

New England States
Committee on Electricity

To: ISO-NE
From: NESCOE
Date: June 9, 2011
Subject: Base Capacity Cost Portion of VAR Rate

The New England States Committee on Electricity (NESCOE) submits these brief comments in response to ISO-NE's request for comments on the appropriateness of the current level of the Base Capacity Cost (CC) portion of the VAR rate in Schedule 2.¹ ISO-NE is conducting this review pursuant to its obligation to determine whether the rate remains appropriate or whether it should be changed beginning on January 1, 2012.

Absent new data that reveals material changes in support of a rate adjustment, NESCOE does not believe that there is a reason to adjust the rate at this time. The current rate is the result of a settlement in Docket No. ER07-397 (Settlement) that the Federal Energy Regulatory Commission found to be just and reasonable. NESCOE views ISO-NE's obligation as considering whether there has been any material and significant change that would now make the settlement rate no longer appropriate. At this time NESCOE is not aware of any such changes and thus we think that the current rate as agreed to in the Settlement remains appropriate.

To the extent that such changes may be considered we suggest that it is not possible to simply "update" the rate using data from MISO and PJM as a proxy for a rate applicable to New England. The supporting information should be focused on the type of units that provide this service in New England.

Additionally, ISO-NE could consider whether the units currently receiving capacity payments are necessary for reliability. Last, we encourage ISO-NE to consider the reactive service capability payment as it begins work on setting threshold resource prices in the FCM redesign stakeholder process.

¹ NESCOE's comments focus on this item only and do not express a view about other issues surrounding the VAR rate such as, for example, whether there should be compensation for VAR capacity or whether there should be a dead band.