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April 13, 2010

**VIA ELECTRONIC FILING**

The Honorable Kimberly D. Bose, Secretary  
The Honorable Nathaniel J. Davis, Sr., Deputy Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

**Re: ISO New England Inc. and New England Power Pool**  
**Docket No. ER10-787-000**

Dear Secretary Bose and Deputy Secretary Davis:

Attached for electronic filing in the above-referenced docket is the *Motion for Leave to File Answer and Answer of ISO New England Inc.* The attached Motion and Answer respond to the *Motion for Leave to File Answer and Answer* filed by GDF Suez Energy Marketing NA, Inc. in Docket No. ER10-787-000 on April 7, 2010. A copy of the attached has been served upon all parties included in the Commission's service list.

If you have any questions or concerns regarding this filing, please feel free to contact me. Thank you for your assistance in this matter.

Respectfully submitted,

/s/ Sherry A. Quirk  
Sherry A. Quirk, Esq.

Counsel for ISO New England Inc.

Attachment

cc: Official Service List



Parties”). The Filing Parties submitted the FCM Redesign Filing pursuant to Section 205 of the Federal Power Act (“FPA”),<sup>6</sup> the February 13, 2009 Order Accepting Tariff Revisions and Requiring Compliance Filing in Docket No. ER09-356-000,<sup>7</sup> and Section III.13.2.5.2.5(f) of the ISO New England Transmission, Market and Services Tariff.<sup>8</sup>

## I. MOTION FOR LEAVE TO FILE ANSWER

In this *Answer*, the ISO responds to GDF Suez’s Answer to the ISO’s Answer to certain comments and protests filed in response to the FCM Redesign Filing. GDF Suez’s Answer reiterates and expands upon its initial protest to the FCM Redesign Filing. Although the Commission’s Rules of Practice and Procedure prohibit responses to protests,<sup>9</sup> the Commission has the authority to waive this prohibition for good cause,<sup>10</sup> such as where the answer would assure a complete record in the proceeding,<sup>11</sup> provide information helpful to the disposition of an issue,<sup>12</sup> permit the issues to be narrowed or clarified,<sup>13</sup> or aid the Commission in understanding and resolving issues.<sup>14</sup> The ISO believes that this *Answer* will clarify the issues raised by GDF Suez, assure a more

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<sup>6</sup> 16 U.S.C. § 824(d) (2006).

<sup>7</sup> *ISO New England Inc. and New England Power Pool Participants Committee*, 126 FERC ¶ 61,115 (2009) (“February 13 Order”).

<sup>8</sup> Capitalized terms used but not otherwise defined in this filing have the meanings ascribed thereto in the ISO’s Transmission, Markets and Services Tariff (FERC Electric Tariff No. 3) (the “Tariff”). Section III of the Tariff is Market Rule 1.

<sup>9</sup> *Id.* at § 385.213(a)(2).

<sup>10</sup> *Id.* at § 385.101(e).

<sup>11</sup> *See, e.g., Pac. Interstate Transm. Co.*, 85 FERC ¶ 61,378 at 62,444 (1998), *reh’g denied*, 89 FERC ¶ 61,246 (1999).

<sup>12</sup> *See, e.g., CNG Transm. Corp.*, 89 FERC ¶ 61,100 at 61,287 n.11 (1999).

<sup>13</sup> *See, e.g., PJM Interconnection, L.L.C.*, 84 FERC ¶ 61,224 at 62,078 (1998); *New Energy Ventures, Inc. v. Southern California Edison Co.*, 82 FERC ¶ 61,335 at 62,323 n.1 (1998).

<sup>14</sup> *See, e.g., Tennessee Gas Pipeline Co.*, 92 FERC ¶ 61,009 at 61,016 (2000).

complete record in this proceeding, and otherwise assist the Commission in understanding and resolving these issues. In particular, the ISO seeks to clarify certain facts regarding the stakeholder process leading up to the FCM Redesign Filing and correct GDF Suez’s characterization of revisions to the tariff sheets. For the foregoing reasons, the ISO respectfully requests that the Commission grant this Motion and accept the following *Answer*.

