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RE: FERC Open Meeting

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Comments of Public Power

Good afternoon. Thank you to Commissioners and FERC staff for the opportunity to speak on today's panel. You have heard from previous speakers New England is working to developed rules to solve an issue not entirely uncommon in wholesale electric markets facing a rapid transformation in technologies and fuel types used to meet the demand of its electric bulk power system. Those challenges are further exacerbated in New England with the market exit of stored fuel resources such as nuclear, oil, coal, the rapid entry of zero marginal cost intermittent resources, and an insufficient fuel delivery infrastructure. The resource mix transformation, infrastructure challenges and current market design are resulting in just-in-time fuel delivery, misalignment of market incentives for sufficient stored fuel or energy, and reliability concerns for the operation of the electric bulk power system, particularly under stressed winter conditions.

The representatives for the 58 Public Power entities in the New England stakeholder process have the obligation to assure, to the best of their ability, any energy security design provides its consumers energy and reserves at reasonably costs and with increased system reliability. The Publicly Owned Entity sector is in general agreement with the problems statements ISO has identified as the underlying problems for a fuel secure electric bulk power system. The problems of misaligned incentives, operational uncertainties, and inefficient scheduling are at the root of the issues for securing sufficient stored fuel or energy. However, Public Power has concerns about the process to design needed tariff changes as well as with the design itself.

Stakeholder Process Concerns

The history of how the region arrived at this place is well documented. With the ability of the region to retain resources for fuel security under Cost Of Service Agreement tariff provisions securely in place, for the capacity commitment periods associated with FCA13 through FCA15, Public Power is very concern with ISO's obligation to file by October 15, 2019 "Tariff revision reflecting improvements to its market design to better address regional fuel security concerns."¹

ISO identified three core components for its proposed Energy Security Improvements (ESI) design. Those components are allow for voluntary participation in a Multi Day-Ahead Energy Market, new Day-Ahead Ancillary Services, and a Seasonal Forward Market. The current pace required for ISO to develop and file tariff revisions associated with one of the biggest market changes in years leave insufficient time for ISO to develop and deliver proposed tariff revisions in a timely fashion for New England stakeholders to digest and determine whether to support ISO or develop alternate designs. The complexity of the issues and the solution development timeline in fact place stakeholders, and the

¹ ISO New England Inc., 164 FERC ¶ 61,003 at PP2, 5 (2018)



region, in the unfavorable position of voting on ISO's ESI proposal where all components of the design are not fully known nor are the impacts to consumers or resources owners from the proposed changes fully understood.

The current development timeline leaves the Seasonal Forward Market for discussion after the current October 15, 2019 filing deadline. Further, the analysis that will help inform stakeholders about the impact of the various proposed design components will be arriving piecemeal as the region's stakeholder head for a vote in October of 2019. Additionally, the current timeline does not provide ISO the time to evaluate the impacts of Participant sponsored proposal that may have broad or reasonable support amongst stakeholders.

A filing process timeline that allows ISO and the New England stakeholders' greater time to work through and evaluate, with supporting analysis of the impacts and effectiveness of any design, would result in a better outcome for the ISO, New England stakeholders, and consumers. The end result of such a process would also provide the Commission proposed tariff revisions that have the benefit of a more fulsome process. In the end the ISO and the New England stakeholders have learned and are still learning, how complex the issues facing New England are to solve. Given the magnitude of the proposed changes, the long lasting effects of such changes, and the potential impact such changes may have on consumers and resource owners Public Power encourages FERC to reconsider the need for an October 15, 2019 filing deadline.

Energy Security Improvements Design

Turning to ISO's ESI design as we know it now. Public Power is broadly in favor of ancillary services being part of the Day-Ahead Market (DAM) clearing. Moving reserve requirements into a co-optimized Day-Ahead Energy Market has been a longstanding desire of the region. Public Power, like many of the stakeholders, await the results of the impact analysis to determine its continued support for inclusion of each of the new ancillary products, Generation Contingency Response (GCR), Replacement Energy Reserves (RER) and Energy Imbalance Reserves (EIR), in the DAM. Early indicators are that at a minimum moving GCR, which is composed of TMSR, TMNSR, and Thirty Minute Operating Reserves, into the DAM is an appropriate means of aligning market incentives and operational needs. The inclusion of Replacement Energy Reserve and Energy Imbalance Reserves in the DAM is still being evaluated. Public Power is not yet convinced that a MDAM component of the ESI design is needed. The MDAM significantly complicates the design and implementation, and impacts the cost of business for Public Power entities, with to be determined benefits. Public Power views a design with ancillary products co-optimized with energy offers in the DAM to align incentives to secure stored fuel or energy combined with Opportunity Cost Offers to manage inefficient scheduling as perhaps a more reasonable approach to energy security improvements. As noted a number of the design elements, their effectiveness for improving reliability, and their impacts on resources owner and consumers are still unknown.

As noted previously there has been no discussions among stakeholders and ISO on the third component, Seasonal Forward Market, of the ESI design. Based on the design timeline stakeholders will be required to vote on the ESI proposal and ISO will have to file its ESI proposal without any discussion of currently proposed Seasonal Forward Market component.

Finally, due to the development timeline ISO's Internal Market Monitor staff is in the same position as all other stakeholders. The IMM does not have sufficient information to develop and share with



stakeholders a mitigation framework for the ESI design. An understanding of mitigation measures and the protection they provide the market are a very important component for Public Power in considering the ESI design.

Summary Closing

In closing Public Power recognizes the issues at hand are not easy to solve, give credit to ISO and Its staff for their efforts thus far in developing and presenting its proposes design, appreciate ISO's willing to listen to and incorporate stakeholder feedback while under serious time constraints. We encourage FERC to reconsider the October 15, 2019 filing date in light of what has been learned about the complexity of the issues, the significant stakeholder process time needed to vet ISO's and competing proposals, and the significant implementation requirement to put in place any approve design.

Public Power supports a streamline solutions that includes ancillaries services in a co-optimized DAM, opportunity cost offers to manage efficient scheduling concerns, and perhaps a Seasonal Forward Market to support long lead time fuel procurement requirements. Public Power is still evaluating the inclusion of the M-DAM in the design. And lastly much of the support will be contingent on the results of impact analysis which stakeholders have not yet seen.

Again I would like to thank the Commission and its staff for the opportunity to share Public Power's view on this important issue facing New England and its consumers.