

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

ISO New England Inc.

)

Docket No. EL18-182-000

**MOTION OF THE
NEW ENGLAND STATES COMMITTEE ON ELECTRICITY
FOR EXTENSION OF TIME**

The New England States Committee on Electricity (“NESCOE”) respectfully moves for an extension of time in the above-captioned proceeding pursuant to Rules 212 and 2008 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission” or “FERC”).¹ In its July 2, 2018 order, the Commission ordered ISO-NE to file by July 1, 2019 a long-term market solution to address regional energy security challenges.² The Commission extended this deadline to October 15, 2019 in response to ISO-NE’s request.³ NESCOE believes that ISO-NE has worked diligently to develop proposed market design changes to comply with the Commission’s directive, and it appreciates ISO-NE’s close engagement with states and stakeholders through the refinements of its design. However, as the region approaches a near-term stakeholder vote on the proposal and ISO-NE’s filing deadline, many key details, analyses,

¹ 18 C.F.R. §§ 385.212 and 385.2008 (2018). Capitalized terms not defined in this filing are intended to have the meaning given to such terms in the ISO New England Inc. (“ISO-NE” or “ISO”) Transmission, Markets and Services Tariff (the “Tariff”).

² *ISO New England Inc.*, 164 FERC ¶ 61,003 at PP 2, 49, and 55 (2018) (“July 2018 Order”). The July 2018 Order also required ISO-NE to file Tariff changes implementing a short-term, cost-of-service mechanism to address fuel security concerns. *Id.* at PP 2, 55. The Commission accepted ISO-NE’s proposed short-term mechanism in its December 3, 2018 order. *ISO New England Inc.*, 165 FERC ¶ 61,202 (2018). Alternatively, the July 2018 Order provided ISO-NE with the option of demonstrating “cause as to why the Tariff remains just and reasonable in the short- and long-term such that one or both filings is not necessary.” July 2018 Order at PP 2, 55.

³ *ISO New England Inc.*, March 18, 2019 Notice of Extension of Time, Docket No. EL18-182-000. *See* Motion for Extension of Time of ISO New England Inc., Docket No. EL18-182-000 (filed Jan. 18, 2019) (“ISO-NE Extension Request”).

and core consumer protections remain under development or will be deferred to a later date. It has become increasingly clear that additional time is needed to resolve the many outstanding issues surrounding ISO-NE's proposed energy security improvement ("ESI") market redesign, provide a greater understanding of how the design is expected to perform and its impact on reliability and consumer costs, and enable the development of design components to address emerging concerns on fundamental issues, such as the exercise of market power and unjustified consumer costs. NESCOE, state officials, and others raised these timing concerns at the Commission staff-led public meeting on July 15, 2019 in connection with regional efforts to develop long-term market design changes in response to the July 2018 Order ("Public Meeting").

NESCOE respectfully requests a six-month extension of time—from October 15, 2019 to April 15, 2020—to allow ISO-NE and the region to work through these open questions and market design elements. The Commission's approval of this request will enable a more complete and holistic filing in response to the directives in the July 2018 Order, allow ISO-NE to address core consumer protection elements that are fundamental to state support, and remove barriers to achieving a greater degree of regional coalescence around a proposal. On the current schedule, without ISO-NE's incorporation of basic consumer protections to address issues such as the exercise of market power, it is extremely difficult to foresee NESCOE's ability to support the ESI proposal.

NESCOE also emphasizes, as ISO-NE did in its earlier request for an extension of time, our understanding that a six-month extension would not hinder the implementation of a long-term market design change for the targeted 2024-2025 period. This corresponds with the Capacity Commitment Period for the fifteenth Forward Capacity Auction ("FCA 15"). While an extension would implicate certain FCA 15 retirement and de-list deadlines, market participants

would be in a better position to apply their business judgement on the merits of the ESI design in response to a proposal that is more fully developed and after its impact is better understood. Alternatively, a design that is filed under the current compressed schedule is more likely to generate opposition given the fundamental design features that remain outstanding.