**II. ANSWER**

**A. GDF Suez’s Argument is Procedurally Improper.**

GDF Suez seeks to persuade the Commission to summarily adopt a proposal that the ISO strongly opposes on substantive grounds and that GDF Suez unsuccessfully raised during the stakeholder process leading up to the FCM Redesign Filing. The ISO opposes GDF Suez’s requested relief because it would dramatically change the existing method for calculation of the Maximum Capacity Limit (“MCL”), a resource adequacy measure that is an important feature of the Forward Capacity Market (“FCM”) but that is not at issue in the FCM Redesign Filing. GDF Suez’s proposal is more accurately described as a complaint in the form of a protest that is improperly presented in this proceeding.

**1. GDF Suez Improperly Styles its Proposal that was Rejected During the Stakeholder Process as the Correction of an “Error” by the ISO.**

In its Answer, as in its Protest, GDF Suez continues to style the ISO’s substitution of the Local Resource Adequacy Requirement (“LRA”) for the Local Sourcing

Requirement (“LSR”) in the equation-definition of the MCL as an error.<sup>15</sup> GDF Suez asks the Commission to direct the ISO to “file revised tariff provisions which reinstate the calculation of MCL as ICR less LSR for the rest of New England.”<sup>16</sup> The ISO opposes this provision because the ISO believes it is outside the scope of the FCM Redesign Filing and it is substantively incorrect to define MCL in the manner that GDF Suez proposes, as more fully explained in the ISO Answer to Protests<sup>17</sup> and below in Section B. For these reasons, when GDF Suez pressed this proposal in the stakeholder process leading up to the FCM Redesign Filing, the ISO recommended that the stakeholders not approve it, and the proposal failed to garner the votes necessary to be included in the rules package.<sup>18</sup> GDF Suez fails to acknowledge this history in either of its pleadings – although the ISO raised this fact in its Answer to Protests,<sup>19</sup> GDF Suez again failed to admit<sup>20</sup> in its Answer that this issue has been voted on. GDF Suez is attempting to improperly bypass the stakeholder process by persuading the Commission to implement a tariff change that was already rejected by the stakeholders.

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<sup>15</sup> GDF Suez Answer at 6; GDF Suez Protest at 10.

<sup>16</sup> GDF Suez Protest at 10.

<sup>17</sup> Answer to Protests at 28-30.

<sup>18</sup> *See, e.g.*, a January 29, 2010 letter from Marc Lyons, Secretary of the ISO New England Reliability Committee (“RC”) to the Participants Committee, summarizing the actions taken by the RC at their January 29, 2010 meeting, available online at: [http://www.iso-ne.com/committees/comm\\_wkgrps/relbty\\_comm/relbty/actions/2010/012810\\_rc\\_actions\\_letter.pdf](http://www.iso-ne.com/committees/comm_wkgrps/relbty_comm/relbty/actions/2010/012810_rc_actions_letter.pdf)

<sup>19</sup> Answer to Protests at 28-29.

<sup>20</sup> GDF Suez also failed to note in the GDF Suez Protest that its proposal was raised during the stakeholder process.

**2. GDF Suez’s Proposal Impermissibly Exceeds the Scope of a Section 205 FPA Proceeding.**

The issues raised by GDF Suez are not properly before the Commission in this proceeding and are outside the scope of the FCM Redesign Filing. GDF Suez characterizes its proposal as a “correction to the equation-definition of Maximum Capacity Limit” included in the FCM Redesign Filing. However, the “change” to the definition of the MCL that the ISO submitted and that GDF Suez complains of was included in the FCM Redesign Filing to maintain the currently effective method for establishing the MCL and is not a change at all. By contrast, GDF Suez’s proposal, though phrased as a request to “reinstate the MCL calculation,” would dramatically alter the currently-effective method. The matters before the Commission in this proceeding are limited to the market rule revisions presented in the FCM Redesign Filing. As the ISO argued in its Answer to Protests,<sup>21</sup> this proceeding is not the appropriate forum to challenge the entire design of the FCM as approved by the Commission or to raise issues that are properly addressed in other proceedings.

