

151 FERC ¶ 61,183  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;  
Philip D. Moeller, Cheryl A. LaFleur,  
Tony Clark, and Colette D. Honorable.

ISO New England Inc.

Docket No. ER15-1462-000

ORDER ACCEPTING FILING

(Issued May 29, 2015)

1. In this order, the Commission accepts a filing by ISO New England Inc. (ISO-NE) that identifies two potential new boundaries for Capacity Zones for ISO-NE's tenth Forward Capacity Auction (FCA 10), to become effective May 29, 2015.

**I. Background**

**A. Forward Capacity Market**

2. ISO-NE operates a Forward Capacity Market (FCM) that procures capacity on a three-year forward basis. Each year, capacity suppliers make offers into an FCA in which ISO-NE procures the amount of capacity needed in a one-year period (the Installed Capacity Requirement). Suppliers of the capacity that clears each FCA are committed to, and receive payment for, providing capacity for that one-year period three years in the future. FCA 10 will take place in February 2016 and will procure capacity for the 2019-2020 Capacity Commitment Period.

3. The FCM design incorporates locational pricing, in which Capacity Zones are modeled as either import- or export-constrained, in order to permit zonal price separation when binding constraints arise. Section III.12.3 of ISO-NE's Transmission, Markets and Services Tariff (Tariff) requires ISO-NE to file with the Commission, pursuant to section 205 of the Federal Power Act (FPA),<sup>1</sup> the proposed identification of potential new Capacity Zones when the boundaries of the potential new Capacity Zones differ from the

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<sup>1</sup> 16 U.S.C. § 824d (2012).

boundaries of existing Load Zones or Capacity Zones. In order to be used in a given FCA, any new potential Capacity Zone boundary must have been accepted by the Commission prior to the Existing Capacity Qualification Deadline of the applicable FCA. For FCA 10, the Existing Capacity Qualification Deadline is June 1, 2015.

**B. Instant Filing**

4. ISO-NE states that the current filing represents the first step in a two-step process for modeling a new Capacity Zone in an FCA. ISO-NE states that, if the Commission approves the identified boundaries, then, in the second step, the objective criteria specified in the ISO-NE Tariff section III.12.4(b) will be used to determine whether the potential zones will be modeled as separate Capacity Zones in FCA 10. ISO-NE explains that the outcome of that determination will be addressed in a pre-FCA informational filing made by ISO-NE pursuant to its Tariff section III.13.8.1(a). ISO-NE notes that it will make that filing with the Commission in early November 2015.

5. ISO-NE notes that it modeled the following four Capacity Zones in the ninth FCA (FCA 9), held in February 2015 for the 2018-2019 Capacity Commitment Period: Northeastern Massachusetts /Boston (NEMA/Boston), Southeast Massachusetts/Rhode Island (SEMA/Rhode Island), Connecticut, and Rest-of-Pool. The Rest-of-Pool Capacity Zone includes West/Central Massachusetts, Vermont, and New Hampshire. In its filing, ISO-NE proposes two new potential Capacity Zones. One of the new potential Capacity Zones is a combination of the existing NEMA/Boston Capacity Zone and the SEMA/Rhode Island Capacity Zone (collectively, Southeastern New England Capacity Zone, or SENE). The other potential new Capacity Zone is a combination of the existing Maine, New Hampshire and Vermont Load Zones (together, Northern New England Capacity Zone). ISO-NE states that the SENE Capacity Zone is proposed to be an import-constrained capacity zone, while the Northern New England Capacity Zone is proposed to be an export-constrained Capacity Zone. ISO-NE explains that there are no changes to the boundaries associated with the West/Central Massachusetts or Connecticut portions of the system.

