#### Meeting Minutes of the NEPOOL Markets Committee

**Doubletree Hotel, Westborough, MA**

**June 14, 2016**

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| **Attendee** | **Member/**  **Alternate** | **Market Participant** |
| A. Kuznecow | Chair | ISO New England Inc. |
| W. Fowler | Vice-Chair |  |
|  | Member | Wheelabrator North Andover Inc. |
|  | Alternate | Essential Power Massachusetts, LLC and Exelon New England Holdings, LLC |
|  | Temporary Alternate | Dynegy Power Marketing, LLC and Entergy Nuclear Power Marketing LLC |
| E. Wasik-Gutierrez | Secretary | ISO New England Inc. |
| E. Abend\* | Member | Summit Hydropower, Inc. |
| R. Carrier | Member | Energy America, LLC |
| D. Cavanaugh | Member | NRG Power Marketing, LLC |
| N. Chafetz\* | Member | Galt Power Inc. |
|  | Alternate | Repsol Energy North America Corporation |
|  | Temporary Alternate | Customized Energy Solutions for BP Energy Company, DTE Energy Trading, Inc., Energy America, LLC and Mercuria Energy, Inc. |
| J. Dannels | Member | Consolidated Edison Energy, Inc. |
| J. Davis | Member | Dominion Energy Marketing, Inc. |
| S. Dimou\* | Member | Emera Maine |
| D. A. Errichetti | Member | Eversource Energy |
| M. A. Erskine\* | Alternate | Central Maine Power Company/United Illuminating Company |
| F. Ettori\* | Member | Vermont Electric Power Company, Inc. |
| B. Forshaw | Member | Connecticut Municipal Electric Energy Cooperative |
|  | Temporary Alternate | Vermont Public Power Supply Authority |
| M. Gardner | Member | NextEra Energy Resources, LLC |
| J. S. Gordon | Member | PSEG Energy Resources & Trade LLC |
| M. Greening\* | Alternate | Talen Energy Marketing. LLC |
| H. Healy\* | Member | EnerNOC, Inc. |
| D. Hurley | Member | Conservation Services Group, Inc. and Energy Federation Inc.; AR Small Load Response Group |
|  | Alternate | NH Office of Consumer Advocate |
|  | Temporary Alternate | EnerNOC, Inc., Harvard Dedicated Energy Limited, The Energy Consortium, Union of Concerned Scientists and Vermont Energy Investment Corporation |
| T. Kaslow | Member | FirstLight Power Resources Management, LLC |
| W. Killgoar | Member | Long Island Power Authority |
| A. Krich | Member | Generation Group Member |
| B. Kruse\* | Alternate | Calpine Energy Services, LP |
| C Markham\* | Member | Enerwise Global Technologies |
| T. Martin | Temporary Alternate | New England Power Company |
| A. McCullough | Temporary Alternate | Emera Maine, Inc. |
| R. McGivney | Member | New Brunswick Energy Marketing |
| A. Mitreski\* | Member | Brookfield Energy Marketing, Inc. |
| F. Plett | Member | Massachusetts Office of Attorney General |
| G. Poole\* | Member | Verso Maine Energy, LLC |
| J. A. Rotger | Alternate | Emera Energy |
| P. Smith | Member | Wallingford, Town of |
|  | Alternate | Braintree Electric Light Dept, Concord Municipal Light Plant, Georgetown Municipal Light Dept, Hingham Municipal Lighting Plant, Littleton (MA) Electric Light Dept, Merrimac Municipal Light Dept, Middleton Municipal Light Dept, Pascoag Utility District, Rowley Municipal Lighting Plant, Taunton Municipal Lighting Plant, and Wellesley Municipal Light Plant |
| R. de R. Stein | Alternate | Signal Hill for Footprint Power LLC and H.Q. Energy Services (U.S.) Inc. |
|  | Temporary Alternate | Signal Hill for First Wind Energy Marketing and Generation Group Member |
| J. Suh | Temporary Alternate | Noble Americas Gas & Power Corp. |
| B. Thomson | Member | MMWEC |
| X. Yan | Alternate | Hudson Light and Power Department |
| **Guest** |  | **Affiliation** |
| B. Anderson |  | NEPGA |
| P. Asarese |  | ISO New England Inc. |
| J. Bentz |  | NESCOE |
| D. Bergeron\* |  | ME PUC |
| M. Caley |  | ISO New England Inc. |
| P. Chattopadhyay |  | NH PUC |
| A. DiGrande |  | ISO New England Inc. |
| B. Ewing |  | ISO New England Inc. |
| M. Giaimo |  | ISO New England Inc. |
| C. Hamlen\* |  | ISO New England Inc. |
| E. Jacobi |  | FERC |
| M. J. Krolewski |  | VT PSB |
| S. Lombardi |  | Day Pitney |
| R. McCarthy |  | ISO New England Inc. |
| E. McNamara\* |  | VT PSB |
| C. Parent |  | ISO New England Inc. |
| K. Porter\* |  | CT PURA |
| C. Waterhouse |  | ISO New England Inc. |

\*Participated by phone

After determining that a quorum was present, the Markets Committee (MC or Committee) meeting was called to order.

