



July 11, 2014

**VIA E-TARIFF FILING**

Honorable Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Re: ISO New England Inc. and New England Power Pool Participants Committee,  
Docket No. ER14-1639-\_\_\_, Compliance Filing Providing Additional  
Explanation Concerning the Limited Exemption from Offer Review Trigger  
Price Review for Renewable Technology Resources**

Dear Secretary Bose:

ISO New England Inc. (the “ISO”) hereby submits its compliance filing in response to the order that was issued by the Commission<sup>1</sup> in this proceeding on May 30, 2014.<sup>2</sup> In that order, the Commission accepted a limited exemption from the buyer-side capacity market mitigation rules for Renewable Technology Resources.<sup>3</sup> However, the Commission directed the ISO to clarify how new resources could qualify for the renewables exemption in future auctions, noting that the eligibility criteria are limited to state-mandated renewables standards or goals that are in effect on January 1, 2014.<sup>4</sup> As discussed in more detail later in this filing, the intent of the proposed market rules concerning the renewables exemption was that new resources could qualify for the exemption in future auctions, but only as long as the new resources qualify as a renewable technology project (e.g., solar power) under a renewable standard or goal that was in effect on January 1, 2014. In other words, the renewables exemption was not intended to be available to generation technologies or project types which may come to qualify as renewable under new state standards or goals that may be put in place after January 1, 2014.

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<sup>1</sup> Capitalized terms used but not defined in this filing are intended to have the meaning given to such terms in the ISO New England Inc. Transmission, Markets and Services Tariff (the “Tariff”), the Second Restated New England Power Pool Agreement, and the Participants Agreement. Market Rule 1 is Section III of the Tariff.

<sup>2</sup> *ISO New England Inc. and New England Power Pool Participants Committee, Order Accepting Tariff Revisions*, 147 FERC ¶ 61,173 (2014) (the “May 30 Order”).

<sup>3</sup> May 30 Order at P 81.

<sup>4</sup> *Id.* at P 88.

## **Background**

On April 1, 2014, the ISO and the New England Power Pool (“NEPOOL”) Participants Committee (together, the “Filing Parties”), submitted Tariff changes to establish a system-wide sloped demand curve and related parameters for use in New England’s Forward Capacity Market (the “Demand Curve Changes”). In the May 30 Order, the Commission accepted the Demand Curve Changes, including the limited exemption from the buyer-side capacity market mitigation rules for Renewable Technology Resources. However, the Commission required the ISO to provide further explanation concerning how new resources could qualify for the renewables exemption in future auctions. Specifically, the Commission stated:

While we are accepting ISO-NE’s proposed Renewable Technology Resource exemption, we note that Tariff section III.13.1.1.1.7(b), which outlines the requirements for qualifying as a Renewable Technology Resource, appears to limit a new resource’s ability to qualify for this exemption in future auctions. The Tariff states that such resources must:

qualify as a renewable or alternative energy generating resource under any New England state’s mandated (either by statute or regulation) renewable or alternative energy portfolio standards as in effect *on January 1, 2014*, or, in states without a standard, qualify under that state’s renewable energy goals as a renewable resource (either by statute or regulation) as in effect *on January 1, 2014*. (Emphasis added.)

The Tariff provision suggests that a new resource could not qualify for the exemption if it satisfied a state-mandated standard or goal in effect *after January 1, 2014*. We note that other Tariff provisions contemplate that new resources may attempt to qualify for this exemption in later auctions. For example, Tariff section III.13.1.1.1.7(c) states that a Renewable Technology Resource must “participate in a Forward Capacity Auction for a Capacity Commitment Period beginning *on or after June 1, 2018*.” Therefore, we require ISO-NE to submit a compliance filing within 60 days of the date of this order, clarifying how new resources could qualify for the exemption in future auctions.

May 30 Order at P 88.

## **Further Explanation Concerning the Renewables Exemption**<sup>5</sup>

The intent of the market rules governing the renewables exemption is that new resources may qualify for the exemption in future auctions only as long as the new resources satisfy the criteria to qualify as a renewable or alternative energy technology (e.g., solar power) or project (e.g., hydroelectric facility size) under any New England state’s renewable standard or goal that was in effect on January 1, 2014. This intent is captured accurately in the eligibility criteria

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<sup>5</sup> At its June 10-11, 2014 meeting, the ISO discussed its planned response to the May 30 Order, as set forth more fully in this filing, with the NEPOOL Markets Committee.

specified in Section III.13.1.1.1.7, which limits eligibility to resource types that would qualify as renewable or alternative energy resources under a state statute or regulation in effect on January 1, 2014. The purpose and effect of this rule is that the scope of renewable or alternative energy resources types that could qualify for the renewables exemption is limited to those generation technologies and projects that already are defined in existing statutes or regulations (*i.e.*, those in effect on January 1, 2014). In addition to being an eligible resource type pursuant to the first sentence of Section III.13.1.1.1.7(b), a resource also must qualify “as a renewable or alternative energy generating resource in the state in which it is geographically located” pursuant to the second sentence of that subsection. The overall result of Section III.13.1.1.1.7(b) is that a resource may qualify as a Renewable Technology Resource provided that it: (1) is a resource type that would qualify as a renewable or alternative generation technology resource type under any state statute or regulation in effect on January 1, 2014, and; (2) is a resource that qualifies as a renewable resource in the state in which the resource is geographically located (which could include a resource that qualifies as a renewable resource pursuant to a future state statute or regulation that expands that particular state’s renewable resource definition so long as that expansion remains within the overall scope of eligible resource types in effect as of January 1, 2014).

The intent to limit eligibility for the renewables exemption to resource types that qualify as renewable or alternative energy resources under existing standards was explicitly discussed by the ISO and its stakeholders during the NEPOOL Markets Committee meetings that were held on March 12-13, 2014 and March 19, 2014. Limiting the renewables exemption to existing standards addressed concerns about the open-ended nature of creating an exemption that would automatically include additional resource types that might be created by future state laws. It was also understood that the Commission might object to a market rule that could, in effect, be modified by future state action without further review by the Commission itself or by the ISO and its stakeholders.

The ISO believes that the market rules submitted on April 1, 2014 accurately and appropriately reflect the intention that new renewable and alternative energy resources could qualify for the renewables exemption for any future auction, beginning with the Forward Capacity Auction for the Capacity Commitment Period beginning on June 1, 2018 (“FCA 9”), but only as long as those new resources satisfy a state standard that existed as of January 1, 2014. The ISO is not opposed to clarifying the market rules if the Commission determines that further clarification is necessary. However, the ISO would not support changing the market rules to encompass new state standards or goals that might be put in place in the future without further discussion with NEPOOL and other stakeholders.

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**Conclusion**

For the reasons discussed above, the ISO respectfully requests that the Commission accept this explanation in compliance with the May 30 Order.

Respectfully submitted,

By: /s/ James H. Douglass

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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Holyoke, Massachusetts this 11th day of July, 2014.

*/s/ Jane M. Desilets*

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