6. ISO-NE states that it started with the Capacity Zones from FCA 9 and used a variety of inputs and assumptions to perform the transmission transfer capability assessment in relation to FCA 10. For example, the power flow model used to identify the transfer capability utilized the forecast 90/10 peak load conditions for 2019. Additionally, consistent with the requirements of section III.12.4(b) of the Tariff, ISO-NE took into account any rejected Static and Dynamic De-List Bids from FCA 9. ISO-NE explains that the generation units associated with these de-list bids and Non-Price

Retirement Requests were modeled for purposes of the analysis as “out-of-service.”<sup>2</sup> Furthermore, the assessment modeled as “in service” all certified transmission upgrades accepted by ISO-NE, and considered both first contingency (N-1) and second contingency (N-1-1) conditions in accordance with North American Electric Reliability Corporation (NERC), Northeast Power Coordinating Council (NPCC) and ISO-NE criteria.<sup>3</sup>

7. ISO-NE states that the constraints observed in the transfer of power into the Southeastern New England area were found to be on or near the interface of the boundary formed by the combined existing SEMA/Rhode Island and NEMA/Boston Capacity Zones.<sup>4</sup> ISO-NE states that these constraints were observed for the contingency loss of other transmission elements on or near the boundary formed by the combination of the two Capacity Zones. In other words, power can generally flow freely within this new zone, but imports into the zone remain constrained. These constraints are such that new qualified resources located in either zone would be helpful in addressing the overall constraints. That is, new resources in SEMA/Rhode Island would be helpful in unloading the constraints expected on the northern border of NEMA/Boston, and new resources in NEMA/Boston would unload the west-to-east constraints that also limit imports into SEMA/Rhode Island. In addition, ISO-NE notes that the removal of capacity (through retirements or de-list bids) in either zone would exacerbate the import constraints into

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<sup>2</sup> ISO-NE Transmittal at 6 n.23 (citing Attached Testimony of Alan McBride (McBride Testimony)) at 10-11.

<sup>3</sup> ISO-NE Transmittal at 6 n.24 (citing McBride Testimony at 12).

<sup>4</sup> With regard to the SEMA/Rhode Island Capacity Zone, ISO-NE explains that since the creation of that zone, two sets of system changes have caused that “stand-alone” zone to become relieved. First, 353 MW of new capacity resources were added in the SEMA/Rhode Island Capacity Zone in FCA 9. Second, certain transmission upgrades (the V148N 115 kV line between Washington and Woonsocket in Rhode Island and the increase of 345/115 kV autotransformer ratings at West Farnum and Kent County) have been certified and accepted by ISO-NE for inclusion in FCA 10 that will allow the increase of the SEMA/Rhode Island N-1 and N-1-1 import capabilities by approximately 500 and 300 MW, respectively. ISO-NE states that since the “stand-alone” SEMA/Rhode Island issues have been relieved, both zones (SEMA/Rhode Island and NEMA/Boston) share the same remaining constraints located on the outer boundaries of the combined SENE Capacity Zone. ISO-NE states that for the conditions studied, no constraints were observed between NEMA/Boston and SEMA/Rhode Island within the SENE zone. McBride Testimony at 14-15.

both zones. Therefore, ISO-NE contends that the relevant transmission constraints form a coherent single zone defined by the outer borders of the combined eastern Massachusetts and Rhode Island system, which is encompassed within the existing NEMA/Boston and SEMA/Rhode Island Load Zones.<sup>5</sup>

8. Additionally, with regard to the Northern New England Zone, ISO-NE states that planning studies evaluated the interface along the combined southern borders of New Hampshire and Vermont and the northern border of Massachusetts (the North-South Interface) and determined that the pattern of North-South flows had changed following the retirement of the Brayton Point Station and the earlier retirement of the Vermont Yankee nuclear facility. After these retirements, the North-South flows are now forecast to be more concentrated along the lines connecting southeastern New Hampshire with eastern Massachusetts, and the existing capacity resources north of the North-South boundary all contribute to the transfer over the interface. ISO-NE further states that it has reviewed the Show of Interest applications that have been submitted for FCA 10, and those submittals are generally supportive of the evaluation of the North-South interface as a potential boundary for an export-constrained zone.<sup>6</sup>

9. ISO-NE requests waiver of the Commission's 60-day prior notice requirements<sup>7</sup> to allow the new Capacity Zone boundaries to take effect on or prior to May 29, 2015. ISO-NE notes that May 29, 2015 is the last business day prior to June 1, 2015, the Existing Qualification Deadline for FCA 10. ISO-NE states that good cause therefore exists to grant the waiver of the 60-day notice requirement.<sup>8</sup>

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<sup>5</sup> ISO-NE Transmittal at 6 nn.27-28 (citing McBride Testimony at 7, 13).

