

**To:** ISO-NE  
**From:** NESCOE (contact: Dorothy Capra)  
**Date:** March 18, 2019  
**Subject:** NESCOE comments on Fuel Security Assumptions for FCA 14

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NESCOE appreciates the opportunity to submit the following comments on ISO-NE's presentation of fuel security assumptions which was first presented to stakeholders at the March 11, 2019 meeting of the Reliability Committee (RC). We thank ISO-NE for consideration of these comments in the development of its final analysis.

### ***Planning Procedure 10 Needs to be Updated***

As you know, Planning Procedure Number Ten (PP10), the document which ISO-NE is using to guide this analysis, is an ISO-NE-created document. Changes to it do not have to be submitted to or approved by FERC. Therefore, when it becomes evident that assumptions specified in PP10 are no longer appropriate or sensible (i.e., no longer reflect facts or market adjustments, for example) ISO-NE can and should adjust PP10.

In this case related to the fuel security assumptions, given the progress on events since ISO-NE first adopted the fuel security review assumptions, NESCOE believes that ISO-NE should revise PP10 to align the analysis with information and conditions that are known today. The benefits of this approach are obvious: an analysis informed by current information will best inform the need for potentially expensive reliability contracts with implications for consumer costs and the wholesale markets.

NESCOE requests that ISO-NE take whatever steps are necessary to make the changes to the analysis set forth below at this time, and not defer adjustments that are necessary to arrive at sensible analysis to another year because consumer costs will be influenced by such deferral.

### ***Running Sensitivities***

Since it may be difficult to change PP10 within the necessary timeframe, ISO-NE should, at a minimum, run sensitivities using more appropriate assumptions than those dictated by a document that has become dated. In particular to the fuel security assumptions, two assumptions - base oil inventory and LNG injections - will be significantly affected by the ISO-NE-designed Interim Compensation Program (Chapter 2B) changes which ISO-NE developed and intends to file with FERC for approval shortly.

Simply put, ISO-NE's operations and planning department should not ignore the changes that the ISO-NE market development department designed and plans to implement. To do so would indicate that ISO-NE does not believe in the market design changes for which it seeks FERC

approval. In this case, assuming Chapter 2B will not do what ISO-NE designed it to do risks imposing excessive costs on consumers.

### ***Resource Certification***

NESCOE is also concerned about another item in PP10 that was highlighted during the RC meeting. In PP10 Appendix I, Section 3.0 C., which describes the System Model Starting Point, there is language that refers to Attachment K, Section 4.1(f). This section of Attachment K describes what is to be included in Needs Assessments and specifies that a resource must make a certification to ISO-NE in order to be included. During the RC meeting, ISO-NE staff indicated that the only reason Revolution Wind was not included in the analysis was that it had not submitted such a certification. NESCOE requests that ISO-NE revisit whether this is the appropriate method for determining whether to include a resource in a fuel security study. Such a resource has no incentive to submit this certification to ISO-NE and incurs no penalty for not submitting it, yet the lack of such a certification can affect—potentially substantially—the fuel security review outcomes and the costs that will flow to consumers.

### ***Comments on specific assumptions:***

**Pipeline Capacity:** NESCOE requests that ISO-NE work closely with stakeholders to establish correct pipeline capacity numbers. Based on conversations with other stakeholders, NESCOE is concerned that ISO-NE’s numbers significantly understate the amount of available capacity. To the extent that ISO-NE significantly decreases assumed pipeline capacity into the region from a value that has been certified in numerous studies over the past several years, ISO-NE should provide an explanation of the new information ISO-NE possesses that justifies such a change.<sup>1</sup>

**LNG Satellite injections:** ISO-NE has changed the threshold for satellite injections from those used in FCA13. NESCOE requests that ISO-NE use the same thresholds as in last year’s study, specifically, commencing satellite LNG injections when the average daily temperature converted to Heating Degree Days is greater than 53. Last year, ISO-NE presented the analysis used to derive this number based on many years of data.<sup>2</sup> Moreover, ICF benchmarked this approach to empirical data.<sup>3</sup> ISO-NE should not override this analysis because of one year of data from a warm winter. Again, to the extent that ISO-NE significantly departs (e.g., 20 Heating Degree

