UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

ISO New England Inc.	)	Docket No. ER19-291-000

LIMITED PROTEST OF THE
NEW ENGLAND STATES COMMITTEE ON ELECTRICITY

Pursuant to Rule 211 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission" or "FERC"), 18 C.F.R. § 385.211, and the Commission's November 6, 2018 Notice of Filings #1, the New England States Committee on Electricity ("NESCOE") hereby files this limited protest in the above-captioned proceeding.[1] On November 6, 2018, ISO New England Inc. ("ISO-NE" or the "ISO") filed with the Commission the proposed Installed Capacity Requirement ("ICR") and related values for the 2022-2023 Capacity Commitment Period (the "ICR Filing").[2] The Forward Capacity Auction ("FCA") scheduled for February 2019 ("FCA 13") is the corresponding primary auction for the 2022-2023 Capacity Commitment Period. Among other things, ISO-NE proposes to change its system reserve assumption for the determination of the ICR. NESCOE does not support this change.

I. LIMITED PROTEST

ISO-NE has changed a long-standing, material assumption used to calculate the ICR-Related Values.[3] In calculating the ICR-Related Values for FCA 13, ISO-NE increased the level

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1 NESCOE filed a doc-less motion to intervene in this proceeding on November 6, 2018.

2 Capitalized terms not defined in this filing are intended to have the meaning given to such terms in the ISO-NE Transmission, Markets and Services Tariff (the "Tariff"). The ICR Filing refers to the proposed ICR and related values as the "ICR-Related Values." ICR Filing, Transmittal Letter ("Transmittal Letter"), at 1-2.

3 ISO-NE also proposes that an uncertainty factor associated with output variability in behind-the-meter solar photovoltaic resources be incorporated into the determination of the ICR-Related Values. According to ISO-NE, this change increases the ICR by 30 MW. Transmittal Letter at 10-11; ICR Filing at Attachment 2, Joint Testimony of Carissa Sedlacek and Maria Scibelli (the "Sedlacek-Scibelli Testimony"), at 13-19. For FCA 14,

of modeled system reserves from 200 MW to 700 MW.[4] According to ISO-NE, this change alone results in an increase in the ICR of 550 MW.[5] ISO-NE's rationale for the change is that the "Tariff requires that the determination of the ICR and related values include an amount of system reserves that is consistent with those needed for reliable system operations during emergency conditions."[6] ISO-NE contends that FCA 13 is the appropriate time to change the system reserves assumption for the first time since 1980.[7] ISO-NE has not provided sufficient information for supporting the rate change and has not demonstrated that its filing is just and reasonable. The Commission should reject ISO-NE's material change to this long-standing assumption and require ISO-NE to recalculate the ICR-Related Values under the previous assumption.

A. ISO-NE Fails to Support its Proposed System Reserve Assumption Value

The Tariff section governing the modeling assumptions for capacity resource needs specifically calls for including an adequate amount of ten-minute synchronized reserves.[8] In support of increasing this assumption from 200 MW to 700 MW, a 350% increase, ISO-NE refers to increases in the peak load since 1980, the size of credible contingencies, limited tie capability with neighboring systems, and the changing resource mix. The ICR Filing describes these factors qualitatively but provides no analysis to support an increase of this magnitude. Notably, the ICR Filing includes no discussion (or analysis) of the ten-minute spinning and

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ISO-NE intends to adjust the assumptions for voltage reduction capability and resource availability ratings for certain resources.

4 Transmittal Letter, at 14-15; Sedlacek-Scibelli Testimony, at 34-35; ICR Filing at Attachment 3, Testimony of Peter Brandien ("Brandien Testimony"), at 2-8.

5 Sedlacek-Scibelli Testimony, at 35.

6 *Id.* at 34; Brandien Testimony, at 2.

7 Brandien Testimony, at 3.

8 ISO-NE Tariff Section III.12.7.4(c).

operating reserve products that its markets procure every day or their relationship to the system reserve assumption in planning studies.[9] Moreover, the testimony supporting the ICR Filing describes the single-largest contingency at its technical rating of 2,000 MW, rather than its normal operating limit of 1,400 MW.[10] Simply put, ISO-NE's focus on operational needs in the control room, in real time, do not necessarily translate into a modeling need more than three years ahead of time. ISO-NE has the burden under Section 205 of the Federal Power Act to support its ICR Filing with information and analysis to justify the proposed rate change. ISO-NE has not met this standard with respect to the increased system reserve assumption.

