

ISO-NE/IMM RESOURCE RETIREMENT PROPOSAL

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A Resource Should be Allowed to Offer Into the FCA at a Price that Reflects its Risk Adjusted Needs

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- A resource required to price its retirement should be permitted to offer at a price that allows it to earn revenues that justify its continued operation.
- The ISO-NE/IMM proposal does not provide resources with that right.
- If FERC will be asked to opine on the justness and reasonableness of offers, a resource must be able to have their own just and reasonable offer accepted.

Two-tiered Pricing is Discriminatory and Creates Uneconomic Pricing

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- ❑ ISO-NE will clear the FCA a second time if a Proxy De-List Bid does not clear in the first run (except in the case where an associated conditional Retirement De-List Bid also does not clear).
- ❑ Second round resources are paid the second round price, which must be equal to or greater than the first round price.
- ❑ The two-tiered pricing proposal is discriminatory.
- ❑ There is no material difference between the capacity products purchased justifying different payment rates – indeed, the resources assume identical energy delivery obligations.
- ❑ Clearing phantom MWs in the first run would likely suppress price below the otherwise economic price in the first run, creating a disincentive for further investment in existing resources harming long-term reliability and competitiveness.

The Retirement Bid Portfolio Test Subjects

Virtually All Retirements to Mitigation

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- A large retiring resource will in almost all cases lead to an increase in the clearing price – new resources displacing retiring resources tend to offer at relatively high prices consistent with capital and other costs necessary to develop a new project.
- An increase in the capacity clearing price is not evidence of the exercise of undue market power, nor does it represent an effort to manipulate the clearing price.
- The demand curve is designed to clear at Net CONE on average and over time in order to meet ISO-NE's resource adequacy needs. Offers below that expected average outcome should be respected as competitive.
- The demand curve is designed to clear at the cap a certain percentage of the time, and above net cone a certain percentage of the time to achieve ICR on average. Competitive offers and market outcomes are necessary to achieve the design's resource adequacy expectations.

Resources Should be Able to Make Decisions Based on Timely Market Information

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- In late June/early July, resources must decide whether to retire, well before the date by which FERC will be asked to decide on FCA offer prices.
- If the resource chooses to not retire, it risks assuming a CSO at a price below its costs.
- A resource should be permitted to know the price at which it may be required to assume a CSO before it must decide whether to retire.