To: NECPUC
From: Eric Johnson, Director, External Affairs, ISO New England
Date: March 31, 2015
Subject: Update on Recent and Upcoming Regional Activities

This memo by the ISO’s External Affairs Department provides updates on regional issues.

- **FERC issues long-awaited Order on Rehearing and Compliance in Order 1000 Proceeding**
- **Draft multi-state Request for Proposals released for clean energy and transmission proposals**
- **ISO contingency plan addresses potential loss of FERC jurisdiction over demand resources**
- **FERC hosts Technical Conference on possible Clean Power Plan impacts on eastern United States**
- **U.S. Senate Energy Committee reschedules Quadrennial Energy Review hearing**
- **Congress unable to override Presidential Veto of Keystone XL legislation**
- **U.S. Senate panel overwhelmingly approves cybersecurity legislation**
- **ISO President and FERC Chairman meet with Congressional Delegation on Capacity Market**
- **ISO analyzes solar photovoltaic energy production data from the New England states**
- **ISO presents draft update to Regional System Plan transmission project list**
- **Planning Advisory Committee discusses potential new capacity zones for FCA #10**
- **ISO provides cost estimates for FCA #8 and FCA #9 by capacity zone and load zone**
- **February 2015 wholesale electricity prices rose due to higher natural gas prices**
- **Markets Committee discusses ISO proposal to expand winter reliability program for future winters**
- **Consumer Liaison Group met in Stowe, Vermont to discuss state and regional energy issues**
- **ISO and Consumer Liaison Group Coordinating Committee publish 2014 annual report**
- **Upcoming meetings of interest and ISO speaking engagements**
FERC Issues Long-awaited Order on Rehearing and Compliance in the Order 1000 Proceeding

On March 19, 2015, the Federal Energy Regulatory Commission (FERC) issued an Order on Rehearing and Compliance relative to ISO New England’s earlier Order 1000 compliance filings. In the most recent March 19 Order, FERC largely affirmed its May 2013 order accepting the ISO’s regional planning and cost allocation process, and identified a few additional areas in which a further compliance filing is necessary. For these areas, FERC is providing the ISO with a May 18 deadline for filing. These additional compliance filing issues will be discussed and considered through the New England Power Pool (NEPOOL) committee process.

In Order 1000, FERC adopted a comprehensive package of reforms seeking to address transmission planning and cost allocation. The order specifically requires regional transmission organizations (RTOs) and independent system operators (ISOs) to:

1. participate in a regional transmission process that produces a regional transmission plan;
2. amend its transmission tariff to consider local, state and federal policies in the regional transmission planning process, and
3. remove the federal right of first refusal for certain new transmission facilities.

The March 19 Order affirmed the elimination of a transmission owner’s exclusive right to build and own transmission for projects built pursuant to the regional system planning process that receive regional cost allocation. This order also affirmed FERC’s decision to allow the utilities to have backstop authority for a project needed within three years of the needs assessment date.

The March 19 Order also accepted the proposal for cost allocation for public policy projects that would allocate 70 percent of the costs of upgrades for public policy purposes throughout the region based on load ratio shares and the remaining 30 percent of the costs allocated on a beneficiary-pays methodology. FERC reasoned that this allocation is roughly commensurate with both regional benefits of network transmission and more localized benefits to the states whose public policies drive the transmission needs.

A rehearing request on de novo issues – those decided for the first time in this order – would be due within 30 days of the March 19 Order.

Draft Multi-state Request for Proposals Released for Clean Energy and Transmission Proposals

On February 25, 2015, state agencies and electric distribution companies in Connecticut, Massachusetts, and Rhode Island issued a draft Request for Proposals (RFP) from private developers for clean energy and transmission to deliver clean energy to New England load centers. The purpose of the three-state procurement is to identify projects that offer the potential for the procuring states to meet their clean energy goals in a cost-effective manner that brings additional regional benefits. The soliciting parties in the three states have decided to act jointly to open the possibility of procuring large-scale projects that no one state could procure on its own.