The true nature of the “change” to the definition of MCL that GDF Suez complains of is best understood by simple reference to the blacklined tariff sheets presented in the FCM Redesign Filing and attached hereto.<sup>22</sup> As noted in the ISO’s

Answer to Protests:

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<sup>21</sup> Answer to Protests at 30-32. *See also*, *ISO New England Inc. and New England Power Pool*, 29 FERC ¶ 61,213 (2009); *Southern Company Services, Inc.*, 116 FERC ¶ 61,070 at P 26 (2006); *Cabrillo Power I LLC*, 114 FERC ¶ 61,160 at P 17 (2006) (the Commission rejected arguments that “have no bearing on the current FPA section 205 proceeding,” where a generator requested that the Commission investigate the prudence of the CAISO’s decision to deselect the generator’s units and select another unit as the final RMR unit, and noted the availability of the CAISO’s dispute resolution procedures if the generator wished to address its concerns).

<sup>22</sup> Attachment A.

One of the widely supported changes in the ISO filing addresses the potential inconsistency in requirements that results from setting FCM purchase amounts for import constrained regions equal to the probabilistic LRA (formerly LSR) while requiring that de-list requests also meet a [Transmission Security Analysis (“TSA”)] standard. This filing corrects that inconsistency by setting import constrained region purchase requirements equal to the higher of the adequacy (LRA) or security (TSA) amount.<sup>23</sup>

As Attachment A demonstrates, to make this change the ISO re-defined the Local Sourcing Requirement as the higher of the Local Resource Adequacy Requirement or the Transmission Security Analysis, and re-named what had been previously termed the Local Sourcing Requirement as the Local Resource Adequacy Requirement. Because the term Local Sourcing Requirement is also used in the definition-calculation for the MCL, in order to preserve the existing method for calculating the MCL, the ISO made a conforming change in Section III.12.2.2(d), where the method for calculating the MCL is set forth. As shown in Attachment B, the definition-equation substitutes the term Local Resource Adequacy Requirement for the term Local Sourcing Requirement.

This is not a change to a rate, term or condition under the Tariff. A change to the method for calculating the MCL is not part of the FCM Redesign Filing, and GDF Suez should not be permitted to use this conforming change to a term in a definition to open the door to change the status quo. GDF Suez's proposed change is actually a non-permitted complaint in the form of a protest, and should be dismissed.

**B. GDF Suez’s Proposal is an Attempt to Change the Calculation of the Installed Capacity Requirement.**

In contrast to the minor definition change submitted by the Filing Parties, GDF Suez acknowledges, and indeed intends,<sup>24</sup> that its proposal would require the ISO to

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<sup>23</sup> Answer to Protests at 29.

<sup>24</sup> GDF Answer at 5-7.

perform a TSA for the Rest of New England Zone, which encompasses the majority of the New England region. While GDF Suez argues that the relief it requests is mandated in order to preserve the relationship between the Maine Capacity Zone and the Rest of New England Capacity Zone, the ISO has not performed such an analysis in the past, and does not believe that rational criteria exist to determine the local security requirement for an entire Capacity Zone that is the majority of the region. GDF Suez’s logic would lead to a fundamental change to the manner in which the region establishes the Installed Capacity Requirement (“ICR”), as the ICR would need to increase to take into account the local security needs of the Rest of New England Load Zone, if such a local need could even be identified.<sup>25</sup> System security needs are appropriately addressed by the preferential location of ICR resources to meet a local need, expressed through a local sourcing requirement, not by increasing the total purchase requirement.

GDF Suez also incorrectly makes a connection between the imposition of a TSA requirement on a Capacity Zone, and the use of security analyses in determining whether to allow a specific resource to de-list from the market.<sup>26</sup> The presence or lack of a Capacity Zone-wide security need for contingency protection, one form of a security requirement that may be reflected in a TSA value, does not obviate the need to determine whether a particular resource may create a local voltage problem or circuit overload. So whether or not a local sourcing requirement is set through a TSA, security analyses of resource de-lists are still essential to ensure the reliable operation of the New England electric system. Although GDF Suez wants the ISO to submit “a compliance filing requiring a full explanation of why it cannot retain the current complementary

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<sup>25</sup> Answer to Protests at 30.

<sup>26</sup> GDF Suez Answer at 5-6.

relationship between MCL and LSR for Rest of New England,”<sup>27</sup> the ISO included the change protested by GDF Suez to retain the status quo. It is GDF Suez’s proposal that would change the current relationships between Capacity Zones, and the ISO strongly disagrees with the approach that GDF Suez has presented.