The closest that the ICR Filing comes to providing an analysis of the impact of the increased system reserve requirement is the following question and answer in the Sedlacek-Scibelli Testimony:

> **Q: DOES THAT MEAN THAT THE INSTALLED CAPACITY REQUIREMENT FOR FCA 13 IS 550 MW HIGHER THAN THE INSTALLED CAPACITY REQUIREMENT FOR FCA 12?**
> A: No. Due to the decline in the projected loads determined as part of the load forecast for 2018 versus those forecasted in 2017, the net Installed Capacity Requirement for FCA 13 (33,750 MW) is only 25 MW higher than the net Installed Capacity Requirement for FCA 12 (33,725 MW). Thus, the impact of the increase in the system reserve assumption is effectively netted out by the decline in the load forecast for 2018 used in the calculation of the FCA 13 ICR-Related Values. [11]

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[9] Technical committee materials discuss, among other things, ISO-NE's current practice of maintaining 37% of the ten-minute reserve requirements as synchronized and that the 2017 average ten-minute reserve requirement was 1,760 MW (35% of 1,760 MW = 651 MW). April 18, 2018 Power Supply Planning Committee Meeting Presentation, *Reliability Committee Questions on Voltage Reduction and Operating Reserves for ICR*, available at https://www.iso-ne.com/static-assets/documents/2018/04/a6_pspc_rev_volt_reduct_04182018.pdf.

[10] "Typically, the largest first-contingency loss is between 1,300 and 1,700 MW, and 50% of next-largest contingency loss is between 600 and 850 MW. These resources typically consist of some combination of the two largest on-line generating units or imports on the Phase II interconnection with Quebec." ISO New England, 2017 Regional System Plan, at 55, available at https://www.iso-ne.com/system-planning/system-plans-studies/rsp/. See also Table 6-1, note F on page 95: "The Hydro-Québec Phase II interconnection is a DC tie with equipment ratings of 2,000 MW. Because of the need to protect for the loss of this line at the full import level in the PJM and NY systems, ISO New England has assumed its transfer capability to be 1,400 MW for calculating capacity and reliability. This assumption is based on the results of loss-of-source analyses conducted by PJM and NY. The procedure and daily limits are shown at the ISO's "Operations Report: Single-Source Contingency," webpage (2017), http://www.iso-ne.com/isoexpress/web/reports/operations/-/tree/single-src-cont."

[11] Sedlacek-Scibelli Testimony, at 35.

Importantly, the objective is to establish an ICR value to meet an agreed upon level of resource adequacy. It is patently incorrect to assert that adding 550 MW to ICR is acceptable simply because the new ICR value is roughly equivalent to the prior year. Taken at face value, this testimony would suggest that ISO-NE is trying to achieve a set ICR value rather than determine the amount needed to meet resource adequacy requirements. The reduction in load forecast, based upon a methodology accepted by the Commission,[12] produced meaningful reductions in ICR and thus eventual reduction in costs to consumers. ISO-NE's proposal counteracts the reduction in the load forecast, and adds costs, but fails to acknowledge or provide a sufficient underlying rationale for doing so.

B. The Materiality of ISO-NE's Proposed Change Is Exacerbated by its Over-Estimates of Resource Adequacy Requirements

ISO-NE's proposal to increase the system reserve assumption, and its proportional impact on ICR, is especially concerning in light of ISO-NE's resource adequacy forecasting experience.[13] As shown in the table below, ISO-NE develops an ICR for each of the Capacity Commitment Periods in the Forward Capacity Market.[14] The initial ICR is used in the primary FCA more than three years in advance of the commitment period. The final or latest ICR MW quantity represents the resource adequacy target used in the last Annual Reconfiguration Auction

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[12] *See*, *ISO New England, Inc.*, Order Accepting Filing, 150 FERC ¶ 61,003 (2015); *ISO New England, Inc.*, Order Accepting Filing, 154 FERC ¶ 61,008 (2016); and *ISO New England, Inc.*, Order Denying Rehearing, 155 FERC ¶ 61,145 (2016).

[13] NESCOE expressed concern about the system reserve assumption and its impact on the ICR-Related Values at the Power Supply Planning Committee and Reliability Committee Meetings. See the minutes of the July 26, 2018 Power Supply Planning Committee, available at https://www.iso-ne.com/static-assets/documents/2018/09/pspc_mtg_331_minutes_07262018.pdf, and the August 1, 2018 Reliability Committee, available at https://www.iso-ne.com/static-assets/documents/2018/10/a1_1_080118_rc_minutes.pdf.

[14] Values for this table are sourced from ISO-NE's *Summary of Historical ICR Values* spreadsheet, available at https://www.iso-ne.com/static-assets/documents/2016/12/summary_of_historical_icr_values.xlsx.