**Agenda Item #1: Chairman’s Remarks**

Mr. Kuznecow welcomed the Committee members and guests.

It was moved and seconded to approve the minutes of the May 10, 2016 meeting of the Markets Committee. Based on a show of hands, the meeting minutes were unanimously approved.

**Agenda Item #2: FCM Enhancements – Phase I**

Mr. McCarthy referenced the Memo summarizing the ISO’s FCM Enhancements – Phase I proposal and noted the ISO will be requesting a vote a today’s meeting. The Committee had no questions or comments.

The following motion was moved and seconded by the Markets Committee:

RESOLVED, that the Markets Committee recommends that the Participants Committee support the revisions to Market Rule 1 to implement Phase I of the FCM enhancements relating to the FCM and ARA qualification elements and CSO bilateral participation as proposed by ISO New England Inc. (the “ISO”) and as circulated for this meeting with those further changes recommended by this Committee and supported by the ISO and such further non-substantive changes as the Chair and Vice-Chair approve.

The motion was then voted. Based on a show of hands, the motion passed unanimously.

**Agenda Item #3: FCA Qualification Provision – FERC Compliance**

Mr. McCarthy reviewed with the Committee the ISO’s proposal for its upcoming compliance filing in response to an Order issued by the Federal Energy Regulatory Commission (FERC) on May 2, 2016 in Docket No. ER16-38-000 (FERC Order). In response to questions asked by the Committee, Mr. McCarthy clarified the proposal would have the ISO automatically match the new summer incremental capacity with the excess existing winter capacity at the same generating resource. A resource with any new incremental summer capacity that exceeds the matching existing winter capacity will be required to submit a composite offer with a separate resource for the remaining amount. He further clarified that the multi-year rate lock election would be available for the new summer incremental capacity up to the amount matched with the existing winter capacity at the same resource.

The following comments were provided by Committee members and the ISO:

(1) It was questioned why the proposal and current Tariff provisions do not allow new incremental winter capacity to be paired with any existing excess summer capacity. Some members suggested the proposal is too limiting and should be broaden to allow the matching of any new incremental capacity with any excess Qualified Capacity (*i.e.* be season neutral). Another member commented that if additional MWs were added to existing winter capacity, resources should be allowed to pair that with any excess summer capacity at the same generating resource.

One member responded that summer capacity is paired with winter generating capacity to create an annual product in the FCM. A resource’s FCA Qualified Capacity is based on the lower of the summer or winter Qualified Capacity, which is typically the summer Qualified Capacity in New England.

Another member added the Tariff focuses on the new incremental summer capacity because New England is a summer peaking system. A member countered that the winter load could grow over time and use up the surplus winter capacity. The ISO pointed out that winter load could also decrease over time.

The ISO also reminded the Committee the directives in May 2nd Order was issued in response to a complaint

specific to the treatment of new summer incremental capacity.

(2) A member stated, and other members supported the notion, the proposal should be expanded to have automatic matching for a significant increase in capacity (significant increase). Having consistency would help avoid any chance of confusion going forward on when a composite offer is required.

The ISO noted that such a change would be outside the scope of this compliance filing and clarified the significant increase provisions are the subject of different complaint pending before the FERC.

A member noted although it makes sense to have automatic matching for a significant increase, he agreed with the ISO this would go beyond the scope for compliance.

Another member suggested if not for compliance, the ISO should consider making the changes on its own initiative.

(3) Some members suggested the multi-year rate lock should apply to the existing excess winter capacity paired with the new incremental summer capacity at the same resource. Resources incur additional risks such as wear and tear and FCM Pay-for-Performance penalties when a resource assumes a Capacity Supply Obligation (CSO) for the existing excess winter capacity. Certainty in FCM revenues strikes a balance between benefits the additional capacity provides to the system and associated risks.

The ISO noted current Tariff provisions provide resources the flexibility to manage their risks by adjusting their CSO up to their incremental summer capacity through delisting. A member commented a resource does not have the ability to delist the excess winter capacity paired with the new summer incremental capacity for seven years. The ISO noted resources will have the ability to trade out their CSOs associated with the paired excess winter capacity through seasonal bilaterals.

A member commented if a resource makes the investment when the resource is being constructed, it can lock in the FCA Clearing Price for both the summer and winter capacity. However, if the resource invests in upgrades later, the multi-year rate lock election is allowed only for the new incremental summer capacity. He questioned whether there was an equity issue.