If GDF Suez disagrees with the ISO’s current practices, it should comply with the Commission’s procedural rules, file a complaint, and produce evidence to demonstrate why the ISO's current practice is unjust and unreasonable.

### **C. Relief Requested**

The ISO requests that the Commission approve the FCM Redesign Filing without condition or modification. GDF Suez has not provided a valid reason to require the ISO to make further tariff revisions or compliance filings. Further, as was noted in the FCM Redesign Filing<sup>28</sup> and the ISO’s Answer to Protests,<sup>29</sup> the ISO requests that the Commission accept the FCM Redesign Filing effective April 23, 2010, so that the ISO has adequate time to implement the design changes prior to running the fourth Forward Capacity Auction.

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<sup>27</sup> GDF Suez Answer at 6-7.

<sup>28</sup> FCM Redesign Filing at 37.

<sup>29</sup> Answer to Protests at 32-33.

### III. CONCLUSION

For the foregoing reasons, the ISO respectfully requests that the Commission grant the ISO's Motion for Leave to File Answer, reject GDF Suez's attempt to bypass the stakeholder process, and approve the FCM Redesign Filing as discussed herein.

Respectfully submitted,

ISO NEW ENGLAND INC.

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Dated: April 13, 2010

**ATTACHMENT A**

The ISO shall use consistent assumptions and standards to establish a resource's electrical location for purposes of qualifying a resource for the Forward Capacity Market and for purposes of calculating Local Sourcing Requirements.

Load Zones will be reconfigured as necessary pursuant to Section III.2.7(g) of Market Rules.

The methodology used in determining the Local Sourcing Requirements and the Maximum Capacity Limits are specified in Sections III.12.2.1 and III.12.2.2, respectively. The modeling assumptions used in determining the Local Sourcing Requirements and the Maximum Capacity Limits are specified in Sections III.12.5, III.12.6, III.12.7, III.12.8 and III.12.9.

**III.12.2.1 Calculation of Local Sourcing Requirements for Import-Constrained Load Zones.** For each import-constrained Load Zone, the Local Sourcing Requirement shall be the amount needed to satisfy the higher of: (i) the Local Resource Adequacy Requirement as determined pursuant to Section III.12.2.1.1; or (ii) the Transmission Security Analysis as determined pursuant to Section III.12.2.1.2. ~~calculated using the following method:~~

**III.12.2.1.1 Local Resource Adequacy Requirement.** The Local Resource Adequacy Requirement shall be calculated as follows:

- (a) Two areas shall be modeled: (i) the Load Zone under study which includes all load and all resources electrically located within the Load Zone, including external Control Area support from tie benefits on the import-constrained side of the interface, if any; and (ii) the rest of the New England Control Area which includes all load and all resources electrically located within the rest of the New England Control Area, including external Control Area support from tie benefits on the unconstrained side of the interface, if any.

- (b) The only transmission constraint to be modeled shall be the transmission interface limit between the Load Zone under study and the rest of the New England Control Area as determined pursuant to Section III.12.5.
- (c) Any proxy units that are required in the New England Control Area pursuant to Section III.12.7.1 shall be modeled as specified in Section III.12.7.1, in order to ensure that the New England Control Area meets the resource adequacy planning criterion specified in Section III.12.1. If the system LOLE ~~with proxy units added~~ is less than 0.1 days/year, firm load is added (or unforced capacity is subtracted) so that the system LOLE equals 0.1 days/year.
- (d) The Local Resource Adequacy~~Sourcing~~ Requirement for the import-constrained Load Zone Z shall be determined in accordance with the following formula:

$$\frac{\text{LRALS}_{Z}}{\text{(Proxy Units)}} = \text{Resources}_{Z} + \text{Proxy Units}_{Z} - \frac{\text{Adjustment}_{Z}}{(1 - \text{FOR}_{Z})} - \frac{\text{(Firm Load Adjustment)}_{Z}}{(1 - \text{FOR}_{Z})}$$

In which:

- $\frac{\text{LRALS}_{Z}}{\text{(Proxy Units)}}$  = MW of Local Resource Adequacy~~Sourcing~~ Requirement for Load Zone Z;
- $\text{Resources}_{Z}$  = MW of resources electrically located within Load Zone Z, including Import Capacity Resources on the import-constrained side of the interface, if any;
- $\text{Proxy Units}_{Z}$  = MW of proxy unit additions in Load Zone Z;
- $\text{Firm Load Adjustment}_{Z}$  = MW of firm load added (or subtracted) within Load Zone Z to make the LOLE of the New England Control Area equal to 0.105 days per year; and
- $\text{FOR}_{Z}$  = Capacity weighted average of the forced outage rate modeled for all resources within Load Zone Z, including any proxy unit additions to Load Zone Z.

