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New England Procures the Power System Resources Needed for 2014–2015

Auction Floor Price was Reached with Excess Capacity

Holyoke, MA—June 27, 2011—New England procured the commitments needed from power plants and demand-side resources to meet the region’s projected need for capacity in 2014–2015, according to finalized results of the fifth Forward Capacity Market (FCM) auction filed today with the Federal Energy Regulatory Commission (FERC) by ISO New England Inc.

Finalized Results

Under FCM, ISO New England projects the needs of the power system three years in advance and then holds an annual auction to purchase the power resources that will satisfy those future regional requirements. Resources that clear in the auction are committed to provide power or curtail demand when called upon by the ISO, or risk financial penalties.

Today’s filing reports that New England procured the 33,200 megawatts (MW) needed for reliability from June 1, 2014, to May 31, 2015. The auction, which ran June 6 and 7, started at a price of \$10.70 per kilowatt-month (kW-month). The auction concluded at the floor price set for this auction of \$3.21 per kW-month. Results show 31,439 MW of generating resources cleared the auction along with 3,468 MW of demand resources and 2,011 MW of imports. These amounts include 42 MW of new generation, 263 MW of new demand-side resources, and 871 MW of imports from new resources. When the auction concluded at the floor price, 3,718 MW of excess supply remained in the market.

Bids to Withdraw from the Capacity Market for 2014–2015

In advance of and during New England’s forward capacity auctions, existing power plants and demand resources may submit “delist” bids to withdraw from the capacity market for that one-year period or permanently. Those bids are evaluated to determine whether the resource is needed to ensure the reliability of the power system.

Resources that submit delist bids and are allowed to leave the capacity market may still participate in the region’s wholesale energy and ancillary services markets. In all, 201 delist bids were submitted and the ISO accepted 200 bids to withdraw a total of about 1,170 MW of capacity because power system reliability would not be affected. About 798 MW of generation, about 344 MW of demand-response resources, and about 29 MW of imports were allowed to withdraw from the capacity market for the 2014–2015 year.

For the second auction in a row, Entergy Nuclear Power Marketing submitted a bid to withdraw the 604-megawatt Vermont Yankee nuclear station from the capacity market. ISO New England rejected both delist bids from Entergy to withdraw Vermont Yankee from the capacity market in this auction, for 2014–2015, and the previous auction, for 2013–2014. The decision was based on comprehensive studies showing that the plant is needed to support the grid’s ability to reliably meet demand in Vermont, southern New Hampshire, and portions of Massachusetts, as well as reliability for the entire region’s power system.

ISO New England does not have authority to require Vermont Yankee to operate without the appropriate permits and licenses. In keeping with its responsibility to ensure a reliable power system, the ISO has studied and identified system needs as far out as 2020 in Vermont, New Hampshire and central and western Massachusetts and is working with transmission owners to develop long-term solutions to the reliability needs that have been identified. The ISO and transmission owners are also working to finalize special operating plans and expedite transmission upgrades that could mitigate short-term reliability concerns as early as March 2012 if Vermont Yankee is unable to operate.

Decisions that prevent resources from withdrawing from the capacity market are continuously evaluated up to one year before the capacity year when the resource is obligated to be available. Compensation for resources retained for reliability purposes is subject to FERC review and approval.

Auction Results to Date

The Forward Capacity Market was developed by ISO New England, the six New England states, and industry stakeholders to promote investment in generation and demand-response resources to meet future demand. The table below shows that each of the first five auctions concluded at the floor price with surplus capacity. The result has been lower, pro-rated capacity prices as well as the assurance that the region will have sufficient resources. The sixth auction will be held April 2, 2012, for the 2015–2016 capacity commitment period.

Results of the First Five Forward Capacity Auctions

AUCTION ¹	Total Qualified (MW)	Cleared Genrtn (MW)	Cleared DR ² (MW)	Cleared Imports (MW)	Total Capacity Acquired (MW)	Capacity Required (MW)	Floor Price ³	Excess Supply (MW)	Prorated Price ⁴
FCA #1 (2010/11)	39,165	30,865	2,279	933	34,077	32,305	\$4.50	1,772	\$4.25
FCA #2 (2011/12)	42,777	32,207	2,778	2,298	37,283	32,528	\$3.60	4,755	\$3.12
FCA #3 (2012/13)	42,745	32,228	2,867	1,901	36,996	31,965	\$2.95	5,031	\$2.54 ⁵
FCA #4 (2013/14)	40,412	32,247	3,261	1,993	37,501	32,127	\$2.95	5,374	\$2.52 ⁶
FCA #5 (2014/15)	40,077	31,439	3,468	2,011	36,918	33,200	\$3.21	3,718	\$2.86

¹ Initial results from each auction; amounts will change with monthly and annual reconfiguration auctions.

² Demand resource totals include a 600 MW cap on real-time emergency generation resources.

³ Floor price is per kilowatt-month.

⁴ Prorated price is per kilowatt-month.

⁵ Prorated price in Maine for 2012/2013 is \$2.47/kW-month.

⁶ Prorated price in Maine for 2013/2014 is \$2.34/kW-month.