

187 FERC ¶ 61,083
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

May 20, 2024

In Reply Refer To:
ISO New England Inc.
Docket No. ER24-1710-000

ISO New England Inc.
One Sullivan Road
Holyoke, MA 01040

Attention: Brian D. Buckley, Esq.

New England Power Pool Participants Committee
Day Pitney LLP
Goodwin Square
225 Asylum Street
Hartford, CT 06103

Attention: Rosendo Garza, Jr., Esq.

Dear Mr. Buckley and Mr. Garza:

1. On April 5, 2024, pursuant to section 205 of the Federal Power Act,¹ ISO New England Inc. (ISO-NE), joined by the New England Power Pool Participants Committee (NEPOOL) (collectively, Filing Parties) filed proposed revisions to ISO-NE's Transmission, Markets and Services Tariff (Tariff) to delay the nineteenth Forward Capacity Auction² (FCA 19) until February 2028, to allow ISO-NE and regional stakeholders the time to fully design and implement a prompt and seasonal capacity market framework and refine its approach to capacity accreditation based on a resource's Marginal Reliability Impact (MRI).³ Filing Parties explain that the proposed Tariff revisions would delay the FCA 19 qualification and auction processes by two

¹ 16 U.S.C. § 824d.

² Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Tariff.

³ Transmittal at 1.

additional years, so that the qualification process would begin in February 2027 and the auction would be held in February 2028.⁴ Filing Parties state that the objective is to avoid the need to run FCA 19 at all, and instead implement a new prompt and seasonal capacity market during early 2028 for the nineteenth capacity auction cycle. However, Filing Parties explain that, as a backstop, FCA 19 would be held in February 2028 for the capacity delivery period starting June 2028 through May 2029.⁵ As discussed below, we accept Filing Parties' proposed Tariff revisions, effective May 21, 2024, as requested.

2. Filing Parties explain that in January 2024 the Commission accepted a one-year delay of FCA 19 and related auction activities to support the completion of capacity market accreditation reforms and to provide the opportunity for ISO-NE and regional stakeholders to investigate whether more fundamental capacity market reforms may be warranted.⁶ Filing Parties state that since that time, ISO-NE has worked with the Analysis Group Inc. (AGI) to develop an extensive assessment of potential capacity market horizon reform options (AGI Assessment).⁷ Filing Parties explain that the AGI Assessment concluded that there are several market efficiency advantages of a prompt and seasonal capacity market over a forward annual market, as further discussed below.

3. Filing Parties explain that ISO-NE has developed a proposal, which NEPOOL supports, to defer FCA 19 by an additional two years beyond the one-year delay previously accepted by the Commission, to provide time to investigate and develop market design reforms to effectuate the transition from a forward annual market to a prompt and seasonal capacity market.⁸ Filing Parties state that additional time is necessary to develop a prompt and seasonal capacity market design⁹ and compatible capacity accreditation reforms. Filing Parties further state that additional evaluation and a stakeholder vetting process will not be possible unless FCA 19 is further delayed for an additional two years. Filing Parties assert that delaying FCA 19 will facilitate development of a market design that can accommodate the rapidly changing resource mix and seasonal demand profiles better than a forward annual market, and is preferable to

⁴ *Id.* at 21.

⁵ *Id.* at 3-4.

⁶ *ISO New England Inc.*, 186 FERC ¶ 61,001 (2024).

⁷ Transmittal at 2.

⁸ *Id.* at 4.

⁹ Filing Parties stress that their filing does not reflect a position on the soundness of a prompt and seasonal capacity market, which has yet to be developed, but rather their filing for delay will provide time to work on the capacity market reforms. *Id.* at 4-5.

continuing with the current forward annual market while ISO-NE completes the redesign work.¹⁰ Filing Parties state that the vast majority of the resources in the ISO-NE interconnection queue have development timelines that are ill-suited to the current market's three year and four-month forward auction, and many perform differently across seasons, which cannot be accurately accounted for under the current annual market construct.

4. ISO-NE explains that there are several potential benefits of the prompt market design, including: (1) better accommodating new resource development horizons; (2) improving demand forecast accuracy; (3) reducing impact on supply uncertainty; (4) improving retirement decision-making; (5) potentially lowering capacity costs;¹¹ and (6) simplifying market administration and participation, thereby resulting in improved market efficiency and lower costs.¹² ISO-NE also explains that there are several potential benefits of a seasonal market design, including: (1) more efficiently signaling resource entry and exit during seasons when those resources are most needed; (2) facilitating improvements to gas fleet accreditation and compensation; (3) improving accuracy of seasonally variable costs; and (4) improving system reliability through alignment of the auction timeline with the timing of fuel procurement.¹³

5. ISO-NE explains that delaying FCA 19 will also afford the time necessary to reform the capacity accreditation methodology as part of the prompt and seasonal capacity market redesign.¹⁴ Particularly, ISO-NE states that transitioning to a prompt and seasonal capacity market coincident with implementation of MRI-based accreditation will allow ISO-NE to determine seasonal accreditation values with a greater degree of accuracy. ISO-NE further states that transitioning to a prompt and seasonal capacity market design concurrently with capacity accreditation reforms would promote market stability while reducing complexity and cost.