<sup>6</sup> ISO-NE Transmittal at 7, 7 nn.29-30 (citing McBride Testimony at 15-17). Mr. McBride notes that "as a result of the change in specific flows that are caused by the pending and completed resource retirements, the transfer capability is being lowered to appropriately capture the transmission facility usage under heavy transfers. This change in transfer capability is a driver for the proposed evaluation of the North-South interface as a Capacity Zone boundary in FCA 10" (McBride Testimony at 16).

<sup>7</sup> 18 C.F.R. § 35.11.

<sup>8</sup> ISO-NE Transmittal at 7-8.

## II. Notice of Filing, Protests and Interventions

10. Notice of the filing was published in the *Federal Register*, with interventions and protests due on or before April 27, 2015.<sup>9</sup>

11. Timely motions to intervene were filed by Champlain VT, LLC, Emera Energy Services Inc., New England Power Pool Participants Committee (NEPOOL), Calpine Corporation (Calpine), Essential Power,<sup>10</sup> Verso Corporation, Entergy Nuclear Power Marketing, LLC, SunEdison Utility Holdings, Inc., NRG Companies,<sup>11</sup> Consolidated Edison,<sup>12</sup> PSEG Companies,<sup>13</sup> New England Power Generators Association, Inc. (NEPGA), Dynegy Marketing and Trade, LLC, NextEra Energy Resources, LLC, Dominion,<sup>14</sup> GDF SUEZ,<sup>15</sup> New Hampshire Electric Cooperative, Inc., Footprint Power Salem Harbor Development LP, Massachusetts Municipal Wholesale Electric Company, Granite Ridge Energy, LLC, Northeast Utilities Service Company, and the New England States Committee on Electricity (NESCOE). Timely protests or comments were filed by NEPOOL, the New England Suppliers,<sup>16</sup> the NRG Companies, PSEG Companies, Calpine, NEPGA, and Dominion. Out-of-time motions to intervene were filed by Exelon

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<sup>9</sup> 80 Fed. Reg. 19,657 (2015)

<sup>10</sup> Essential Power includes Essential Power, LLC, Essential Power Massachusetts, LLC, and Essential Power Newington, LLC.

<sup>11</sup> NRG Companies include NRG Power Marketing LLC and GenOn Energy Management, LLC.

<sup>12</sup> Consolidated Edison includes Consolidated Edison Energy, Inc. and Consolidated Edison Solutions, Inc.

<sup>13</sup> PSEG Companies include PSEG Power LLC, PSEG Energy Resources & Trade LLC, and PSEG Power Connecticut LLC.

<sup>14</sup> Dominion includes Dominion Resources Services, Inc., Dominion Energy Marketing, Inc., Dominion Energy Manchester Street, Inc., and Dominion Nuclear Connecticut, Inc.

<sup>15</sup> GDF SUEZ includes GDF SUEZ Energy Marketing NA, Inc. and GDF SUEZ Energy Marketing North America, Inc.