In light of the current October 15, 2019 deadline and the related need to schedule near-term stakeholder votes on an ISO-NE proposal, NESCOE also respectfully requests that the Commission act on this request expeditiously. The Commission's timely action would provide certainty that ISO-NE, states, and stakeholders can turn their attention and resources toward presenting to the Commission a more fully developed and vetted solution in response to the July 2018 Order. The current stakeholder schedule calls for the presentation of amendments to the ISO-NE proposal beginning at the August 13-15, 2019 New England Power Pool ("NEPOOL") Markets Committee ("MC") meeting, with draft tariff language for amendments and alternative proposals presented at the September 4, 2019 MC meeting and an MC vote scheduled for September 18, 2019.⁴ The NEPOOL Participants Committee is scheduled to vote on October 4, 2019. Accordingly, NESCOE respectfully requests that the Commission issue an order granting the requested extension by August 30, 2019. NESCOE provides additional detail below in support of this motion and why good cause exists to extend the filing deadline.

⁴ Memorandum to Markets Committee from Alex Kuznecow, Chair and William Fowler, Vice-Chair, Energy Security Improvements (ESI) – Stakeholder Roadmap, May 31, 2019 ("Stakeholder Roadmap Memo"), available at https://www.iso-ne.com/static-assets/documents/2019/06/a2_esi_memo_re_stakeholder_roadmap_from_mc_chair_vice_chair_05_31_19.pdf.

I. THE COMMISSION SHOULD GRANT A SIX-MONTH EXTENSION TO SUPPORT EFFORTS BY ISO-NE, STATES, AND STAKEHOLDERS TO RESOLVE OPEN ISSUES IN CONNECTION WITH AN EVOLVING ENERGY SECURITY PROPOSAL AND PROVIDE THE COMMISSION WITH A MORE COMPLETE FILING

NESCOE expressed concerns at the Public Meeting regarding the timing of key design details and analysis under development in connection with ISO-NE's ESI proposal. NESCOE credited ISO-NE with stepping back from an earlier Energy Inventory Reserve Constraint ("EIRC") design based on stakeholder feedback,⁵ refocusing efforts that led to the development of the current Day-Ahead financial energy call option ("FECO") approach.⁶ This market design departure represented a fundamental shift in ISO-NE's approach. Instead of the energy inventory requirement ISO-NE had begun to develop under the EIRC proposal, ISO-NE is now seeking to acquire three new reserve products through its new FECO design.

This evolution of the ESI design, while understandable and expected given the novelty and complexity of redesigning the market for energy security, has timing consequences. As of the Public Meeting, and the date of this filing, the FECO proposal remains relatively new and incomplete. While FECO is a potentially promising approach in concept, NESCOE has identified emerging areas of concern or "Leaks" that must, at minimum, be addressed for the proposal to be just and reasonable.

⁵ NESCOE, New England Energy Security Solutions, Federal Energy Regulatory Commission Staff-Led Public Meeting, July 15, 2019, at Slide 4, available at <https://www.ferc.gov/CalendarFiles/20190715093840-Bentz,%20NESCOE.pdf>. See ISO-NE, Energy Security Improvements: Market-Based Approaches: Discussion of a market-based solution to improve energy security in the region, April 10, 2019 Markets Committee Meeting, at Slides 7-9 (explaining a shift away from the EIRC proposal).

⁶ See ISO-NE, Energy Security Improvements: Market Solutions for New England, Federal Energy Regulatory Commission Staff-Led Public Meeting, July 15, 2019, at Slides 15-30 ("ISO-NE Public Meeting Presentation"), available at https://www.ferc.gov/CalendarFiles/20190717100059-07_12_2019_FERC_White_Final_Corrected.pdf.

Additional time is necessary to resolve two categories of Leaks: a “Slow Leak” and a “Fast Leak.” A Slow Leak reflects concerns that consumers would incur unjustified costs during certain times of the year, such as the non-winter period, when energy security does not present a reliability risk and a call option, therefore, provides little to no value. Plainly stated, consumers would be paying increased costs for energy security services that are not needed. Concerns about a Fast Leak involve consumer cost increases due to the exercise of market power. This would happen when the region is energy constrained and pivotal suppliers increase prices above competitive levels as a result of ineffective market power mitigation.

