

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

ISO New England Inc. and New England
Power Pool Participants Committee

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Docket No. ER13-1877-000

**MOTION TO INTERVENE AND COMMENTS OF THE
NEW ENGLAND STATES COMMITTEE ON ELECTRICITY**

Pursuant to Rules 212 and 214 of the Federal Energy Regulatory Commission's ("Commission" or "FERC") Rules of Practice and Procedure (the "Rules"), 18 C.F.R. §§ 385.212 and 385.214 (2012), and the Commission's July 1, 2013 Combined Notice of Filings #2, the New England States Committee on Electricity ("NESCOE") hereby files this Motion to Intervene and Comments in the above-captioned proceeding.

I. COMMUNICATIONS

Pursuant to Rule 203,¹ the person to whom correspondence, pleadings, and other papers in regard to this proceeding should be addressed and whose name is to be placed on the Commission's official service list is designated as follows:

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¹ 18 C.F.R. § 385.203 (2012).

II. MOTION TO INTERVENE

NESCOE is the Regional State Committee for New England. It is governed by a board of managers appointed by the Governors of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont and is funded through a regional tariff that ISO-NE administers.² NESCOE's mission is to represent the interests of the citizens of the New England region by advancing policies that will provide electricity at the lowest reasonable cost over the long-term, consistent with maintaining reliable service and environmental quality.

In this proceeding, ISO New England Inc. ("ISO-NE") and the New England Power Pool ("NEPOOL") Participants Committee (together, the "Filing Parties") ask the Commission to accept proposed changes to the Tariff³ to provide market participants with an ability to modify offers in real-time, vary offers by hour, and submit negative offers (the "Offer Flexibility Changes").⁴ Among other implications, the Offer Flexibility Changes will have an effect on reliable system operations and the costs that New England electricity consumers incur. NESCOE has a direct, immediate, and substantial interest in this proceeding, which will not be adequately represented by any other party. In addition, NESCOE's participation in this proceeding as the representative of the New England Governors will serve the public interest. NESCOE respectfully requests leave to intervene in this matter.

² *ISO New England Inc.*, 121 FERC ¶ 61,105 (2007).

³ 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").

⁴ ISO New England Inc., Energy Market Offer Flexibility Changes, Docket No. ER13-1877-000 (filed July 1, 2013) ("Offer Flexibility Filing").

III. COMMENTS

A. Brief Description of the Offer Flexibility Changes

Current market rules generally preclude market participants from changing offers during the Operating Day.⁵ Rather, market participants are provided only a short window on the day before the Operating Day to modify offers (i.e., re-offer), which takes place between the time ISO-NE closes the Day-Ahead Energy Market and when it conducts its Resource Adequacy Analysis.⁶ Similarly, the market rules currently in effect generally limit the flexibility of resources to modify the cost-based parameters of offers over varying times of the Operating Day.⁷

The Offer Flexibility Changes largely remove these restrictions by allowing market participants to: (1) submit a re-offer at any point up to 30 minutes before the hour applicable to such offer, and (2) vary by hour over the course of an Operating Day the cost-based parameters associated with a resource's offer.⁸ The Offer Flexibility Changes will also permit negative offers as low as \$150/MWh, revising the current practice that sets the offer floor at \$0/MWh.⁹ The Filing Parties additionally request changes to self-scheduling and market mitigation rules that appear generally consistent with, and complementary of, this suite of changes providing greater offer flexibility.¹⁰

⁵ *Id.* at 19; Joint Testimony of Robert G. Ethier and Christopher A. Parent (“Ethier/Parent Testimony”) at 4-5.

⁶ Ethier/Parent Testimony at 4.

⁷ Offer Flexibility Filing at 13.

⁸ *Id.* at 12-13.

⁹ *Id.* at 13-14.

¹⁰ *See id.* at 11, 14-17.