("ARA") just before the beginning of the relevant commitment period or, in the case of FCAs 11 and 12, the most recent ARA.[15] The column on the right presents the difference in the ICR used in the primary FCA versus the final or latest ARA.

Capacity Commitment Period	ICR in the Primary FCA (MW)	ICR in the Final or Latest ARA (MW)	Difference (MW)
2017-2018	34,923	34,246	-677
2018-2019	35,142	34,277	-865
2019-2020	35,126	34,344	-782
2020-2021	35,034	34,479	-555
2021-2022	34,683	34,508	-175
		Average	-611

The table above indicates that ISO-NE has over-forecasted regional resource adequacy needs in the last five capacity commitment periods in a row. For this period, ISO-NE has over-forecasted ICR by an average difference of 611 MW.[16] Through this lens, a 550 MW increase to the ICR calculation is concerning to the region's electricity customers — the majority of which pay capacity prices based on the higher, primary auction ICR MW quantities.

ISO-NE is aware of stakeholder concerns regarding the region's experience with ICR forecasting.[17] In May, ISO-NE presented the results of an analysis to investigate bias in the net ICR calculations.[18] The analysis found that lingering effects of an economic recession beginning

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[15] The latest, proposed ICR values for FCAs 10-12 are sourced from the November 2, 2018 NEPOOL Participants Committee meeting materials, Agenda Item #2, available at http://nepool.com/uploads/NPC_20181102_Composite3.pdf.

[16] Had ISO-NE not included the additional 500 MW of system reserve assumption for the 2019-2020 final ARA, the difference in ICR values would have been 550 MW greater, an over-forecast of 1,332 MW. In addition, historically, each ARA has resulted in a decrease in ICR; consequently, by the final ARA for the 2020-2021 and 2021-2022 capacity commitment periods, the difference between ICR in the Primary FCA and ICR in the Final ARA will likely be even greater.

[17] May 29, 2018 Power Supply Planning Committee Meeting Presentation, *Investigation of Bias in the Installed Capacity Requirement*, at slide 27, available at https://www.iso-ne.com/static-assets/documents/2018/05/a6_pspc_rev_icr_bias_invtgn_05292018.pdf.

[18] ISO-NE July 11, 2018 Memorandum to the NEPOOL Reliability Committee regarding the April 24-25, 2018 Referral to the Power Supply Planning Committee on ICR Calculation Bias, available at https://www.iso-ne.com/static-assets/documents/2018/07/a5_pspc_referral_on_icr_calculation_bias.docx.

in 2009, less growth in electricity demand, and rapid growth of behind-the-meter photovoltaic resources had contributed to decreases in the ICR from the values calculated for the primary FCA to those calculated for the final ARA.

ISO-NE's proposed change to the system reserve assumption should be considered within this context. These factors include a systematic over estimation of load growth as described in ISO-NE's analysis of potential bias in the ICR calculation. Since the initial ICR is used to set the sloped demand curve used in the primary auction, an initial overestimate of ICR results in unwarranted higher costs to consumers. Over the last twelve FCAs, ISO-NE has ultimately lowered the ICR for all but two Capacity Commitment Periods, but the damage is done as far as consumers are concerned. ISO-NE has not demonstrated that it needs to purchase an extra 550 MW in the primary auction in order to ensure that they are purchasing adequate capacity because, at minimum, other factors in the calculation have resulted in material over procurement year after year. If the ICR calculation was working as it should, the initial ICR would be slightly higher in some years, and slightly lower in others. But it is consistently skewed in the same higher direction, on average by a significant amount, year after year. ISO-NE has not provided sufficient information necessary to justify increasing the initial purchase in order to ensure that there are an adequate amount of real time reserves three years later. To the contrary, historical evidence shows that the rest of the assumptions in the calculation lead to over procurement by more than enough to cover this amount.

ISO-NE has not sufficiently demonstrated that the proposed change to the system reserve assumption results in a just and reasonable rate. The proposed change to the system reserve assumption has a significant impact on the ICR-Related Values and associated capacity prices. The Commission should reject ISO-NE's material change to this long-standing assumption and require ISO-NE to recalculate the ICR-Related Values under the previous assumption.

II. CONCLUSION

For the reasons stated herein, NESCOE respectfully requests that the Commission consider the above protest in this proceeding.

Respectfully submitted,

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CERTIFICATE OF SERVICE

In accordance with Rule 2010 of the Commission's Rules of Practice and Procedure, I hereby certify that I have this day served by electronic mail a copy of the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Longmeadow, Massachusetts this 27th day of November, 2018.

Respectfully submitted,

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