

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

ISO New England Inc.

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Docket No. ER21-787-001

**COMMENTS OF THE  
NEW ENGLAND STATES COMMITTEE ON ELECTRICITY**

Pursuant to the March 30, 2021 Combined Notice of Filings #1 issued by the Federal Energy Regulatory Commission (“Commission” or “FERC”), the New England States Committee on Electricity (“NESCOE”) hereby submits these comments in the above-captioned proceeding.<sup>1</sup> This proceeding involves the proposed updates to the values reflected in the Forward Capacity Market (“FCM”) for (i) Cost of New Entry (“CONE”), (ii) Net CONE, and (iii) the Capacity Performance Payment Rate, which ISO-NE filed with the Commission on December 31, 2020.<sup>2</sup> On March 30, 2021, ISO-NE submitted a filing<sup>3</sup> in response to a March 1, 2021 deficiency letter from the Commission.<sup>4</sup> In addition to responding to the specific questions raised in the Deficiency Notice, ISO-NE also submitted pursuant to section 205 of the Federal Power Act<sup>5</sup> updated values for the sixteenth Forward Capacity Auction (“FCA 16”), as well as

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<sup>1</sup> NESCOE is the Regional State Committee for New England, representing the collection positions of the six states in regional electricity matters. Capitalized terms not defined in this filing are intended to have the meaning given to such terms in the ISO New England Inc. (“ISO-NE”) Transmission, Markets and Services Tariff (“Tariff”). NESCOE filed a doc-less motion to intervene in this proceeding on January 4, 2021 and submitted comments on January 21, 2021. Comments of the New England States Committee on Electricity, Docket No. ER21-787-000 (Jan. 21, 2021) (“January 21 Comments”).

<sup>2</sup> ISO New England Inc., Updates to CONE, Net CONE, and Capacity Performance Payment Rate, Docket No. ER21-787-000 (Dec. 31, 2020) (“2020 Cone Filing”).

<sup>3</sup> ISO New England Inc., Response to Commission Deficiency Notice and Revised CONE, Net CONE, and Capacity Performance Payment Rate Values, Docket No. ER21-787-001 (Mar. 30, 2021) (“March 30 Filing”).

<sup>4</sup> *ISO New England Inc.*, Letter to Kerim P. May, Esq., Docket No. ER21-787-000 (Mar. 1, 2021) (“Deficiency Notice”).

<sup>5</sup> 16 U.S.C. § 824d.

Tariff revisions designed to “ensure Market Participants have sufficient flexibility with respect to bids submitted to date in the FCA qualification and retirement process.”<sup>6</sup> The new proposed FCA 16 values are slightly higher than what ISO-NE submitted with the 2020 CONE Filing. ISO-NE asks that the Commission approve the new FCA 16 values within 60 days.<sup>7</sup>

## **I. COMMENTS**

NESCOE supports the March 30 Filing and respectfully asks that the Commission approve both the updated FCA 16 values and the Tariff revisions designed to provide Market Participants with flexibility with respect to bids they have already submitted. Although the updated FCA 16 values are slightly higher than what ISO-NE submitted in its 2020 CONE Filing—resulting in higher costs to New England consumers—those values remain within a range of reasonableness and are just and reasonable.

The slight modification that ISO-NE now proposes to the FCA 16 values is both necessary and supported. As ISO-NE explained, in the process of preparing its response to the Deficiency Notice, it discovered an inconsistency in its prior materials related to the criteria used to determine the location of the hypothetical reference unit.<sup>8</sup> Specifically, ISO-NE realized that the decision to interconnect the hypothetical reference unit to the Algonquin gas transmission mainline, while also assuming a location within New London County, CT, did not meet the criteria it was using for the reference unit to be along the main natural gas transmission line and within a two mile interconnection.<sup>9</sup> To rectify this in the least-cost manner, ISO-NE now

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<sup>6</sup> March 30 Filing at 1.

<sup>7</sup> *Id.* at 2. In the alternative, in the event that the Commission rejects the values, ISO-NE asks the Commission to provide ISO-NE with specific guidance to enable a rapid filing of further revised values. *Id.*

<sup>8</sup> *See id.* at 7-11.

<sup>9</sup> *Id.* at 9-10.

proposes to change the location of the reference unit to neighboring Tolland County, CT.<sup>10</sup>

Because the property tax rate in Tolland County averaged 3.3%, compared to the property tax rate in New London County of 2.89%, ISO-NE recalculated the resulting impact to Net CONE.<sup>11</sup>

When factoring in the impact to the Capacity Performance Payment Rate, that impact is \$.090/kW-mo.<sup>12</sup>

As ISO-NE explained, it promptly notified stakeholders of this inconsistency and of its need to revise the FCA 16 values. ISO-NE then held stakeholder meetings to explain the issues, review the revised values, and obtain feedback from stakeholders.<sup>13</sup> Taking a step back, during the lengthy regional stakeholder process that preceded the 2020 CONE Filing, stakeholders provided a broad range of opinions on ISO-NE's proposed calculations. Like some market participants and stakeholders, NESCOE did not agree with every input and assumption that ISO-NE used in updating the CONE/Net CONE values. In fact, NESCOE raised concerns with ISO-NE on the derivation of certain inputs and offered amendments during the stakeholder process that would have produced downward adjustments to the Net CONE values.<sup>14</sup> While NESCOE preferred the adoption of some alternative inputs and assumptions, NESCOE supported the 2020 CONE Filing as reasonable, supported, and consistent with the Tariff. Once again, ISO-NE has demonstrated here the overall reasonableness of the updated values it proposes beginning in FCA 16, as modified slightly by the March 30 Filing.