The draft RFP seeks to allow the states to consider projects for the delivery of clean energy through: (1) traditional power purchase agreements that do not require transmission upgrades, (2) power purchase agreements that require transmission, and/or (3) transmission projects containing clean energy delivery commitments, but without any associated power purchase agreements.
Comments on the draft RFP were due on March 27, 2015. The soliciting parties have posted initial comments received as of March 6, 2015, and have also provided responses to inquiries received to date. They plan to release a final RFP by spring, and expect regulatory approvals of any contracts associated with the solicitation by 2016.

ISO Contingency Plan Addresses the Potential Loss of FERC Jurisdiction over Demand Resources
In April, the ISO plans to release a whitepaper outlining potential approaches to accommodating Demand Resources in ISO-administered markets given the possibility that the courts may ultimately find that FERC lacks jurisdiction to require the payment of the locational marginal price (LMP) to demand response resources participating in the wholesale energy market. After the paper is released, the ISO plans to hold discussions with stakeholders and the states at the NEPOOL Markets Committee to seek feedback and alternative ideas on the major contingency plan elements.

The contingency plan responds to uncertainty created by the May 23, 2014 ruling of the U.S. Court of Appeals for the District of Columbia (DC Circuit) which vacated FERC Order 745 relating to compensation for demand response resources. Order 745 requires RTOs to pay the full LMP to providers of demand response resources participating in organized wholesale energy markets (subject to certain conditions). On January 15, 2015, the Solicitor General filed a petition for writ of certiorari with the U.S. Supreme Court appealing the DC Circuit decision. The Supreme Court has yet to decide whether to review the decision. A decision by the Supreme Court is expected by the end of June 2015. If the Supreme Court decides to hear the case, a final decision will likely be issued by the end of June 2016.

Federal Affairs
FERC Hosts Technical Conference on Possible Clean Power Plan Impacts on the Eastern United States
On March 11, 2015, FERC held a technical conference at its headquarters in Washington, DC to discuss possible impacts of the U.S. Environmental Protection Agency’s (EPA) draft Clean Power Plan (CPP) proposal on the electric grid in the eastern United States. The Commission kicked off a series of four technical conferences on February 19 to hear from the EPA, the U.S. Department of Energy, and a number of sectors within the energy industry (including ISOs and RTOs) to examine potential ramifications of the upcoming CPP rule.

FERC staff opened the conference with a presentation on energy infrastructure in the eastern region, which was followed by Janet McCabe, the Acting Assistant Administrator for the EPA’s Office of Air and Radiation, to outline the parameters of the draft CPP. FERC Commissioners and staff then convened stakeholder and industry panels on possible impacts of the Clean Power Plan on electric reliability, infrastructure needs, and wholesale markets. Steve Rourke, ISO-NE’s Vice President for System Planning, and Bob Ethier, ISO-NE’s Vice President for Market Operations, participated in the second and third panels, respectively, along with Rhode Island Public Utilities Commissioner Paul Roberti.

The February 19 technical conference included a panelist representing the ISO/RTO Council (IRC) to discuss comments submitted by the IRC to the EPA in late 2014. The EPA is expected to release the final Clean Power Plan rule this summer.
U.S. Senate Energy Committee Reschedules Hearing on Quadrennial Energy Review
A U.S. Senate Energy & Natural Resources Committee hearing originally scheduled for March 26 to discuss the U.S. Department of Energy’s Quadrennial Energy Review (QER) has been delayed until April 28, 2015. Energy Secretary Ernest Moniz was set to be the only witness at the March 26 hearing. The first year of the Quadrennial Energy Review, which will examine the transportation, storage, and distribution of energy infrastructure in the United States, was expected to be released in January; however, DOE has not announced a final date for the QER’s release.