6. Filing Parties request waiver of the Commission's 60-day prior notice requirement to allow the proposed Tariff revisions to be effective May 21, 2024, which is 46 days

¹⁰ *Id.* at 16.

¹¹ ISO-NE explains that a prompt market has the potential to lower annual capacity costs by approximately 13.7% or \$208 million due in part to the elimination of risk associated with a resource having to commit to perform more than three years in the future. *Id.* at 12.

¹² *Id.* at 10-13.

¹³ *Id.* at 14-15.

¹⁴ *Id.* at 17.

from the date of filing. Filing Parties argue that good cause exists to grant waiver, as the requested effective date will ensure that ISO-NE and market participants can begin discussing specific prompt and seasonal market design issues as soon as possible, while also limiting the time and effort spent designing other market rules. Filing Parties also request that the Commission issue an order accepting the proposed Tariff revisions on or before May 20, 2024. Filing Parties state that receiving an order from the Commission on or before May 20, 2024, that accepts the additional delay proposal would permit ISO-NE and stakeholders to cease preparation of materials on capacity accreditation in the forward annual market construct for the early June stakeholder meetings and would permit them to devote resources to the development of the new market design.¹⁵

7. Notice of the Filing Parties' filing was published in the *Federal Register*, 89 Fed. Reg. 25,621 (Apr. 11, 2024), with interventions and protests due on or before April 22, 2024.¹⁶ Massachusetts Department of Public Utilities filed a notice of intervention. The following entities filed timely motions to intervene: Avangrid, Inc.; Brookfield Renewable Trading and Marketing LP; Calpine Corporation; Dominion Energy Services, Inc., on behalf of Dominion Energy Nuclear Connecticut, Inc. and Dominion Energy Generation Marketing, Inc.; Electric Power Supply Association; Enel North America, Inc.; LS Power Development, LLC; Massachusetts Office of the Attorney General; Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid; New England Power Generators Association Inc.; New England States Committee on Electricity (NESCOE); New Hampshire Office of the Consumer Advocate; NRG Business Marketing LLC; Potomac Economics Ltd. (Potomac Economics); Public Citizen, Inc.; and Vistra Corp. Connecticut Municipal Electric Energy Cooperative, Massachusetts Municipal Wholesale Electric Company, New Hampshire Electric Cooperative, Inc., and Vermont Public Power Supply Authority (collectively, Public Systems) jointly filed a timely motion to intervene.

8. Comments in support of the proposed Tariff revisions were filed by the Internal Market Monitor of ISO-NE (IMM), NESCOE, Potomac Economics, and Public Systems. Commenters state that the proposed delay will allow ISO-NE and stakeholders to develop an alternative market design that could replace the Forward Capacity Market construct with a prompt and seasonal capacity market design that is better tailored to meet the region's needs and could result in significant system and consumer benefits.¹⁷ IMM states that now is an especially good time to attempt to re-design the capacity market to

¹⁵ *Id.* at 6-7.

¹⁶ On April 5, 2024, the Commission issued an errata notice correcting and shortening the comments due date from April 26, 2024 to April 22, 2024.

¹⁷ IMM Comments at 2; NESCOE Comments at 3; Potomac Economics Comments at 2; Public Systems Comments at 5, 7.

better address the evolving grid and challenges presented by expected changes in both supply and demand.¹⁸ Potomac Economics, which is the External Market Monitor for ISO-NE, states that it has recommended that ISO-NE transition to a seasonal and prompt capacity market because such a design would address pressing reliability challenges in New England better than the existing Forward Capacity Market and would likely result in better price formation.¹⁹ NESCOE states that “[l]ike ISO-NE and [NEPOOL], NESCOE is not yet ready to support a transition to a prompt seasonal capacity market. However, NESCOE fully supports the delay requested by this [f]iling.”²⁰

9. Pursuant to Rule 214 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2023), the notice of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

10. We accept Filing Parties’ proposed Tariff revisions, effective May 21, 2024, as requested.²¹ We find that Filing Parties’ proposed Tariff revisions to delay FCA 19 until February 2028 are just and reasonable and not unduly discriminatory or preferential. The proposed delay will allow ISO-NE and stakeholders the time necessary to develop a prompt and seasonal capacity market framework and refine capacity accreditation methods, as discussed above.²²

By direction of the Commission.

Debbie-Anne A. Reese,
Acting Secretary.

¹⁸ IMM Comment Acting Secretary at 1-2.

¹⁹ Potomac Economics Comments at 2, 7.

²⁰ NESCOE Comments at 3.

²¹ We grant Filing Parties’ request for waiver of the Commission’s 60-day prior notice requirement for good cause shown. 18 C.F.R. § 35.11 (2023) (“Upon application and for good cause shown, the Commission may, by order, provide that a rate schedule or tariff, tariff or service agreement, or part thereof, shall be effective . . . prior to the date the rate schedule or tariff, tariff or service agreement would become effective in accordance with these rules.”).

²² In accepting ISO-NE’s proposed Tariff revisions, we are not prejudging any potential forthcoming capacity market proposal.