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<sup>10</sup> *Id.* at 10-11.

<sup>11</sup> *Id.* at 11-12.

<sup>12</sup> *Id.* at 12.

<sup>13</sup> *Id.* at 4.

<sup>14</sup> NESCOE ultimately elected not to request a vote on its amendments.

As ISO-NE correctly explains, “there is no single ‘correct’ hypothetical reference unit’s cost of new entry, and therefore no single ‘correct’ set of FCA 16 Values.”<sup>15</sup> NESCOE’s understanding of concerns raised by some in the stakeholder discussions is that those parties are seeking a level of precision in this administrative construct related to the hypothetical reference unit that is simply not contemplated under the Tariff. Further, that level of precision was not anticipated in extensive regional discussions during the development of sloped demand curves in New England. In this filing, ISO-NE has acknowledged and corrected an error. Any requests that the Commission reject the updated FCA 16 values because ISO-NE has not created a more perfect hypothetical reference unit analysis must be rejected. *See TC Ravenswood, LLC v. FERC*, 741 F.3d 112, 119 (D.C. Cir. 2013) (upholding Commission’s approval of a demand curve input, even as “the Commission appreciated the [pricing] model’s shortcomings”).

NESCOE strongly supports ISO-NE’s request to the Commission to approve the updated values contained in the March 30 Filing within 60 days. The region needs this prompt and decisive action so that ISO-NE and all involved may proceed with the FCA 16 process in a timely manner, with as little disruption as possible. Leaving the auction in limbo for a lengthy period creates unwarranted risks. As the Commission is well aware, stakeholders have been wrestling with this latest triennial update to the FCA values for roughly a year now. Yet, New England has many other pressing issues to resolve. As just one example, ISO-NE in conjunction with NESCOE and NEPOOL have recently embarked on the *Future of the Grid* initiative. ISO-NE has placed a high priority on this work. It includes (i) a *Future Grid Reliability Study*, an assessment of the future state of New England’s power system, and (ii) *Pathways to the Future Grid*, a regional evaluation of potential market frameworks that may help support the evolution

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<sup>15</sup> March 30 Filing at 4-5.

of its power grid in a manner responsive to the New England states' clean-energy mandates, which include expansion of energy and environmental laws to reduce carbon emissions.<sup>16</sup> Another critical analysis beginning this year is the 2050 Transmission Study, which ISO-NE is conducting at NESCOE's request to inform options for integrating large-scale clean energy.<sup>17</sup> In addition to these studies, in connection with the Commission's recent technical conference on resource adequacy and market design, ISO-NE identified the need for the region to begin to identify fundamental changes to capacity market rules, including the examination of the minimum offer price rule.<sup>18</sup> All of this and other key work would be impeded by continued uncertainty over FCA 16 and the need for ISO-NE, NESCOE, and others in the region to allocate resources to litigate auction parameters that are already well within the range of reasonableness.

As NESCOE explained in its earlier comments, ISO-NE has adhered to the process required in the Tariff for developing the CONE/Net CONE parameters.<sup>19</sup> Here, too, when ISO-NE discovered a discrepancy, it promptly notified stakeholders and proposed a reasonable and supported modification to the updated FCA 16 values. Accordingly, NESCOE respectfully asks the Commission to accept the proposed updates in the March 30 Filing as just and reasonable.

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<sup>16</sup> See ISO-NE 2021 Regional Energy Outlook at 9, available at [https://www.iso-ne.com/static-assets/documents/2021/03/2021\\_reo.pdf](https://www.iso-ne.com/static-assets/documents/2021/03/2021_reo.pdf); see also <https://www.iso-ne.com/committees/key-projects/new-englands-future-grid-initiative-key-project/>.

<sup>17</sup> ISO New England's Approach to Future Grid Studies: Supporting New England's transition to a clean energy future, NEPOOL Participants Committee Working Session, Feb. 18, 2021, at Slide 5, available at <https://www.iso-ne.com/static-assets/documents/2021/02/npc-20210218-chadalavada-presentation-r.pdf>.

<sup>18</sup> Pre-Conference Statement of ISO New England Inc., Docket No. AD21-10-000 (Mar. 19, 2021), at 3, available at [https://www.iso-ne.com/static-assets/documents/2021/03/ferc\\_resource\\_adequacy\\_technical\\_conf\\_comment.pdf](https://www.iso-ne.com/static-assets/documents/2021/03/ferc_resource_adequacy_technical_conf_comment.pdf).

<sup>19</sup> January 21 Comments at 2 (citing 2020 CONE Filing at 6).

## II. CONCLUSION

For the reasons stated herein, NESCOE respectfully requests that the Commission grant the relief requested by ISO-NE in its March 30 Filing.

Respectfully Submitted,

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Attorneys for the New England States Committee  
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Date: April 20, 2021

**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 20th day of April, 2021.

*/s/ Jason Marshall*  
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