A member commented timing does not create an equity issue as suggested. The rate lock provisions were intended to provide certainty to incentivize the building of new resources or for significant upgrades requiring outside financing. The difference is resources had factored these construction costs into their initial FCA bids whereas any new incremental summer capacity had not been previously accounted for. He further noted incremental upgrades are not marginal and would just be uplift to the system.

Another member commented the rate lock provides great value by incentivizing resources to invest in upgrades and the rules should be structured to encourage this.

(4) A member sought clarification on whether the Offer Review Trigger Price (ORTP) calculation for new incremental capacity is based on 4 or 12 months. Another member requested a memo be written clarifying for the Participants Committee if and how the proposal would impact the ORTP calculations.

The ISO indicated there is no change to the annual capacity rules stemming from the proposal and the ISO will provide clarification in time for the vote at the Participants Committee meeting.

The following main motion was moved and seconded by the Committee:

RESOLVED, that the Markets Committee recommends that the Participants Committee support the revisions to Market Rule 1 to address the compliance requirements contained in FERC’s May 2, 2016 Order on the Dominion Complaint filed on February 5, 2016 (Docket No. EL16-38-000) as proposed by ISO New England Inc. (the “ISO”) and as circulated for this meeting with those further changes recommended by this Committee and supported by the ISO and such further non-substantive changes as the Chair and Vice-Chair approve.

***Dominion Amendment***

Mr. Davis then reviewed with the Committee the presentation outlining Dominion’s alternative proposal for compliance.

The following comments were provided:

(5) Mr. Davis clarified the proposal assumes a resource cannot delist the winter capacity for seven years if receiving the rate lock treatment.

(6) A member stated he supports the alternative proposal because it provides the appropriate incentives for investments in new summer and winter incremental capacity and more accurately complies with the FERC Order.

(7) A member stated he will be opposing the Dominion proposal because it goes beyond compliance.

(**Vote 1 – Failed** *(Dominion Amendment)*) Before the main motion could be voted, it was moved and seconded by the Markets Committee to amend the main motion as follows:

(1) Modify the ISO’s proposed new Section III.13.1.1.1.3.A. of Market Rule 1 as shown below:

If the incremental amount of capacity seeking to participate in the Forward Capacity Auction as a New Generating Capacity Resource meets the requirements of Section III.13.1.1.1.3, but the ~~summer~~ new incremental amount of capacity does not span the entire Capacity Commitment Period, then the ISO shall match the incremental amount of new capacity with any excess ~~winter~~ existing Qualified Capacity at that same resource, not to exceed the ~~winter~~ Qualified Capacity of the existing resource, in order to cover the entire Capacity Commitment Period.  This provision shall not apply to Intermittent Power Resources or Intermittent Settlement Only Resources.

(2) Revise the ISO proposedSection III.13.1.1.2.2.4. of Market Rule 1 as shown below:

If an incremental amount of new capacity that meets the requirements of Section III.13.1.1.1.3 is matched to ~~winter~~ existing excess Qualified Capacity at the same generating resource pursuant to Section III.13.1.1.1.3.A, then this election shall ~~only~~ apply to the ~~new incremental~~ total amount of new FCA Qualified Capacity that clears, including ~~. The election shall not apply to the winter~~ the existing excess Qualified Capacity matched to the new incremental capacity at the same generating resource.

The motion to amend the main motion was then voted. The motion to amend failed with a 47.61% in favor. The individual Sector votes were Generation (14.68% in favor, 2.45% opposed, 1 abstention), Transmission (0% in favor, 17.13% opposed, 3 abstentions), Supplier (14.27% in favor, 2.85% opposed, 10 abstentions), Alternative Resources (14.38% in favor, 0% opposed, 2 abstentions), Publicly Owned Entity (0% in favor, 17.13% opposed), and End User (4.28% in favor, 12.84% opposed, 1 abstention).

***NRG Amendment***

Mr. Cavanaugh presented the NRG amendment.

The following comments were provided:

(8) A member commented the amendment strikes a balance between pure market design and the associated risks. He will be voting in favor of the amendment.

(9) A member commented the amendment goes beyond compliance so he will be opposing.

(10) Some members noted they will be abstaining. The amendment has its merits; however, some were unsure whether the changes are within the scope for compliance.

(11) In response to questions asked by Committee members, the ISO stated it will move forward with its request for a vote on the unamended main motion. The Dominion and NRG amendments go beyond compliance.

