UNITED STATES OF AMERICA BEFORE THE FEDERAL ENERGY REGULATORY COMMISSION

)

)

ISO New England Inc.

Docket No. ER16-551-002

COMMENTS OF THE NEW ENGLAND STATES COMMITTEE ON ELECTRICITY

Pursuant to the Federal Energy Regulatory Commission's ("Commission" or "FERC") May 12, 2016 Combined Notice of Filings #2, the New England States Committee on Electricity ("NESCOE") hereby files these comments in the above-captioned proceeding.¹ On May 12, 2016, ISO New England Inc. ("ISO-NE") made a compliance filing with the Commission in response to the Commission's April 12, 2016 order² accepting a package of changes to Forward Capacity Market rules governing resource retirements (the "May 12 Filing").³

In response to the Commission's order, the May 12 Filing proposed revisions to the Tariff to implement a "materiality threshold" that would determine whether a retirement bid would be mitigated.⁴ Under the proposal, if the resource owner's bid price is greater than ten percent of the Internal Market Monitor ("IMM")-determined bid, then mitigation is triggered and the IMM's price is filed with the Commission.⁵ However, if the difference between the resource

⁵ *Id.* at 4.

¹ NESCOE filed a doc-less motion to intervene in this proceeding on December 21, 2015 and filed comments on January 11, 2016. 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").

² ISO New England Inc., Order Accepting Tariff Filing Subject to Condition, 155 FERC ¶ 61,029 (2016) ("April 12 Order").

³ ISO New England Inc., 30-Day Compliance Filing to Establish Materiality Threshold for Retirement Bids, Docket No. ER16-551-001 (filed May 12, 2016).

⁴ *Id.*, Transmittal Letter, at 1-2.

owner's bid and the IMM-determined bid is equal to or less than ten percent, then the IMM accepts the resource owner's bid price.⁶

NESCOE supported the initial ISO-NE package of revisions that adopted an "input flexibility" approach instead of establishing a materiality threshold.⁷ NESCOE does not oppose the materiality threshold in the May 12 Filing and agrees that it complies with the Commission's directives in the April 12 Order. However, NESCOE views the ten percent threshold as a trigger at the *top* end of an acceptable range. This could have adverse consumer implications if a resource's exercise of market power is allowed "to go unchecked."⁸ Indeed, in describing the challenge in determining an appropriate threshold level, the IMM stated that "the potential harm to the market from not mitigating an exercise of market power is high[.]"⁹

NESCOE understands that the materiality threshold for mitigation is intended to be exactly that: a level to determine whether mitigation will be automatically applied. It is not a ratification of competitiveness. A resource's bid that falls below the materiality threshold must still reflect its true costs.

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

⁹ Id.

⁶ *Id.*

⁷ See *id.* at 2-3.

⁸ Id. at 3. For example, considering a net cost-of-new-entry price of \$11.64/kw-month for the upcoming eleventh Forward Capacity Auction, a retirement bid reflecting an upward deviation of 10% from that price could increase costs by approximately \$477 million.

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 jasonmarshall@nescoe.com

Date: June 2, 2016

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 2nd day of June, 2016.

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 jasonmarshall@nescoe.com