

To: NECPUC, NEPOOL, Consumer Advocates and other interested parties

From: The Honorable Paul Roberti, Commissioner, Rhode Island Public Utilities Commission; Robert Stein, Chairman, NEPOOL Participants Committee; and Anne George, ISO New England, Vice President, External Affairs & Corporate Communications

Date: October 25, 2009

Re: FCMWG Meeting, Courtyard Marriott, Marlborough, 10/26 ([Directions](#))

As a follow-up to Friday's FCMWG, please find (attached and below) the Addendum to FCMWG Design Basis Document (October 22 Draft) for discussion at Monday's FCMWG (10/26/09). This meeting will be at the Courtyard Marriott in Marlborough, Massachusetts. You are encouraged to attend; however, conference call capabilities are available. **Dial In: 866.453.1193 and Password: 1845244#.**

This material is posted in the agenda section of the FCMWG. We plan to also have this posted in the material section of the FCMWG website on Monday prior to the start of the meeting.

Addendum to FCMWG Design Basis Document (October 22 Draft)

The following is additional language received since distribution of the "FCMWG DBD October 22 Draft for Comment" and is being provided for purposes of the FCMWG Meeting on October 26, 2009 in lieu of sending around another draft. Note that the following is intended to be inserted into the next draft that is sent to FCMWG members.

Insert as a new Section 1.A.i, "Alternative Price Rule Trigger and Pricing Mechanism"

- i. *[Alternative Proposal (GDF Suez): Out-of-Market Capacity. In addition to the items identified in Section III.13.2.7.8.1(c) and Section III.13.2.7.8.2(b), the amount of Out-of-Market shall include tie benefit megawatts arising from expansion of external interface capability.] (This change is needed as part of alternative at 2.B.)*

Insert as alternative proposal to Section 3.A, "Pricing Agreements"

[Alternative Proposal (Generators): Starting with the 2013/2014 Capacity Commitment Period and continuing until new capacity is needed (Net ICR – Existing Qualified Capacity $\geq$ 0), there shall be a price collar with a floor of 0.6 times Original CONE (\$7.50/kW-mo) and a ceiling of 1.4 times Original CONE. If the auction clears at the floor price, resources will have the option of prorating their cleared MWs after the Forward Capacity Auction. Adjust Original CONE by Handy-Whitman Index of Public Utility Construction Costs in years when it is not updated by new entry.]

Insert as alternative proposal to Section 6.A.i, "Capacity Zones"

[Alternative Proposal (Calpine): Model Maine as two Capacity Zones (one zone north of the Orrington interface and another zone south of that interface).]

Insert as alternative proposal to Section 6.B, “Capacity Zones”

[*Alternative Proposal (NRG)*: All Capacity Zones identified pursuant to Section 6.A will be modeled at all times. Capacity price separation will be allowed within potentially constrained Capacity Zones based on any of the following:

- i. Permanent delist bids or non-price retirement requests;
- ii. Delist bids of any kind submitted by a supplier that is non-pivotal in the Capacity Zone;
- iii. Delist bids of any kind submitted by a supplier with a 5% or less share of total qualified capacity in the Capacity Zone;
- iv. Delist bids of any kind from a supplier with a single resource in the Capacity Zone; and
- v. Static delist bids reviewed by FERC.]

[*Second Alternative Proposal (NRG)*: If a delist bid or non-price retirement request is rejected for reliability reasons in any Forward Capacity Auction, the affected Capacity Zone shall be modeled in the Forward Capacity Auctions and Annual Reconfiguration Auctions associated with the subsequent three Capacity Commitment Periods. If a bilateral transaction is rejected for reliability reasons, the Capacity Zone containing the resource seeking to shed its obligation shall be modeled in the Forward Capacity Auctions and Annual Reconfiguration Auctions associated with the subsequent three Capacity Commitment Periods.]

Insert as alternative proposal to Section 7.C.i, “Local (Zonal) Capacity Requirement”

[*Alternative Proposal (NRG)*: In performing this analysis the remaining system is assumed to have resources equal to the allocated share of the probabilistic ICR, or the amount of resources obligated to offer energy to the New England system for the Capacity Commitment Period in question, whichever is greater. ~~Notwithstanding the above, ISO will re-evaluate the LRA calculation based on actual participation of un-obligated resources in the energy markets during the first three Capacity Commitment Periods.~~]

Insert as alternative proposal to Section 7.E.iii, “Local (Zonal) Capacity Requirement”

[*Alternative Proposal (NRG)*: Strike sub-section 7.E.iii]

Insert as alternative proposal to Section 7.F, “Local (Zonal) Capacity Requirement”

[*Alternative Proposal (NRG)*: Since no zonal model is likely to be able to adequately reflect all potential local reliability issues, ISO shall retain the right to require specific resources to participate in the energy markets. Given the current market rules, which assign obligation to participate in the energy markets solely through receipt of a capacity supply obligation, ISO shall

retain the right to analyze resource delist bids and bilateral exchanges of capacity supply obligation and to reject those that endanger the reliability of the system. ~~In the event a proposal is offered to meet all or a portion of local reliability needs through alternate means, ISO requires that any such structure assure that the resulting procurement obligates sufficient resource participation in the energy markets to meet reliability needs. In the event the obligation to participate in the markets is assigned through means other than assignment of a capacity supply obligation, ISO shall retain the right to require participation in the energy markets through whatever other means may be applicable in that alternate structure.]~~

Insert as alternative proposal to Section 7.F, “Local (Zonal) Capacity Requirement”

[Alternative Proposal (NU, NSTAR, and NGrid): Resources without a CSO, to the extent they are available to the ISO to provide energy, shall be obligated to provide energy if requested by the ISO to address and/or avoid an OP4 situation (i.e., emergency) . More detail will be needed on compensation to the resource for providing energy. The relevant sections of the market rules are III.13.6.2.1.1. and III.13.6.4.]

Insert as a new Section 11:

11. [Permitting Greater Competition Between New Internal Generating Resources and Imports (*First Wind*).
 - A. Under existing rules, new, commercial internal generating capacity cannot use the interconnection space set aside for capacity imports even if the internal generating capacity could provide cheaper capacity supply or the interconnection space would otherwise go unused for the Commitment Period. Changes to the Forward Capacity Market design should be made to permit competition between new internal generators and imports for use of that interconnection space (including the ability for new internal generators to qualify for Forward Capacity Market sales using interconnection space that would otherwise be left unused).
 - B. The issues identified in 11(A) will be addressed in the NEPOOL stakeholder process in sufficient time to assure that any related changes to the Tariff, Market Rules or procedures, including filings by ISO and acceptance by the Federal Energy Regulatory Commission, will occur early enough to permit their application to qualification of new capacity resources for the Forward Capacity Auction for the 2014/2015 Capacity Commitment Period.]