ISO-NE’s proposal currently lacks core consumer protection measures to address these concerns. There is likewise no analysis to justify charging consumers additional energy security costs outside of the three-month winter period. The current compressed schedule affords the region insufficient time to develop and vet design solutions to plug the Leaks, such as establishing the framework of sloped demand curves for the new reserve products, providing a potential seasonal adjustment to the quantity of reserves procured, and modestly increasing the strike price for triggering the energy call option.

In addition to addressing these critical FECO features, there is also a threshold question regarding how FECO would interact with other potential components of ISO-NE’s larger ESI approach. At the Public Meeting, ISO-NE presented both the FECO design and a Multi-Day Ahead Market (“M-DAM”) proposal as options under active consideration.⁷ Earlier this week, ISO-NE announced that it would defer discussion of the M-DAM design to 2020 and not include the design in its October 15th filing, stating that it “warrants further assessment and additional

⁷ *Id.* at Slides 15-37.

review with stakeholders before being proposed to the Commission.”⁸ ISO-NE stated that this schedule “allow[s] for further consideration of how best to sequence the implementation of any proposed changes.”⁹ In addition to deferring M-DAM to 2020, ISO-NE also intends to pursue an additional approach to energy security next year, a seasonal forward auction.¹⁰ ISO-NE’s overall ESI proposal thus continues to involve “several tightly-interrelated energy market enhancements” that are “technically complex and must be analyzed rigorously to determine whether they will perform as intended, and can be implemented as designed.”¹¹ NESCOE agrees with ISO-NE that additional time is needed to evaluate all of these potential ESI components holistically. The Commission’s consideration of the FECO design should be informed by this work. Extending the filing deadline would allow ISO-NE to begin this analysis and discuss the results with stakeholders before market rules are finalized and presented to the Commission.

While costs related to the ESI design could be substantial, states and stakeholders have had little time to assess its impacts. ISO-NE’s preliminary quantitative and qualitative analysis of its proposal, originally set to be reviewed at the July 8-10, 2019 MC meeting,¹² was presented to stakeholders just yesterday.¹³ States and stakeholders have only had this initial opportunity to discuss the partial results and related analysis with ISO-NE and, even with opportunities for

⁸ Memorandum from Mark Karl, ISO-NE Vice President of Market Development, to NEPOOL Markets Committee, Deferral of Multiple Day-Ahead Markets from the ISO’s October 15th FERC Filing, July 29, 2019 (“Karl Memorandum”) at 1, available at https://www.iso-ne.com/static-assets/documents/2019/07/a2b_iso_memo_re_mdram.pdf.

⁹ *Id.*

¹⁰ ISO-NE Public Meeting Presentation at Slide 50.

¹¹ ISO-NE Extension Request at 7.

¹² Stakeholder Roadmap Memo at 2.

¹³ See Todd Schatzki, Analysis Group, Energy Security Improvements Impact Analysis, July 30, 2019 (“Analysis Group Presentation”), available at https://iso-ne.com/static-assets/documents/2019/07/a02_2019_07_30_presentation.pdf. The July 30, 2019 MC Meeting was added to the schedule after the Stakeholder Roadmap Memo was published.

additional exchange, the analysis will not be finalized as of the September 2019 MC vote¹⁴ and will not cover all twelve months of the year.¹⁵ NESCOE understands that ISO-NE is only performing impact analysis for the three-winter months due to a lack of time to meet the October 15, 2019 deadline.¹⁶ Moreover, with material details of the design still under active discussion, any analyses states and stakeholders are able to conduct in this compressed timeframe will inevitably have material gaps and be based on a proposal that is a moving target. For example, as discussed above, just this week ISO-NE announced that the M-DAM component of its ESI approach will no longer be included in the October 15th filing.¹⁷ These gaps go to the core of the market design and should be filled in before states and stakeholders are asked to take a position on the proposal.

Time is also needed to evaluate alternative solutions. Market participants discussed at the Public Meeting the long-term market reforms they are developing as alternatives to ISO-NE's proposal. These potential solutions remain under active discussion in the stakeholder process.

