

New England States Committee on Electricity

NESCOE Statement at the NEPOOL Participants Committee on ISO-New England's Installed Capacity Requirement values for the 2018-19 Capability Period (FCA9)

October 3, 2014 - NESCOE offers observations about the ICR for FCA9 and work to be done prior to ISO-NE determining ICR for FCA10 and future annual reconfiguration auctions. We expressed the same in the committee process. While the calculations conform to the market rules, ISO-NE's proposed ICR for FCA9 is higher than it should be. A least two issues - assumed generator availability and distributed generation - must be addressed to arrive at an accurate ICR value.

The first relates to generator availability and over-procurement. Pursuant to the market rule, ISO-NE calculates generator availability on a 5-year historic average basis. The average generator availability has dropped annually. ISO-NE indicated in its presentation to the Reliability Committee that it is increasing the ICR for FCA9 by 178 MW over that in FCA8, which also saw a large increase from the prior year, because of decreased generator availability. However, in the commitment period for which ISO-NE is purchasing, ISO-NE's Performance Incentive (PI) program will be in place, and ISO-NE has stated that PI will result in increased generator availability. There is accordingly a disconnect between the assumed generator availability that ISO-NE is using in the ICR calculation and the improved generator availability ISO-NE says PI will deliver - and what consumers are paying for - in the commitment period. The disconnect will result in consumers over-purchasing resources to meet the ICR.

Second, ISO-NE's ICR calculation ignores its interim, conservative forecast of hundreds of MWs of solar PV projected to come on-line in the next three years. ISO-NE's forecast includes small net-metered installations and MW-sized resources, all of which have benefited from state policies and programs. By excluding these resources from the three-year forward ICR calculation, consumers are paying for unneeded future capacity. Further, as noted at the recent DG Forecast Working Group (DGFWG) meeting, by accounting only for currently installed and operating solar PV resources as load reducers, the forecast undervalues their contribution to reducing load in the interim until finally almost "catching up" ten years out (far beyond the commitment associated with the next FCA auction).

Over the past year, NESCOE and states have repeatedly raised the issue of using the DG forecast to accurately determine the ICR value. In the past month, ISO-NE indicated market rules are a barrier. At the last DGFWG meeting, ISO-NE also stated that its preferred solution is to have individual DG resources - including 10 kW residential net metered projects - go through the FCA qualification process.

The market rules must take a realistic approach to including DG in the ICR. Without that change, consumers will over-procure capacity at a significant cost and there will be an increasing disconnect between the operative market rules and just and reasonable market rules that provide accurate and appropriate signals to the market.

NESCOE understands ISO-NE's calculations conform to the market rules and restates these observations to suggest that ISO-NE, NEPOOL and the states need to work on changes to the market rules before ISO-NE determines the ICR for FCA10 and also examine potential modifications to the Annual Reconfiguration Auctions to address the current issues.