Congress Unable to Override Presidential Veto of Keystone XL Pipeline Legislation
On March 4, 2015, the U.S. Senate was unable to override a Presidential veto of S.1, a bill to approve the construction and operation of the Keystone XL pipeline. Supporters in the Senate fell far short of the 67 votes needed to override the veto (62-37). However, supporters contend that they will continue to look for legislation to which they can add the Keystone XL approval language that may have a better chance of receiving White House approval.

The bill included a bipartisan energy-efficiency amendment authored by Senators Rob Portman (R-OH) and Jeanne Shaheen (D-NH). The pair has introduced a stand-alone energy-efficiency measure (S. 720) with a significant focus on increasing energy efficiency within the federal government.

U.S. House and Senate Energy Committees Hear Testimony on Grid Modernization Efforts
On March 4, 2015, the U.S. House Energy & Commerce Committee held a hearing to discuss ways to modernize and improve electric grid reliability, as well as protect the grid from physical and cyber threats. On March 17, the U.S. Senate Energy & Natural Resources Committee heard testimony during a hearing to “evaluate the state of technological innovation related to the electric grid.” The hearings represent ongoing efforts by both panels to understand and assess future challenges to the nation’s electric grid.

U.S. Senate Panel Overwhelmingly Approves Cybersecurity Legislation
The U.S. Senate Select Committee on Intelligence passed cybersecurity legislation on March 13 focused on increasing the sharing of cyber-threat information among the public and private sector. The measure also includes liability protection for companies that monitor their networks and share threat information between companies. The timing for the bill to advance to the Senate floor is unclear. The legislation is viewed with significant skepticism by many privacy advocates and will have to overcome opposition by those concerned with the appropriate use of customer data.

ISO-NE President, FERC Chairman Meet with Congressional Delegation on Capacity Market
On March 24, 2015, ISO New England President & CEO Gordon van Welie and FERC Chairman Cheryl LaFleur met with 19 members of the New England Congressional delegation in the U.S. Capitol to discuss developments in the Forward Capacity Market. van Welie and Chairman LaFleur outlined the dramatic changes occurring in the region’s capacity profile and stressed the critical need to invest in new infrastructure in New England. Delegation members expressed their concern over higher prices in the eighth and ninth Forward Capacity Auctions as well as FERC’s 2-2 split over the results of FCA #8. Gordon’s presentation to the delegation can be found here.
**Solar Photovoltaic (PV) Forecast Update**

The ISO is currently analyzing solar PV energy production data submitted by some New England states and distribution utilities. The ISO intends to use the PV energy production data to adjust the load forecast used to calculate the quantity of the installed capacity requirement for the tenth Forward Capacity Auction to be held next year. For more information, see the ISO’s presentation at the February 17, 2015 Reliability Committee meeting.

The ISO is also reviewing stakeholder comments on the draft PV forecast. The ISO’s response to these comments and a final version of the PV forecast will be discussed at the April 14, 2015 meeting of the Distributed Generation Forecast Working Group.

**Planning Advisory Committee Update**

*Regional System Plan Transmission Projects March 2015 Update*

At the March Planning Advisory Committee (PAC) meeting, the ISO presented a draft update to the Regional System Plan (RSP) transmission project list (a requirement under the ISO tariff), reflecting updates since the October 2014 update. Ten new projects were added to the project list since the October 2014 update, including the Greater Boston project. Thirty-four upgrades on the project list have been placed in service since the October 2014 update, including portions of the Maine Power Reliability Program and the Interstate Reliability Project.

The draft update included cumulative transmission investment from 2002 to present (totaling $7.035 billion) as well as projected investments through 2023 (another $4.634 billion).

*Forward Capacity Auction #10 Capacity Zone Formation Process*

At the March PAC meeting, the ISO presented an update on the annual assessment of transmission transfer capability, which identifies potential transmission system weaknesses that could impact the transmission system’s ability to reliably transfer energy during the ten-year planning horizon. Each annual assessment identifies those portions of the New England system, along with the associated interface boundaries, that should be considered in the assessment of capacity zones to be modeled in the Forward Capacity Market.