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Proxy Units  
Adjustment = MW of firm load added to (or unforced capacity subtracted from) Load Zone Z until the system LOLE equals 0.1 days/year.

To determine the Local ~~Resource Adequacy~~<sup>Sourcing</sup> Requirement, the firm load is adjusted within Load Zone Z until the LOLE of the New England Control Area reaches 0.105 days per year. The LOLE of 0.105 days per year includes an allowance for transmission related LOLE of 0.005 days per year associated with each interface. As firm load is added to (or subtracted from) Load Zone Z, an equal amount of firm load is removed from (or added to) the rest of New England Control Area.

#### **III.12.2.1.2 Transmission Security Analysis Requirement. A**

Transmission Security Analysis shall be used to determine the requirement of the Load Zone being studied, and shall include the following features:

- (a) The ISO shall perform a series of transmission load flow studies and/or a deterministic operable capacity analysis targeted at determining the performance of the system under stressed conditions, and at developing a resource requirement sufficient to allow the system to operate through those stressed conditions.
- (b) The Transmission Security Analysis requirement shall be set at a level sufficient to cover most reasonably anticipated events, but will not guarantee that every combination of obligated resources within the zone will meet system needs.

#### **III.12.2.2 Calculation of Maximum Capacity Limit for Export-Constrained**

**Load Zones.** For each export-constrained Load Zone, the Maximum Capacity Limit shall be calculated using the following method:

**ATTACHMENT B**

**III.12.2.2 Calculation of Maximum Capacity Limit for Export-Constrained**

**Load Zones.** For each export-constrained Load Zone, the Maximum Capacity Limit shall be calculated using the following method:

- (a) Two areas shall be modeled: (i) the Load Zone under study which includes all load and all resources electrically located within the Load Zone, including external Control Area support from tie benefits on the export-constrained side of the interface, if any; and (ii) the rest of the New England Control Area, which includes all load and all resources electrically located within the rest of the New England Control Area, including external Control Area support from tie benefits to the rest of the New England Control Area, if any.
- (b) The only transmission constraint to be modeled shall be the transmission interface limit between the Load Zone under study and the rest of the New England Control Area as determined pursuant to Section III.12.5.
- (c) Any proxy units that are required in the New England Control Area pursuant to Section III.12.7.1 shall be modeled as specified in Section III.12.7.1, in order to ensure that the New England Control Area meets the resource adequacy planning criterion specified in Section III.12.1. If the system LOLE ~~with proxy units added~~ is less than 0.1 days/year, firm load is added (or unforced capacity is subtracted) so that the system LOLE equals 0.1 days/year.

- (d) The Maximum Capacity Limit for the export-constrained Load Zone Y shall be determined in accordance with the following formula:

$$\text{Maximum Capacity Limit}_Y = \text{ICR} - \text{LRALSR}_{\text{Rest of New England}}$$

In which:

Maximum Capacity Limit<sub>Y</sub> = Maximum MW amount of resources, including Import Capacity Resources on the export-constrained side of the interface, if any, that can be procured in the export-constrained Load Zone Y to meet the Installed Capacity Requirement;

ICR = MW of Installed Capacity Requirement for the New England Control Area, determined in accordance with Section III.12.1; and

LRALSR<sub>Rest of New England</sub> = MW of Local Sourcing Requirement for the rest of the New England Control Area, which for the purposes of this calculation is treated as an import-constrained region, determined in accordance with Section III.12.2.1.

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon the parties designated on the official service list for the above-captioned docket in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure. 18 C.F.R. § 385.2010 (2009).

Dated at Washington, D.C. on this the 13<sup>th</sup> day of April, 2010.

/s/ Sherry A. Quirk  
Sherry A. Quirk, Esq.  
Attorney for ISO New England Inc.