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Finalized Capacity Auction Results Confirm Resources, Prices for New England Power System in 2018-2019

New resources will address capacity shortage in most of the region

Holyoke, MA—February 27, 2015—Finalized results of the Forward Capacity Market auction conducted earlier this month confirm that the auction procured sufficient resources to meet projected demand for power in most of New England in 2018-2019, except for a resource shortfall in Southeastern Massachusetts and Rhode Island (SEMA/RI). The [finalized auction results](#) were filed today at the Federal Energy Regulatory Commission by ISO New England Inc., the operator of the region's bulk power system and wholesale electricity markets.

Capacity

New England's annual auction to acquire the power system resources needed to meet future demand concluded February 2 with 34,695 megawatts (MW) of capacity region-wide, including more than 1,400 MW of new resources needed to help replace generators that have recently retired or will retire in the next few years. The system-wide installed capacity requirement (ICR) for 2018-2019 is 34,189 MW; the sloped demand curve implemented for the first time in this auction allows the region to acquire more or less than the ICR, depending on reliability requirements and price. Clearing the auction were 30,442 MW of generation, 1,449 MW of imports, and 2,803 MW of demand-side resources, which includes companies that have agreed to reduce their power consumption if needed during times of system stress, and energy-efficiency measures.

The region's need for new resources emerged in last year's auction when retirements totaling more than 3,000 MW led to a shortfall in the resources needed to meet demand in 2017-2018, leading to higher prices. The auction for 2018-2019 attracted significant new resources, including a new 725-MW dual-fuel unit and two 45-MW units in Connecticut and a new 195-MW peaking power plant in SEMA/RI, totaling 1,060 MW. The auction also drew 367 MW of new demand-side resources.

Prices

The auction clearing price of \$9.55/kilowatt-month (kW-month) will be paid in 2018-2019 to about 24,447 MW of new and existing capacity resources in three zones: Rest-of-Pool (western and central Massachusetts, Vermont, New Hampshire and Maine), Connecticut (CT) and Northeast Massachusetts/Boston (NEMA/Boston). New York imports totaling 1,028 MW will be paid \$7.97/kW-month, and 177 MW of New Brunswick imports will be paid \$3.94/kW-month. Another 771 MW of existing resources with multi-year supply obligations will be paid at rates set in previous auctions, while 1,287 MW of self-supply resources will not be paid through the FCM.

Administrative pricing rules for situations of inadequate supply were triggered in the Southeastern Massachusetts and Rhode Island (SEMA/RI) zone because just 7,241 MW of new and existing resources were competing, about 238 MW short of the 7,479 MW needed for 2018-2019. As a result, the 353 MW of new resources in the zone will receive the auction starting price of \$17.73/kW-month, while 6,632 MW of existing resources will receive \$11.08/kW-month and 256 MW of self-supply resources will not be paid through the FCM. The administrative pricing rules balance the interests of consumers paying for capacity by building in price protections under conditions of scarcity, and the interests of resources providing capacity by paying a price that reflects the need to attract new resources and retain existing capacity.

Clearing prices were higher than in previous auctions, reflecting the need for new resources to ensure a reliable supply of power in New England during the capacity commitment period from June 1, 2018, through May 31, 2019. The estimated total cost of the New England capacity market in 2018-2019 will be about \$4 billion. The previous auction

resulted in an estimated total capacity market cost of about \$3 billion for 2017-2018. Payments will be made to capacity resources in 2018-2019, subject to their actual performance under new Pay-for-Performance rules.

The annual FCM auction is held three years before each capacity commitment period to provide time for new resources to be developed. Resources clearing in the auction receive a monthly payment during the delivery year in exchange for their commitment to provide power or curtail demand when called upon by the ISO.

Auction Commitment Period	Total Capacity Acquired (MW)	Capacity Required (MW)	Surplus/Deficit (MW)	New Demand Resources (MW)	New Generation (MW)	Clearing Price (\$/kW-month)	Prorated Price (\$/kW-month)
FCA 1 2010/2011	34,077	32,305	1,772	1,188	626	\$4.50 (floor price)	\$4.25
FCA 2 2011/2012	37,283	32,528	4,755	448	1,157	\$3.60 (floor price)	\$3.12
FCA 3 2012/2013	36,996	31,965	5,031	309	1,670	\$2.95 (floor price)	ROP*: \$2.54 Maine: \$2.47
FCA 4 2013/2014	37,501	32,127	5,374	515	144	\$2.95 (floor price)	ROP: \$2.52 Maine: \$2:34
FCA 5 2014/2015	36,918	33,200	3,718	263	42	\$3.21 (floor price)	\$2.86
FCA 6 2015/2016	36,309	33,456	2,853	313	79	\$ 3.43 (floor price)	\$3.13
FCA 7 2016/2017	36,220	32,968	3,252	245	800	\$3.15 (floor price) NEMA/Boston: \$14.99*	ROP: \$2.74 Maine: \$2.74 CT: \$2.88
FCA 8 2017/2018	33,712	33,855	-143	394	30	\$15.00/new & \$7.025/existing*	n/a
FCA 9 2018/2019	34,695	34,189*	506*	367	1,060	System-wide: \$9.55 SEMA/RI: \$17.73/new & \$11.08/existing*	n/a

*In **FCAs 1 through 8**, Rest-of-Pool (ROP) included western and central Massachusetts (WCMA), Southeast Massachusetts/Rhode Island (SEMA/RI), Vermont (VT) and New Hampshire (NH). In **FCA 9**, ROP included WCMA, VT, NH, and Maine. In **FCA 7**, the NEMA/Boston zone cleared at \$14.99/kW-month, which will be paid to new capacity, while existing capacity will receive an administratively set price of \$6.66/kW-month in 2016/2017. In **FCA 8**, the auction cleared at \$15.00/kW-month, which will be paid to new capacity in all zones and existing capacity in NEMA/Boston; existing capacity in all other zones will receive an administratively set price of \$7.025/kW-month. In **FCA 9**, a new sloped demand curve was implemented, allowing more or less than the capacity requirement to be procured, depending on price and reliability needs. In **FCA 9**, administrative pricing rules were triggered in the SEMA/RI zone due to inadequate supply. New capacity in the zone will receive the auction starting price of \$17.73/kW-month and existing capacity in the zone will receive an administratively set price of \$11.08/kW-month.

ABOUT ISO NEW ENGLAND

Created in 1997, ISO New England is the independent, not-for-profit corporation responsible for the reliable operation of New England's electric power generation and transmission system, overseeing and ensuring the fair administration of the region's wholesale electricity markets, and managing comprehensive regional electric power planning.