<sup>16</sup> The New England Suppliers include Essential Power, LLC, Essential Power Massachusetts, LLC, Essential Power Newington, LLC, Granite Ridge Energy, LLC, and NextEra Energy Resources, LLC.



meaningfully evaluate and comment on the proposed creation of new capacity zones.<sup>17</sup> Calpine states that the transmission transfer capability assessment was presented to the ISO-NE Planning Advisory Committee on March 24, 2015, less than two weeks before submission of the instant filing, and to the Reliability Committee on April 2, 2015, four days before the instant filing. The New England Suppliers contend that relevant information and all of the factors that ISO-NE must consider, including rejected static and permanent de-list bids from FCA 9 and changes in transmission topology, were known three to four months before stakeholders were first notified of the boundary changes on March 24, 2015. NEPGA states that up until one week prior to filing, ISO-NE gave stakeholders no reason to believe it would propose a significant change to the transmission interfaces that ISO-NE would consider for FCA 10.<sup>18</sup> NEPOOL posits that ISO-NE's timing was partly due to the timing of other FCA-related processes, including ISO-NE's informational filing for FCA 9, but states that participants also expressed concern that some of the information could have been released much earlier, before the Show-of-Interest window closed, and such information might have affected market participants' decisions regarding whether or not to submit a Show of Interest form for FCA 10.<sup>19</sup>

17. NRG Companies assert that the filing includes a variety of "curious" claims as to how FCA 9 separately cleared several zones that ISO-NE now proposes to collapse.<sup>20</sup> They further assert that lack of a stakeholder process makes it impossible for stakeholders to meaningfully evaluate the complicated power flow modeling conducted by ISO-NE.<sup>21</sup>

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<sup>17</sup> Dominion Protest at 4, Calpine Comments at 3-4, NRG Companies Protest at 4-5, NEPGA Protest at 6.

<sup>18</sup> NEPGA Protest at 6-7. NEPGA acknowledges that ISO-NE's development of proposed Capacity Zone boundaries took into account market information that was not available to ISO-NE until relatively late in the process, but argues that the conflict between using information relevant to ISO-NE's determination and providing stakeholders a meaningful opportunity to participate can be resolved by instead evaluating a relatively static set of transmission interfaces against the objective criteria used in the next step of modeling Capacity Zones.

<sup>19</sup> NEPOOL Comments at 6; see also New England Suppliers Protest at 6-7, noting that investors in new capacity made decisions on whether or not to submit a Show of Interest form to ISO-NE on March 3, 2015 to participate in FCA 10.

<sup>20</sup> NRG Companies Protest at 6.

<sup>21</sup> *Id.* at 6-7.













provides any evidence demonstrating that ISO-NE failed to follow the Commission-approved process; rather, they challenge that process because of the outcome, i.e. larger Capacity Zone boundaries. ISO-NE adds that the process for identifying potential Capacity Zone boundaries is not the subject of this proceeding.<sup>48</sup>

33. In response to arguments that the potential Capacity Zone boundaries evaluation process could result in short-term, transitory Capacity Zones or that the evaluation of Capacity Zones should be more granular, ISO-NE states that there is no requirement for durability in the Commission-approved process, and there is no requirement for Capacity Zones to only be modeled if they would endure for more than one FCA. ISO-NE explains that the Commission envisioned a process that was as reactive as possible to changes on the system.<sup>49</sup> ISO-NE states that it has made the instant filing pursuant to section III.12.3 of the Tariff solely to seek the Commission's review and approval of the potential new Capacity Zone boundaries, and the arguments raised by protestors should be rejected, as they ask the Commission to go well beyond the scope of this proceeding to modify the stakeholder review process and the methodology used to determine zones.<sup>50</sup>

34. NESCOE, in its answer to the protests, similarly states that the Commission should reject the requests that the Commission direct multiple prescriptive changes defining zonal boundaries for FCA 10 and other revisions that would alter the criteria applied in evaluating the modeling of zones.<sup>51</sup> NESCOE notes that the Capacity Zones Order was issued on April 28, 2014, and under the FPA, applicants had 30 days to request rehearing; thus, any request in the current proceeding for the Commission to establish the boundaries to be used in FCA 10, or otherwise direct changes in the Tariff relative to the evaluation or creation of new zones, is effectively a late-filed rehearing request that must be rejected. NESCOE also contends that attempts to re-litigate issues

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<sup>48</sup> ISO-NE Answer at 15.