(**Vote 2 – Failed** *(NRG Amendment)*) Before the main motion could be voted, it was moved and seconded by the Markets Committee to amend the main motion as follows:

(1) Modify the ISO’s proposed Section III.13.1.1.2.2.4. of Market Rule 1 as shown below:

If an incremental amount of new capacity that meets the requirements of Section III.13.1.1.1.3 is matched to winter existing excess Qualified Capacity at the same generating resource pursuant to Section III.13.1.1.1.3.A, then this election shall ~~only~~ apply to the new incremental ~~amount~~  ~~of capacity~~ FCA Qualified Capacity that clears, including~~. The election shall not apply to~~ the winter existing excess Qualified Capacity matched to the new incremental capacity at the same generating resource.

The motion to amend the main motion was then voted. The motion to amend failed with a 47.61% in favor. The individual Sector votes were Generation (14.68% in favor, 2.45% opposed, 1 abstention), Transmission (0% in favor, 17.13% opposed, 2 abstentions), Supplier (14.27% in favor, 2.85% opposed, 10 abstentions), Alternative Resources (14.38% in favor, 0% opposed, 2 abstentions), Publicly Owned Entity (0% in favor, 0% opposed, 43 abstentions for the entire sector present), and End User (4.28% in favor, 12.84% opposed, 1 abstention).

***Main Motion***

The following comments were provided:

(12) Some members noted though some points raised at today’s meeting may not be within the scope for compliance, they need to be addressed nevertheless. They encouraged the ISO to consider pursuing the suggestions in the future.

(13) A member noted there is a lot of interest in how the Commission will rule on another Market Participant’s complaint. He reiterated there needs to be consistency between the new incremental and significant increase Tariff provisions.

(14) Two members noted they will be opposing because the ISO’s proposal does not fully comply with the directives in the FERC Order.

(**Vote 3 – Passed** *(Main Motion)*) The main motion was then voted. Based on a show of hands, the motion passed. 2 oppositions and 1 abstention within the Generation Sector, and 4 abstentions within the Supplier Sector were recorded.

Mr. Lombardi notified the Committee that the ISO’s proposal for compliance will be considered at the Participants Committee summer meeting during the June 23, 2016 session.

**Agenda Item #4: Resource Dispatchability Requirements**

Mr. Lowell reviewed with the Committee the presentation outlining recent modifications to the ISO’s proposal on Resource Dispatchability Requirements. He then reviewed the Tariff revisions supporting the proposal.

The ISO provided the following responses to questions asked Committee members:

(1) Solar resources are not required to be dispatchable as part of this effort. The ISO needs to develop a short-term forecast first before these resources can be included in the Do Not Exceed (DNE) Dispatch as DNE Dispatchable Generators.

A member encouraged the ISO to coordinate with solar developers when developing the rules to ensure they can be implemented.

(2) The proposed Tariff changes incorporate by reference, but do not directly address, Demand Response Resources. Demand Response Resources do not come into existence until Price Responsive Demand (PRD) goes into effect June 1, 2018. Therefore, Demand Response Resources are not required to dispatchable as part of this effort but will be once PRD goes into effect.

(3) A Resource cannot change its Ecomin on a day-to-day basis. Adjustments in real-time are only made if the resource can justify a physical reason for doing so. Reasons can include changes in river flow or environmental and license requirements.

(4) The defined term Settlement Only Resources is being modified to align with the criteria in OP-14. In response to a member’s request, the ISO indicated it will strive to notify the impacted Settlement Only Resources of their change in status under the proposal prior to the Committee voting on the Tariff revisions.

(5) The “Settlement Only – Other” and “Settlement Only – Solar” categories listed in the table on slide 9 will remain non-dispatchable under this proposal.

(6) The ISO will provide background on why the maximum net output is the measurement used to determine the 5 MW threshold for Settlement Only Resources.

(7) If a Dispatchable Resource is unable to meet the dispatchibility requirements, the ISO will coordinate directly with the entity that has control over addressing deficiencies.

(8) There may be separate effective dates for each of the five design elements.

A member noted her preference that the eighteen month deadline for RTU installation be shortened if possible.

**Agenda Item #5: Dual Fuel Auditing NCPC Fixes**

Mr. Ewing presented the Tariff revisions supporting the ISO’s proposal that would implement changes to allow continued compensation for resources performing dual fuel audits at the ISO’s request.

There were no questions or comments from the Committee.

**Agenda Item #6: Other Business**

*Agenda Item #6 (A)*

Mr. Kuznecow noted a presentation providing an update on Divisional Accounting was posted for informational purposes.

*Other Business*

A member asked whether the ISO has any plans to discuss with NEPOOL its June 9, 2016 request for limited waiver of the Market Rules relating to Real-Time Emergency Generating Resources. Mr. Kuznecow indicated he is not aware of any plans such plans.

As there was no other business brought before the Committee, the meeting adjourned at 2:05 p.m.

Respectfully submitted,

\_\_\_\_\_\_/s/\_\_\_\_\_\_\_\_\_\_\_\_

Erin K. Wasik-Gutierrez, Secretary

NEPOOL Markets Committee