

New England States Committee on Electricity

NESCOE Clarification: Tie Benefit Design Basis Document Reserve Requirement October 6, 2010

The New England States Committee on Electricity (NESCOE) provides this memorandum to clarify an issue concerning its amendment (NESCOE Amendment) to the Tie Benefit Design Basis Document (draft DBD) in connection with reserve requirements. NESCOE appreciates that confusion over this issue was brought to its attention following the Reliability Committee meeting on September 22, 2010 and welcomes any follow-up discussions that may be helpful.

In sum, the plain language of the NESCOE Amendment to the draft DBD was controlling and NESCOE did not intend, by virtue of the associated discussion, to eliminate at this time and in this forum the current 200MW reserve requirement.

Background: Current Market Rules require ISO-New England, Inc. (ISO-NE) to include 200 MW of reserves in its calculation of Installed Capacity Requirements (ICR). Changes proposed by ISO-NE in the draft DBD considered by the Reliability Committee on September 22, 2010 included two provisions that would have increased this requirement to about 1,400 MW. Those provisions are:

3.A.iii

Step c: Given the requirement to maintain operating reserves as part of normal system operations, reduce the available external interconnection capability calculated in Step b by reserving an amount of external interconnection import capability equal to one half the largest source contingency for purposes of meeting operating reserve requirements.

4.F.i

In calculating the Installed Capacity Requirement, an amount of internal resource capacity equal to one half the largest source contingency will be maintained to meet operating reserve requirements and not utilized to meet load requirements.

Clarification: In connection with the NESCOE Amendment, Northeast Utilities moved that these provisions be eliminated from the proposed DBD. The NESCOE Amendment was adopted with about 61.5% in favor.

In the course of discussion Wayne Whittier, representing NESCOE, was asked if it was NESCOE's intent that the 200 MW reserve requirement should be eliminated. He responded that he thought it would be proper to do so, however, NESCOE's Amendment did not include explicit language to do so. *Therefore, the DBD as modified by the NESCOE Amendment during the September 22, 2010 Reliability Committee meeting leaves the treatment of reserves in the determination of ICR unchanged from current practice.* In other words, the plain language of the NESCOE Amendment is controlling.

The discussion at the Reliability Committee meeting about this issue reflected that NESCOE is not at this time convinced that the NPCC planning criterion of not disconnecting customers more often than 0.1 days per year requires the simultaneous imposition of the operating criterion to maintain operating reserves equal to the largest source contingency, and therefore it may be appropriate to eliminate the 200 MW reserve requirement. However, NESCOE did not consider this particular requirement to be at issue in the current tie benefit discussion and believes it should be addressed in a different forum.

In sum, the plain language of the NESCOE Amendment was controlling, which means ISO-NE's current practice of including 200 MW reserves in the calculation of ICR would continue until a more in depth analysis of the criteria is performed and discussed by stakeholders. It should not at this time be increased to 1,400 MW nor reduced to zero.

NESCOE appreciates the opportunity to provide this clarification and apologizes for any confusion that may have resulted from discussion about the 200MW reserve issue.