Tie Benefits Replacement Rate Concept

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The Tie Benefits Methodology and Associated Reduction in Demand is Unjust, Unreasonable and Unduly Discriminatory

- **Tie Benefits receive credit towards meeting the Installed Capacity Requirement (ICR). The system energy or associated resources upon which the Tie Benefits value is based (in part) are not obligated to offer into the Day-Ahead or Real-Time Energy Markets and are not subject to Pay for Performance obligations.**
- **The Tie Benefits reduction to the ICR value displaces resources willing to assume a Capacity Supply Obligation, including those both within New England and in neighboring control areas.**
- **This accounting of Tie Benefits compromises system reliability.**
- **The amount of emergency assistance ISO-NE can count on since the adoption of the current Tie Benefit calculation and associated reduction to ICR has decreased significantly. *See, e.g.,* the North American Reliability Corporation's most recent Winter Reliability Assessment, finding slim reserve margins in New England during extreme weather (e.g., 4.7%) and even slimmer margins in neighboring control areas (e.g., Hydro-Quebec (-3.5%) and New Brunswick (-6.2%)).**

NEPGA Proposes a Must Offer Requirement to Qualify a Resource or System Energy as Contributing to ISO-NE's Resource Adequacy Requirement

- **Rather than reduce the capacity market demand quantity based on a probabilistic estimate of the amount of energy ISO-NE can rely on during capacity deficiencies, the value of import MWs should be grounded in actual, firm offer and delivery requirements.**

- **ISO-NE should thus adopt a requirement that a specific resource or system energy must have a firm obligation to offer energy to the interface level of Tie Benefit and deliver on that capacity in order to count towards meeting ISO-NE's resource adequacy requirement.**

- **This approach is consistent with current import capacity rules, which require that the Market Participant identify a specific resource that will provide the capacity and that the resource is 'de-listed' from its native control area.**

- **FERC has found this treatment to be just and reasonable.**

California Independent System Operator Corporation (CAISO) Serves as a Model for a Firm Deliverability Requirement

- **In California, CAISO and the California Public Utilities Commission jointly administer resource adequacy.**
- **Each LSE must demonstrate that it has enough capacity to satisfy its specific gross load profile (including a planning reserve margin), both on a monthly and annual basis.**
- **Imports must qualify to sell this capacity.**
  - **A resource-specific import contract shall count towards the Resource Adequacy (RA) requirement provided that the resource is pseudo-tied or dynamically scheduled into the CAISO day-ahead and real-time energy markets.**
  - **A non-resource-specific import counts towards the RA requirement provided that the contract is an energy contract with no economic curtailment provisions, with the energy self-scheduled (or bid in at negative pricing) into the day-ahead and real-time CAISO markets at least during Availability Assessment Hours.**
- **California provides no exemption from these obligations in the form of an ISO-NE-like Tie Benefit value.**
- ***See* California Public Utilities Commission *Decision Adopting Resource Adequacy Import Requirements*, Rulemaking 17-09-020, at 50-51 (July 6, 2020).**
- **Imports that count towards the LSE RA requirements are subject to verification for their delivery of energy during Availability Assessment Hours.**

The Southwest Power Pool Similarly Requires Firm Capacity Commitments From External Resources

- Similar to CAISO, the Southwest Power Pool (SPP) requires that each Load Responsible Entity (LRE) purchase sufficient firm capacity to meet its seasonal (Summer and Winter) net peak demand and planning reserve margin – its Resource Adequacy Requirement (RAR).
- A LRE may purchase two types of 'capacity' from external resources:
  - Firm Capacity: The accredited capacity of commercially operable generating units, or portions of generating units, adjusted to reflect purchases and sales of capacity with another party, and that is deliverable with firm transmission service to the LRE's load.
  - Firm Power: Power purchases and sales deliverable with firm transmission service to serve the LRE's load with capacity, energy, and planning reserves, that must be continuously available in a manner comparable to power delivered to native load customers.
- An LRE cannot claim external non-firm capacity to meet its RAR.
- An LRE that does not meet its RAR is subject to Deficiency Payments.
- FERC has found this treatment just and reasonable. *Southwest Power Pool, Inc.,* 164 FERC P 61,092 (2018).
- *See also* SPP Open Access Transmission Tariff (Attachment AA – Resource Adequacy).

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