Having completed the transfer capability analysis, the ISO is proposing two new boundaries for evaluation in the tenth Forward Capacity Auction (FCA #10) capacity zone formation process:

- Northern New England (Vermont, New Hampshire and Maine) is proposed to be evaluated as a potential export-constrained zone; and
- Southeast New England (NEMA/Boston, SEMA and Rhode Island) is proposed to be evaluated as a potential import-constrained zone.

A special Reliability Committee meeting will be held on April 2, 2015 to present the transmission transfer capability analysis and hold an advisory vote on whether the identification of the proposed boundaries was conducted in accordance with the ISO tariff. The ISO must file any new potential capacity zone boundaries with FERC for approval. The new boundaries must be approved by FERC by the Existing Capacity Qualification Deadline, which is June 1, 2015 for FCA #10. This represents step one in a two-step process for modeling a new capacity zone in a Forward Capacity Auction. Step two requires the
ISO to use objective criteria to determine whether the new capacity zone should be modeled for the Capacity Commitment Period associated with the auction.

**Cost Estimates for FCA #8 and FCA #9 by Capacity Zone and Load Zone**

At the request of stakeholders, the ISO has developed a cost comparison for FCA #8 and FCA #9. These cost estimates are broken out by capacity zone and load zone, reflecting Capacity Supply Obligations for resources that cleared in the auction. It is important to note that these cost estimates may fluctuate before and during the relevant Capacity Commitment Period if resources seek to buy or sell their Capacity Supply Obligations through annual and monthly reconfiguration auctions.

A copy of the cost comparison is available [here](#).

**February 2015 Wholesale Electricity Costs**

The average day-ahead and real-time energy prices for February were $122.77 per megawatt-hour (MWh) and $126.70 per megawatt-hour (MWh), respectively. These average energy prices are higher than the prices seen in January, owing to higher natural gas prices in February. The average price of natural gas (at the Algonquin Citygate in Boston) was $17.27/MMBtu for the month of February, up from $9.34/MMBtu for the month of January.

<table>
<thead>
<tr>
<th>Metric</th>
<th>February 2015</th>
<th>February 2015 Compared to January 2015</th>
<th>February 2015 Compared to February 2014</th>
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<tbody>
<tr>
<td>Average Day-Ahead LMP (hub)</td>
<td>$122.77/MWh</td>
<td>73%</td>
<td>-21%</td>
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<tr>
<td>Average Real-Time LMP (hub)</td>
<td>$126.70/MWh</td>
<td>93%</td>
<td>-17%</td>
</tr>
<tr>
<td>Average Natural Gas Price (hub)</td>
<td>$17.27/MMBtu</td>
<td>85%</td>
<td>-17%</td>
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<tr>
<td>Peak Real-Time Load</td>
<td>20,070 MW</td>
<td>-2%</td>
<td>2%</td>
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<tr>
<td>Average Real-Time Load</td>
<td>16,391 MW</td>
<td>4%</td>
<td>5%</td>
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**Markets Committee Update**

**Winter Program Update**

On February 19, 2015, the ISO filed a rehearing request on a FERC order that requires the ISO to develop a market-based solution if a winter reliability program is needed for the 2015-2016 winter. The ISO’s rehearing request asked FERC to reverse its decision and allow the ISO to continue with the winter reliability program construct in the winters before “Pay for Performance” is implemented in 2018. The ISO contends that a market-based solution may be infeasible, as it would entail the development of an auction mechanism, a penalty structure, and a set of performance criteria, all on an extremely tight time frame. If rehearing is granted, the ISO plans to file an expanded version of the winter reliability program. If rehearing is not granted or FERC does not act by June 1, 2015, the ISO plans to file an alternative proposal to increase the Reserve Constraint Penalty Factors (RCPFs).

This past month, the ISO discussed with the Markets Committee its proposal to expand the 2014-2015 winter program to provide compensation to all resources including nuclear, coal, biomass, oil, LNG and pumped storage that can provide on-site fuel storage. The Markets Committee will consider specific tariff language changes in April and will also consider alternative proposals offered by market.
participants. The committee is expected to vote in June on either the expansion of the proposed program or the RCPE proposal as well as alternative proposals and amendments.

