



August 26, 2013

**VIA ELECTRONIC FILING**

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

**Re: ISO New England Inc., Docket No. ER13-\_\_\_\_-000  
Filing of Results of Bidding in Winter 2013-14 Reliability Program  
SEPTEMBER 9 COMMENT DATE PROPOSED IN APPENDIX K**

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act,<sup>1</sup> ISO New England Inc. (the “ISO” or “ISO-NE”) hereby files with the Commission information regarding the bidders that the ISO proposes to select to provide the demand response and oil inventory services under Appendix K to the ISO New England Transmission, Markets and Services Tariff (the “Tariff”).<sup>2</sup>

Appendix K, which is pending the Commission’s review in Docket No. ER13-1851-000, sets out solutions to maintain reliability during the cold-weather months of December, 2013 and January and February, 2014 (the “Winter Reliability Program”). The Winter Reliability Program consists of four components: a new demand response program, an oil inventory service, incentives for dual fuel units, and market monitoring changes. The bids were solicited, and are proposed for selection, contingent upon the Commission’s review of both Appendix K and this filing.

Pursuant to Section III.K.2 of Appendix K, the ISO is required to file with the Commission, pursuant to Section 205 of the Federal Power Act, a list of the Market Participants selected to provide the demand response and oil inventory services and the prices they will be paid. The ISO must also include a description of the evaluation process. Section III.K.2 further specifies that interested parties will have until September 9 to file comments and protests, and

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<sup>1</sup> 16 U.S.C. § 824d (2006).

<sup>2</sup> Capitalized terms used by not defined in this filing are intended to have the meaning given to such terms in the Tariff.

that the Commission will issue an order by September 20. As discussed below, the ISO requests an effective date of September 20.

In summary, the ISO received bids that nearly met the target procurement at a total price of \$114.3 million. In approximate numbers, the ISO proposes to accept 83% of the targeted MWh at a price of \$79 million. This procurement is intended to balance fuel security for the region against the costs to consumers.

## **I. COMMUNICATIONS**

Correspondence and communications regarding this filing should be addressed to the undersigned for the ISO as follows:

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## **II. STANDARD OF REVIEW**

The bid results are submitted pursuant to Section 205 of the Federal Power Act, which “gives a utility the right to file rates and terms for services rendered.”<sup>3</sup> The ISO respectfully requests that the Commission find that the ISO’s proposed selection of bidders and the rates for their provision of services meet the standard of Section 205, in that the results are just and reasonable.

## **III. EVALUATION AND SELECTION OF BIDS IN THE WINTER RELIABILITY PROGRAM**

Below, the ISO describes the process it utilized to evaluate and select bids. The list of selected bidders is attached, and includes the names of the Lead Market Participants that submitted the bids, the type of service to be provided, the total MWh to be supplied, and the anticipated total program payments.

The ISO targeted a procurement of demand response and oil inventory services in the amount of 2.4 million MWh, or 4.2 million barrels of oil. The ISO received total bids amounting to 2.29 million MWh, or 96% of the target, which translates to 4.2 million barrels of oil. The

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<sup>3</sup> *Atlantic City Elec. Co. v. FERC*, 295 F.3d 1 at 9 (D.C. Cir. 2002).

total offer price is \$114.3 million. The ISO reviewed all bids to ensure that they were eligible in accordance with Winter Reliability Program rules.

The ISO proposes to accept 1.995 million MWh, or 83.1% of the targeted MWh, at a price of \$78.8 million. After this cut-off point, the supply curve becomes steeper, such that, if the ISO were to acquire the next tranche, bringing the procurement to approximately 85% of the target, the price would increase by \$4.4 million. The accepted bids are less than \$31 per MWh per month, and include the 43% of bids that were less than \$10 per MWh, the 25% that were between \$10 and \$20 per MWh, and the 20% that were between \$20 and \$31 (the cut-off point). The remaining bids, which the ISO proposes to reject, exceed \$31 per MWh.

In addition to reviewing compliance with Winter Reliability Program rules, the ISO assessed the bids in accordance with the criteria outlined in Section III.K.6. These criteria are cost, the asset's historical availability and performance, the asset's ability to respond to contingencies and other changed conditions, diversity of location and sensitivity to locational constraints, dual fuel capability, and replenishment capability. The ISO was not required to pick and choose from different points on the bid stack to meet these criteria.

The ISO also compared bids with the initial round of bidding, before the Emergency Winter Amendments were proposed. In the aggregate, per unit costs decreased. Specifically, the per unit cost<sup>4</sup> at the selection point in the second round was \$39 per MWh, compared to \$43/MWh in the original round for a lower quantity.

The selected bids include 3,780 MWh of demand response. The rest of the selected bidders are providing the oil inventory service. Among the accepted bids for the oil service, 368,530 MWh represent bids to replenish tanks (as opposed to providing initial inventory).<sup>5</sup> Cut a different way, 907,144 MWh are provided by dual-fuel units, with the remainder provided by oil-fired generators.

There are no contracts to secure these services. Rather, the bid sheets include the bidders' commitment to abide by the terms of Appendix K and to perform in accordance with the information provided in the bid sheet. Accordingly, only the price and amount are submitted to the Commission as the resulting "rates, terms and conditions." Market Participants expressed concern that publication of more granular information about the selected bids would convey sensitive commercial information. Accordingly, the language in Appendix K that outlines the required filing reflects the compromise made between protecting participants' information and

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<sup>4</sup> The per unit cost was calculated by total program payments (i.e., \$78.8 million) divided by total program MWh (i.e., 1.995 million MWh).