In addition to NESCOE, others expressed timing concerns at the Public Meeting. For example, NEPOOL's representative for the Public Power Sector stated:

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

¹⁴ Analysis Group Presentation at Slide 35. The current impact analysis schedule would provide a draft report in September summarizing presented material. Earlier, the proposed impact analysis schedule included a final report in September. ISO-NE, Winter Energy Security Improvements: Impact Assessment Approach: Framework for assessing the impacts of the proposed market improvements, April 10, 2019 Markets Committee Meeting ("Impact Analysis Framework Presentation"), at Slide 3, available at https://www.iso-ne.com/static-assets/documents/2019/04/a7b_presentation_winter_energy_security_impact_assessment_approach.pptx.

¹⁵ See ISO-NE Public Meeting Presentation at Slide 40; Impact Analysis Framework Presentation at Slide 11.

¹⁶ See Impact Analysis Framework Presentation at Slide 11.

¹⁷ Karl Memorandum at 1.

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 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 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 [any] Participant sponsored proposal that may have broad or reasonable support amongst stakeholders.^[18]

The Chair of NEPOOL's Participants Committee likewise articulated concern about stakeholders being put in the untenable position of having to vote on a proposal that is not complete by the filing deadline, expressing that "some of our stakeholders may have difficulty in taking a position when we vote" given that ISO-NE would defer features of the design to a later date.¹⁹

ISO-NE underscored at the Public Meeting that long-term market solutions to address energy security risks "require innovative ideas."²⁰ NESCOE appreciates the steady work of ISO-NE staff over many months to develop novel approaches in response to the July 2018 Order, as well as its willingness to shift away from an initial proposal that did not prove viable following discussions with states and stakeholders. When the details of EIRC were tested, its design flaws were revealed. As ISO-NE continues to develop the newer FECO approach, scrutiny of that design must not be short circuited. The material questions surrounding the approach—including

¹⁸ Comments of Public Power, Federal Energy Regulatory Commission Staff-Led Public Meeting, July 15, 2019, at 1-2, available at <https://www.ferc.gov/CalendarFiles/20190717100714-Cavanaugh,%20Public%20Power.pdf>.

¹⁹ See RTO Insider, *FERC Staff Hear Doubts on ISO-NE Fuel Security Plan: Regulators, Stakeholders Seek Delay in Schedule*, July 16, 2019 (quoting NEPOOL Chair Nancy Chafetz).

²⁰ ISO-NE Public Meeting Presentation at Slide 5.

those that will directly affect consumers—are too many and too big. Design features must be the product of careful and deliberate discussions among ISO-NE, states, and stakeholders and cannot simply be left for a future filing. Failure to address these core elements would make even a promising ESI design unsupportable.

For these reasons, a six-month extension of the filing deadline is needed to resolve the many open issues in connection with ISO-NE's ESI proposal, provide greater clarity around the scope of regional energy security challenges and impact of ISO-NE's approach, and afford time to evaluate alternative solutions. NESCOE believes that an extension of less than six-months would not provide the region enough time to work through the technical aspects of ISO-NE's design and ensure that it works well with existing rules and potential future changes promoting energy security. Nor would a more abridged schedule provide sufficient opportunity to understand the implications of ISO-NE's proposal and alternative proposals. A six-month extension would acknowledge the major market design that is underway—a design that evolved recently and materially after many months of stakeholder review of an earlier approach—and the continued regional collaborative process that is needed to ensure that a well-vetted and more fully developed proposal is presented to the Commission.

II. CONCLUSION

For the reasons stated herein, NESCOE respectfully requests that the Commission:

(1) extend the filing deadline to April 15, 2020 for ISO-NE to file its long-term market solution to address regional energy security challenges, and (2) issue an order by August 30, 2019 granting the requested extension.

Respectfully Submitted,

/s/ Jason Marshall

Jason Marshall
General Counsel
New England States Committee on Electricity
655 Longmeadow Street
Longmeadow, MA 01106
Tel: (617) 913-0342
Email: jasonmarshall@nescoe.com

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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 Cambridge, Massachusetts this 31st day of July, 2019.

/s/ Jason Marshall _____

Jason Marshall

General Counsel

New England States Committee on Electricity

655 Longmeadow Street

Longmeadow, MA 01106

Tel: (617) 913-0342

Email: jasonmarshall@nescoc.com