2-Month Look-Ahead
The following table lists tentative topics for vote and discussion at the Markets Committee meetings for April and May. Of particular interest, the committee will be voting on the proposed local demand curves to be used for FCA #10.

<table>
<thead>
<tr>
<th>Agenda</th>
<th>April 15 and 16, 2015 Marriott Hotel, Springfield, MA</th>
<th>May 5 and 6, 2015 Doubletree Hotel, Westborough, MA</th>
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<tr>
<td>Voting</td>
<td>FCM sloped demand curve: local curves</td>
<td>Fast-start pricing</td>
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<td>• Vote on ISO’s proposed market rule revisions to</td>
<td>• Vote on the ISO’s proposed market rule revisions</td>
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<td>implement the capacity zone sloped demand curves</td>
<td>to improve the Real-Time Energy Market’s pricing</td>
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<td>for use in the FCM, the static delist bid flexibility</td>
<td>logic when fast-start assets are deployed to supply</td>
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<td>proposal and the proposed mitigation mechanisms to</td>
<td>energy</td>
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<td>coincide with the design of local curves</td>
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<td>Forward-reserve obligation-charge enhancements:</td>
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<td>conforming manual changes</td>
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<td>• Vote on conforming changes to Manual M-28 to</td>
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<td></td>
<td>implement forward-reserve obligation enhancements</td>
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<tr>
<td>Discussion</td>
<td>• FCM sloped demand curves FCA #11</td>
<td>• FCM sloped demand curves FCA #11</td>
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<td>• Winter Reliability Solution: winter periods</td>
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<td>before June 1, 2018</td>
<td>before June 1, 2018</td>
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<td>• Fast-start pricing</td>
<td>• Minimum Generation Emergency related action</td>
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<td>• Coordinated transaction scheduling: Conforming</td>
<td>• Interplay between Behind-the-Meter solar PV</td>
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<td>manual changes</td>
<td>impacts on ICR and the Renewable Technology</td>
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<td>• Minimum Generation Emergency related action</td>
<td>Resource Exemption (NEPGA request)</td>
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<td>• Interplay between Behind-the-Meter solar PV</td>
<td>• Third Party Clearing of FTRs</td>
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<td>impacts on ICR and the Renewable Technology</td>
<td>• FCM Qualification and Noncommercial</td>
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<td>Resource Exemption (NEPGA request)</td>
<td>Financial Assurance Clean-up Changes</td>
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Consumer Liaison Group
On March 13, the Consumer Liaison Group (CLG) met in Stowe, Vermont to discuss New England and Vermont’s energy marketplace, particularly issues relating to grid modernization, supply diversification, and pricing. Commissioner Chris Recchia from the Vermont Department of Public Service provided opening remarks, touching on Vermont’s many objectives in the energy sector. He noted that 45% of Vermont’s electricity is generated by renewable resources, and that the state plans to obtain 90% of its energy from renewable resources across all sectors by 2050. He said that Vermont will continue to work cooperatively with the other New England states on energy infrastructure, as Vermont may be host to one or more electric transmission projects to bring renewable energy and large-scale hydropower down from northern New England and Eastern Canada.

The panel, moderated by Meredith Angwin, Director of the Energy Education Project for Ethan Allen Institute, included: TJ Poor, Energy Programs Manager for the Vermont Department of Public Service; Douglas Smith, Director of Power Supply for Green Mountain Power; John Goodrich, Vice President of
Manufacturing, Power Operations, for Weidmann Electrical Technology, Inc.; and William Driscoll, Vice President of the Associated Industries of Vermont. A summary of their remarks is as follows:

- TJ Poor discussed proposed legislation in Vermont (House Bill 40) to establish a Renewable Portfolio Standard for the state, requiring increasing percentages of retail electricity sales to be supplied by renewable resources. He also discussed why, unlike the rest of New England, Vermont has not restructured its electric industry. A copy of his presentation is available [here](#).