<sup>49</sup> *Id.* at 16-17 (citing Capacity Zones Order, 147 FERC ¶ 61,071 at PP 38, 40 (“ISO-NE has met its compliance obligation by filing Tariff revisions that articulate appropriate objective criteria to revise the number and boundaries of capacity zones automatically as the relevant conditions change. . . . [T]he Compliance Filing reflects the Commission's directive that the Tariff articulate appropriate objective criteria that account for relevant changes in system conditions”)).

<sup>50</sup> ISO-NE Answer at 24.

<sup>51</sup> NESCOE Answer at 4 (citing NEPGA Protest at 10; PSEG Companies Protest at 3-4).

related to the Capacity Zone Order represent an impermissible collateral attack on the Commission's final order in that proceeding.<sup>52</sup>

**b. Northern New England Capacity Zone**

35. NEPOOL states that market participants raised a number of concerns about ISO-NE's analysis and its proposed formation of the Northern New England Capacity Zone, such as whether Vermont should be part of it, how the effect of the retirement of Vermont Yankee should be assessed, and the lack of stability of the zone due to transmission system changes.<sup>53</sup>

36. The New England Suppliers argue that ISO-NE improperly established the boundaries for a new Northern New England Capacity Zone, because it did not provide sufficient evidence to support its boundary determinations, and it should be directed by the Commission to maintain the status quo for FCA 10.<sup>54</sup> The New England Suppliers contend that ISO-NE's filing fails to cite any significant transmission topology changes from FCA 9 to FCA 10, and the only new piece of information appears to be the consideration of new Show of Interest applications.<sup>55</sup> The New England Suppliers argue that ISO-NE improperly included new capacity from Show of Interest applications in its review. The New England Suppliers contend that Show of Interest forms are a poor predictor of actual new MWs that may seek to participate in the FCA, as they are submitted far in advance of the auction and require little financial security.<sup>56</sup> The New England Suppliers further note that entities proposing new resources are free to reduce capacity or withdraw Show of Interests all the way up to the point where deposits are due

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<sup>52</sup> NESCOE Answer at 5-6.

<sup>53</sup> NEPOOL Comments at 7.

<sup>54</sup> New England Suppliers Protest at 6-7.

<sup>55</sup> *Id.* at 8-9.

<sup>56</sup> New England Suppliers note that in FCA 8, ISO-NE reported to NEPOOL that it received in excess of 10,000 MW of Show of Interest applications; yet the auction cleared only 2,795 MW of new resources, of which 1,360 MW were imports, *i.e.*, the Show of Interest applications overstated new resources by more than 250 percent. New England Suppliers Protest at 9-10.

















changes in time to allow for review, approval, and implementation for FCA 10.<sup>90</sup> News of ISO-NE's plan to not implement the sloped zonal demand curves for FCA 10 comes as a late addition to this proceeding and is more appropriately addressed in the proceeding in which ISO-NE committed and the Commission relied on ISO-NE's representation that it will submit the zonal demand curve changes in time for FCA 10. We note that, on May 18, 2015, ISO-NE submitted a report on its progress towards developing sloped zonal demand curve improvements under Docket No. ER14-1639-000.

56. Finally, we find good cause to grant ISO-NE's request for waiver of the 60-day prior notice requirement because doing so will allow the filing to be effective before the June 1, 2015 Existing Qualification Deadline for FCA 10.<sup>91</sup> Therefore, we accept ISO-NE's identification of the potential new zonal boundaries, effective May 29, 2015, as requested.

The Commission orders:

ISO-NE's filing is hereby accepted, to become effective on May 29, 2015, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>90</sup> *ISO New England Inc.*, 150 FERC ¶ 61,066, at P 12 (2015); *see also ISO New England Inc. and New England Power Pool Participants Committee*, 150 FERC ¶ 61,065, at P 24 (2015).

<sup>91</sup> 18 C.F.R. § 35.11 (2014). *See Central Hudson Gas and Electric Corp.*, 60 FERC ¶ 61,106, *order on reh'g*, 61 FERC ¶ 61,089 (1992).