

Reliability Program penalty and bidder flexibility provisions and requests accelerated treatment for pending and forthcoming filings.⁴

According to ISO-NE, the initial Winter Reliability Program solicitation resulted in “1.415 of the 2.4 million MWh sought at a price of approximately \$60.66 million.”⁵ This amounts to less than 60% of ISO-NE’s targeted quantity, at a cost 1.4 times the high-end of the total program cost estimate.⁶ Thus, participation in the initial solicitation was both inadequate to meet the level of ISO-NE’s asserted need *and* more expensive than ISO-NE estimated it would be to satisfy the entire need.

To address the insufficient level of participation, ISO-NE proposes the Emergency Winter Amendments. One set of amendments are intended to reduce the penalty risks associated with program participants failing to secure the contracted quantity of oil by a certain date. Another program modification would provide more flexibility for participants with a common oil-storage tank at a multi-unit station. A further change would enable certain program participants more bidding flexibility. The Emergency Winter Amendments also include a narrow exception to the prohibition on self-scheduling. Lastly, the requested timeframes for the Commission to consider the solicitation results and issue an Order have been shortened to accommodate concerns associated with timely oil delivery in advance of the winter season. Together, these Winter Reliability Program modifications are, according to ISO-NE, designed to decrease risks and therefore increase participation.

⁴ Emergency Winter Amendments Filing, Transmittal at 3-8.

⁵ Emergency Winter Amendments Filing, Transmittal at 2.

⁶ ISO-NE’s consultant, the Analysis Group, estimated the cost for the Winter Reliability Program to be between the range of \$16 and \$43 million. Winter Reliability Program Filing, Transmittal at n. 68. ISO-NE indicated subsequently that its cost estimate did not include certain cost components, including risk premium and profit. It is reasonable to assume that even if those components were factored in, the costs of the initial solicitation still support ISO-NE's decision to reject the bids due to a lack of competition.

I. COMMENTS

NESCOE supports the Emergency Winter Amendments and emphasizes the need for ISO-NE, and ultimately the Commission, to insist upon robust competition in the second solicitation in order to contain overall program costs. NESCOE's support is offered with the understanding that it has had one week to review and discuss the initial solicitation results and to consider ISO-NE's proposed program amendments. First, despite the inadequate response to the initial solicitation, ISO-NE's has not modified its assertion that out-of-market procurement of incremental energy is needed for Winter 2013/2014. Second, the Emergency Winter Amendments appear to strike a reasonable balance between measures designed to increase participation in the Winter Reliability Program and incentives to ensure performance in accordance with the initial program's requirements.

As stated in prior comments, NESCOE accepted the Winter Reliability Program as a one-time set of reliability enhancements based on an understanding *and expectation* that the procurement will be sufficiently competitive to contain total program costs. It is essential that these amendments result in a robust level of competition to ensure that generators bid in their baseline inventory in a way that reflects their minimal incremental cost.⁷ In the context of the Winter Reliability Program, consumers should not pay for those oil inventories generators would

⁷ In the fall of 2012, ISO-NE's Winter 2012/2013 Fuel Survey "reported a normal expected inventory level of 2.348 million barrels of oil." ISO-NE Presentation to Markets and Reliability Committees, *Winter 2013-2014 Energy Needs Assessment* (April 17, 2013), at 26. Under ISO-NE's conversion methodology, 2.348 million barrels of oil is equivalent to 1.342 million MWh. The initial Winter Reliability Program solicitation resulted in bids for 1.415 million MWh, a 5% increase over the "normal expected inventory level" of 2012 at an estimated cost of \$60.66 million. See, http://www.iso-ne.com/committees/comm_wkgrps/mrks_comm/mrks/mtrls/2013/apr172013/a2_winter_13_14_project_04_17_13.ppt.

have otherwise purchased, based on reports of their past practices.⁸ ISO-NE's - and ultimately the Commission's - role in ensuring competitiveness of this out-of-market reliability program will be determinative as to whether the Winter Reliability Program's objectives are met at just and reasonable costs to consumers.

The ultimate costs to be paid by consumers for the Winter Reliability Program remain unclear. Modifications to reduce program participant risks should, in theory, translate into corresponding cost savings by reducing bid-in risk premiums. However, total program costs could increase if the Emergency Winter Amendments attract higher levels of participation but at the same prices as in the initial solicitation.

Accordingly, it is critically important that ISO-NE remain diligent in exercising its discretion to ensure that this second solicitation is competitive. NESCOE urges ISO-NE to impose reasonable safeguards against anti-competitive behavior and abuse of market power, such that the Emergency Winter Amendments provide the intended results at just and reasonable costs to consumers. For example, in light of the reduced penalty risks associated with the Emergency Winter Amendments, resubmitted bids could be compared to initial bids to provide an indication of competitive behavior. Further, NESCOE expects ISO-NE to purchase less than the amount solicited in the event that prices are "very high."⁹

⁸ In a complaint that is pending before the Commission, *New England Power Generators Association v. ISO New England Inc.*, Complaint and Request for Expedited Consideration, Docket No. EL13-66-000 (filed May 17, 2013), the Commission is asked to address the fundamental question about generators' *baseline* performance obligations assumed in return for annual capacity payments. This Winter Reliability Program will impose costs on consumers for *incremental* performance obligations when the performance obligations consumers have already paid for under the Tariff are undefined.

⁹ See Winter Reliability Program Filing, Eicher and Brandien Joint Testimony at 29.

Finally, in order to afford market participants sufficient time to secure delivery of necessary fuel supplies in advance of the winter season, NESCOE respectfully requests the Commission act in the timeframe requested by ISO-NE.

II. CONCLUSION

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

Respectfully submitted,

/s/ Benjamin S. D'Antonio

Benjamin S. D'Antonio
Counsel & Analyst
New England States Committee
on Electricity
655 Longmeadow Street
Longmeadow, MA 01106
Tel: (603) 828-8977
BenDAntonio@nescoe.com

Date: August 19, 2013

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 Boston, Massachusetts this 19th day of August, 2013.

Respectfully submitted,

/s/ Benjamin S. D'Antonio
Benjamin S. D'Antonio
Counsel & Analyst
New England States Committee
on Electricity
655 Longmeadow Street
Longmeadow, MA 01106
Tel: (603) 828-8977
BenDAntonio@nescoe.com