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<sup>1</sup> See, for example, ICF International, Assessment of New England’s Natural Gas Pipeline Capacity to Satisfy Short and Near-Term Power Generation Needs, Phase II (Dec. 2013) (Phase II Study) at slide 8, available at [https://www.iso-ne.com/static-assets/documents/committees/comm\\_wkgrps/prtcpnts\\_comm/pac/mtrls/2013/dec182013/a3\\_icf\\_phase\\_2\\_gas\\_study\\_presentation.pdf](https://www.iso-ne.com/static-assets/documents/committees/comm_wkgrps/prtcpnts_comm/pac/mtrls/2013/dec182013/a3_icf_phase_2_gas_study_presentation.pdf).

<sup>2</sup> See June 2018 ISO-NE Presentation to the Reliability Committee at slide 11, referencing the Phase II Study, available at [https://www.iso-ne.com/static-assets/documents/2018/06/a7\\_retaining\\_resources\\_for\\_fuel\\_security\\_reliability.zip](https://www.iso-ne.com/static-assets/documents/2018/06/a7_retaining_resources_for_fuel_security_reliability.zip).

<sup>3</sup> See ICF International, Winter 2013/14 Benchmark and Revised Projections for New England Natural Gas Supplies and Demand (Apr. 2014), at slide 11, available at [https://www.iso-ne.com/static-assets/documents/committees/comm\\_wkgrps/prtcpnts\\_comm/pac/mtrls/2014/apr292014/a3\\_icf\\_benchmarking\\_study.pdf](https://www.iso-ne.com/static-assets/documents/committees/comm_wkgrps/prtcpnts_comm/pac/mtrls/2014/apr292014/a3_icf_benchmarking_study.pdf).

Days) from an analytical approach used in numerous studies over the past several years, ISO-NE should provide a detailed explanation of the new information ISO-NE possesses that justifies such a change.

**Initial Oil levels:** NESCOE acknowledges that PP10 sets levels based on data from the most recent December; however, in this case that data is based on a market without any compensation for winter fuel. ISO-NE is intending to implement Chapter 2B in the capacity period associated with FCA14. While it is impossible to predict exactly how Chapter 2B will affect these levels, it is more reasonable to assume that fuel levels will more closely resemble those from when the Winter Program was in place, rather than those from a year when there was no program or additional compensation. For this reason, NESCOE requests that ISO-NE perform additional sensitivities with initial fuel levels of 69.6%, as was used in last year's analysis.

**Offshore wind:** ISO-NE is considering only 83 MW from Vineyard Wind in its analysis. The reason ISO-NE provided for this assumption is that this was the amount of Capacity Supply Obligation (CSO) awarded to Vineyard Wind in FCA13. NESCOE finds nothing in the rules that restricts the amount of energy that is assumed from a project to be limited to its CSO. PP10 Appendix I, Section 3.0 A ix. states that offshore wind will be: "Based on the most recently available CELT report and Existing Generating Capacity Resources with a Primary Fuel Type = WND, where the sum of the Nameplate (MW) values will be used." There is no reference in PP10 to those resources having a CSO. In fact, in describing the reasoning for other assumptions, ISO-NE has been very clear that this is an energy analysis, not a capacity analysis. In order to be internally consistent with other assumptions – and to arrive at analysis that is sensible - NESCOE requests that ISO-NE include the energy output for the entire 800 MW nameplate of Vineyard Wind project and also the entire 700 MW nameplate from the Revolution Wind project.

**Imports and LNG injections:** ISO-NE is basing their assumptions on averages seen over the past six winters, but these items are also affected by prices. When there is scarcity prices rise and so do imports and injections. NESCOE requests that ISO-NE examine what the import levels and injections were during the same six winters at times of high prices. An alternative methodology would be to use import levels and LNG injections from when the average temperature at Bradley airport is 17 degrees.