORTP values, but rather the IMM's review of new supply offers below the relevant ORTP value.<sup>95</sup>

**d. Commission Determination**

53. We accept ISO-NE's proposed ORTP values.<sup>96</sup> We agree with ISO-NE that the current situation can be distinguished from the prior order NEPGA cites because in that instance, the Production Tax Credit was already expired, and here it is currently available to all onshore wind resource developers who begin construction by December 2018.<sup>97</sup> We find that, because this credit is currently available, it is just and reasonable to include it in the ORTP calculation at this time.

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<sup>91</sup> ISO-NE February 17 Answer at 25 (citing *ISO New England Inc.*, 146 FERC ¶ 61,084).

<sup>92</sup> ISO-NE March 21 Answer at 7.

<sup>93</sup> NEPGA Protest at 15.

<sup>94</sup> NEPGA Protest at 15-16.

<sup>95</sup> ISO-NE March 21 Answer at 7.

<sup>96</sup> Regarding NEPGA's comment that the Concentric Energy Advisors report contains an error in which it lists the Production Tax Credit value as \$0.15/kWh, rather than \$0.015/kWh, we note that this appears to be a typographical error that is not carried forward into Concentric's calculation of the actual ORTP value.

<sup>97</sup> *ISO New England Inc.*, 146 FERC ¶ 61,084.

The Commission orders:

ISO-NE's filing is hereby accepted as discussed in the body of this order, effective March 15, 2017.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.