<sup>5</sup> Per Section III.K.6, the replenishment service is limited to .36 million MWh. This limit was proposed by the ISO, which was concerned that replenishment was less secure than initial inventory. Because of the lumpiness of the bid blocks, it was difficult to precisely reach the .36 million threshold and, consequently, the ISO accepted the number of full bid blocks that approximated that threshold.

ensuring that the Commission has sufficient information to enable it to approve the resulting rates, terms and conditions.

In sum, the ISO believes that this proposed procurement appropriately balances concerns about reliable operations during Winter 2013-14 with those related to the costs that will ultimately be borne by ratepayers.

#### **IV. REQUESTED EFFECTIVE DATE**

The ISO requests that the Commission accept the ISO's selected bidders and rates as filed, without suspension or hearing, to be effective on September 20, 2013.

#### **V. ADDITIONAL SUPPORTING INFORMATION**

Section 35.13 of the Commission's regulations generally requires public utilities to file certain cost and other information related to an examination of traditional cost-of-service rates.<sup>6</sup> However, the results of the Winter Reliability Program are not traditional "rates," and the ISO is not a traditional investor-owned utility. In light of these circumstances, the ISO submits the following additional information in substantial compliance with relevant provisions of Section 35.13, and requests a waiver of Section 35.13 of the Commission's regulations to the extent the content or form deviates from the specific technical requirements of the regulations.

35.13(b)(1) - Materials included herewith are as follows:

- ◆ This transmittal letter;
- ◆ A list of selected bidders, showing the Lead Market Participant submitting the bids, the type of service to be provided, the total MWh to be supplied, and the anticipated total program payments; and
- ◆ A list of governors, utility regulatory agencies in Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont, and other entities to which a copy of this filing has been sent.

35.13(b)(2) - The ISO requests that the rates become effective on September 20, 2013.

35.13(b)(3) - Pursuant to Section 17.11(e) of the Participants Agreement, Governance Participants are being served electronically rather than by paper copy. The names and addresses of the Governance Participants are posted on the ISO's website at [http://www.iso-ne.com/regulatory/ferc/nepool/gov\\_ptcpts\\_eserved.pdf](http://www.iso-ne.com/regulatory/ferc/nepool/gov_ptcpts_eserved.pdf). A copy of this transmittal letter and the accompanying materials have also been sent to the governors and electric utility regulatory agencies for the six New England states that comprise the New England Control Area, the New

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<sup>6</sup> 18 C.F.R. § 35.13.

England Conference of Public Utility Commissioners, Inc., and the New England States Committee on Electricity. Their names and addresses are shown in the attached listing. In accordance with Commission rules and practice, there is no need for the Governance Participants or the entities identified in the listing to be included on the Commission's official service list in the captioned proceeding unless such entities become intervenors in this proceeding.

35.13(b)(4) - A description of the materials submitted pursuant to this filing is contained in this Section V.

35.13(b)(5) - The reasons for this filing are discussed in Section III of this transmittal letter.

35.13(b)(6) - The ISO's approval of the bid results is evidenced by this filing.

35.13(b)(7) - The ISO does not have knowledge of any relevant expenses or costs of service that have been alleged or judged in any administrative or judicial proceeding to be illegal, duplicative, or unnecessary costs that are demonstrably the product of discriminatory employment practices.

35.13(b)(8) - A form of notice and electronic media are no longer required for filings in light of the Commission's Combined Notice of Filings notice methodology.

35.13(c)(1) - The bid results herein are not a traditional "rate," and the statement required under this Commission regulation is not applicable to the instant filing.

35.13(c)(2) - The ISO does not provide services under other rate schedules that are similar to the wholesale, resale and transmission services it provides under the Tariff.

35.13(c)(3) - No specifically assignable facilities have been or will be installed or modified in connection with the bid results filed herein.

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## **VI. CONCLUSION**

For the reasons stated herein and in the accompanying testimony, the ISO respectfully requests that the Commission accept the selected bidders and rates as filed, to be effective on September 20, 2013.

Respectfully submitted,

ISO NEW ENGLAND INC.

By: /s/ Maria Gulluni

Maria Gulluni

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Lead Market Participant	Total MWh	Anticipated Program Dollars per Participant*	Service Type
Braintree Electric Light Department	9,500.000	\$ 420,000.00	Oil
Connecticut Municipal Electric Energy Cooperative	1,653.000	37,192.50	Oil
Massachusetts Municipal Wholesale Electric Company	95,633.000	3,696,289.92	Oil
Shrewsbury Electric and Cable Operations	412.000	14,943.24	Oil
TAUNTON MUNICIPAL LIGHTING PLANT	6,500.000	291,525.00	Oil
Nextera Energy Power Marketing	315,080.000	11,975,777.85	Oil
Public Service Company of New Hampshire	100,486.400	4,790,043.99	Oil
NRG Power Marketing LLC	154,763.000	7,619,898.69	Oil
Green Mountain Power Corporation	11,559.000	208,647.96	Oil
PSEG Energy Resources & Trade	150,303.000	8,107,983.21	Oil
Exelon Generation Company, LLC	549,468.963	15,856,249.35	Oil
Dominion Energy Marketing, Inc	4,778.000	360,070.08	Oil
EnerNOC, Inc.	3,780.000	113,400.00	Demand Response
Genon Energy Management LLC	207,249.000	7,254,903.06	Oil
Essential Power Massachusetts	8,424.000	565,085.28	Oil
Essential Power Newington	157,647.000	5,665,833.18	Oil
Waterside Power	1,235.000	89,327.55	Oil
Freepoint Commodities LLC	60,000.000	3,060,000.00	Oil
Dominion Energy Brayton Point, LLC	153,121.000	8,595,986.25	Oil
PSEG New Haven LLC	3,693.000	33,126.21	Oil
	<b>1,995,285.363</b>	<b>\$ 78,756,283.32</b>	

\* Sums may change with the application of penalties

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