- Douglas Smith discussed Vermont House Bill 40 in greater detail, particularly the distributed generation component or “Tier 2” of the bill. The legislation would require 1% of retail electricity sales to be supplied by in-state distributed generation, increasing to 10% of retail electricity sales by 2032. A copy of his presentation is available [here](#).

- John Goodrich provided the end-user perspective, representing a company that provides electrical insulation and services to the electrical power industry. Goodrich expressed concerns over Vermont’s long-term renewable energy goals, fearing such goals will increase already high electricity rates in the state. A copy of his presentation is available [here](#).

- William Driscoll discussed commercial and industrial electricity rates in Vermont, urging the state to consider alternatives for reducing the cost of electricity to improve Vermont’s economic competitiveness. A copy of his presentation is available [here](#).

Anne George, Vice President of External Affairs & Corporate Communications for ISO New England, provided an update on the 2014/2015 Winter Reliability Program, which proved beneficial to power system operations this winter because generators had the fuel they needed to operate when dispatched by the ISO. She noted that, for much of the winter, wholesale electricity prices were lower than last winter, owing to lower fuel prices for natural gas, LNG and oil. George also summarized the results of the ninth Forward Capacity Auction (FCA #9), whose higher prices demonstrated a need for new resources in the region to ensure reliability. Finally, George provided an update on recent market rule changes proposed by the ISO to improve the interconnection process for Elective Transmission Upgrades (ETUs) and the upcoming energy-efficiency and solar photovoltaic (PV) forecasts expected in May. A copy of her presentation is available [here](#).

The next meeting of the Consumer Liaison Group is scheduled for June 18, 2015 at the DoubleTree Hotel in Westborough, Massachusetts.

2014 Consumer Liaison Group Report
On March 10, 2015, the ISO and the Consumer Liaison Group Coordinating Committee published the [2014 Report of the Consumer Liaison Group](#) which summarizes the activities of the CLG in 2014. The report also provides an update on ISO activities and initiatives, as well as wholesale electricity costs and retail electricity rates in New England.
Upcoming Meetings of Interest

<table>
<thead>
<tr>
<th>Month</th>
<th>Participants Committee</th>
<th>Markets Committee</th>
<th>Reliability Committee</th>
<th>Planning Advisory Committee</th>
<th>Transmission Committee</th>
<th>NECPUC Conference Call</th>
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<tbody>
<tr>
<td>April</td>
<td>10</td>
<td>15, 16</td>
<td>21</td>
<td>22</td>
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<td>May</td>
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<td>June</td>
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<td>2, 3</td>
<td>16</td>
<td>17</td>
<td>18</td>
<td>No call</td>
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ISO Speaking Engagements

April 9, 2015
**EUCI US/Canada Cross Border Power Summit**, Boston, MA
ISO Speaker: Richard Kowalski, Director, Transmission Strategy and Services

April 9, 2015
**NECA Dinner Meeting**, Cambridge, MA
ISO Speaker: Mark Karl, Vice President, Market Development

April 15, 2015
**Platts 30th Annual Global Power Markets Conference**, Las Vegas, NV
ISO Speaker: Matthew White, Chief Economist

April 17, 2015
**Massachusetts Restructuring Roundtable**, Boston, MA
ISO Speaker: Jonathan Black, Lead Engineer

May 13, 2015
**NECA Annual New England Energy Conference & Exposition**, Groton, CT
ISO Speaker: Robert Ethier, VP, Market Operations

May 18, 2015
**Natural Gas Power Generation US Conference**, Philadelphia, PA
ISO Speaker: Peter Brandien, VP, System Operations

May 28, 2015
**Platts 10th Annual Northeast Power & Gas Markets Conference**, New York, NY
ISO Speaker: Matthew White, Chief Economist

June 16, 2015
**Platts 2015 Transmission Planning Conference**, Arlington, VA
ISO Speaker: Eric Johnson, Director of External Affairs

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