B. The Offer Flexibility Changes Include Needed Improvements to the Energy Markets and Represent an Additional Step Toward Addressing System Challenges

NESCOE generally supports the Offer Flexibility Changes. Providing market participants with flexibility to change offers in real-time, and vary offers by hour, should enhance market efficiency and, in turn, system reliability. These market rule revisions will ensure that the marginal cost of electricity is more closely aligned with the actual cost of production, reflecting real-time fuel prices and other changes to operating costs. By improving market efficiency, as detailed in the testimony offered by ISO-NE, the Offer Flexibility Changes also promote reliability by reducing “the potential for [a] mismatch between financial incentives and dispatch instructions.”¹¹

In the same manner, this added flexibility provides the region with another tool to address concerns related to New England’s growing reliance on natural gas as a fuel source for electric generation. A resource’s ability to vary offers by hour and to modify such offers in real-time helps bridge the timing gaps between the gas and electric markets, allowing gas-fired generators to account for changing fuel costs that may occur within the same Operating Day. Market incentives for these gas-fired generators will thus be more closely aligned with their real-time operating costs.

In addition, the proposed changes should help address the concern that the Commission recently expressed in *Dominion Energy Marketing, Inc.*, 143 FERC ¶ 61,233 (2013) (“*Dominion*”) that the Tariff lacks “flexibility to allow for cost recovery by resources that respond under extraordinary circumstances.”¹² In *Dominion*, the Commission directed ISO-NE to file tariff revisions:

¹¹ Ethier/Parent Testimony at 10.

¹² *Dominion* at P 28.

which allow resources to submit a section 205 filing for cost recovery, including fuel and variable operation and maintenance costs for the resource, in circumstances where for reliability reasons a resource is dispatched: (1) beyond its day-ahead schedule, where there is no opportunity to refresh the offer price to reflect current costs; or (2) after the results of the day-ahead market schedule are published, where the resource did not receive a day-ahead market schedule.¹³

The Commission further stated that “it is appropriate to require that resources providing critical reliability services have a reasonable opportunity to recover costs associated with providing that service.”¹⁴ By providing an opportunity to revise offers to reflect the price of procuring fuel in real-time and other changed costs, the Offer Flexibility Changes should reduce the likelihood of, and remove the burden placed on, resources having to make section 205 filings to recover costs associated with dispatch for reliability reasons.

NESCOE also supports replacing the current \$0/MWh offer floor with a negative offer floor of \$150/MWh. This market rule revision promotes increased market efficiency by allowing market participants to offer energy over a broader range of prices that reflect true economic costs. In addition, by providing for a range of negative energy offers, NESCOE understands that ISO-NE’s dispatch software will be better equipped to determine the economic priority of resources and therefore can minimize the current practice of dispatching resources with a \$0/MWh offer on a modified, pro rata basis when such units are needed.¹⁵ While NESCOE agrees that the negative offer floor price of \$150/MWh appears sufficient at this time to capture the requirements of market participants, NESCOE encourages and appreciates the commitment

¹³ *Id.* at P 26.

¹⁴ *Id.* at P 27.

¹⁵ *See Offer Flexibility Filing at 14; Ethier/Parent Testimony at 18.*

by ISO-NE to continue to monitor offer behavior to determine if a reduction to the negative offer floor price is warranted in the future.¹⁶

NESCOE also agrees with the proposed implementation schedule for the Offer Flexibility Changes to ensure that the revisions are in place by winter 2014-2015. Like ISO-NE and New England stakeholders, NESCOE views the implementation of these changes as a priority, and consumers should receive the benefits of increased market efficiency and attendant reliability benefits as soon as practicable.¹⁷ Indeed, the region's challenges relative to gas and electric market interactions and structures heighten the need for timely implementation. The Commission's action on the Offer Flexibility Changes by the requested date of October 1, 2013 will provide clarity and guidance to ISO-NE, states, and stakeholders as related Tariff changes are considered through the NEPOOL stakeholder process, including proposed changes to the Net Commitment Period Compensation mechanism that will be the subject of stakeholder voting in the coming months.¹⁸ This helps to keep the proposed changes on a fast track, avoiding delays that could create a potential need for additional reliability measures beyond those currently contemplated for the 2014-2015 winter season.

IV. CONCLUSION

For the reasons stated herein, NESCOE respectfully requests that the Commission grants its Motion to Intervene and consider its comments in this proceeding.

¹⁶ Ethier/Parent Testimony at 17-18.

¹⁷ See Offer Flexibility Filing at n. 10 (stating that the proposed implementation schedule "is aggressive and reflects the high priority" that ISO-NE and others in New England place on putting the Offer Flexibility Changes into effect).

¹⁸ *Id.* at 9, n. 10.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 22nd day of July, 2013.

By: /s/ Phyllis G. Kimmel

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