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Auction Acquires Power System Resources Needed for 2020-2021 At a Lower Price

Competition to supply capacity allows region to buy surplus, for less

Holyoke, MA—February 9, 2017—New England’s annual capacity auction concluded Monday with sufficient resources to meet demand in 2020-2021. Preliminary results indicate the clearing price was the lowest since 2013. The auction is run by ISO New England Inc. to procure the resources that will be needed to meet projected demand three years in the future.

The 11th Forward Capacity Market (FCM) auction (FCA #11) closed at a preliminary, system-wide clearing price of \$5.30 per kilowatt-month (kW-month), compared to \$7.03/kW-month in the previous auction for New England resources. No major generators retired in FCA #11 and no large new generators cleared in the auction, but 640 megawatts (MW) of new energy-efficiency and demand-reduction measures—the equivalent of a large power plant—cleared and will be available in 2020-2021.

FCA #11 began with significant competition among resources to provide reliability services in New England. Resources totaling 40,463 MW, including 34,505 MW of existing capacity and 150 new resources totaling 5,958 MW, competed to provide the capacity target of 34,075 MW. Forecasted demand reductions from the ISO’s forecast of behind-the-meter solar PV growth reduced the capacity target by 720 MW.

This year’s auction concluded with commitments from 35,835 MW to be available in 2020-2021, with 1,760 MW of surplus capacity. The auction rules allow the region to acquire more or less than the capacity target, providing flexibility to acquire additional capacity and enhanced reliability at a cost-effective price.

“The chief purpose of a capacity market—resource adequacy—was achieved through a competitive process that balances the needs of consumers and suppliers. The auction concluded at the lowest price that is still enough to keep the most efficient resources in business,” said Robert Ethier, vice president of market operations at ISO New England. “The lower clearing price and surplus capacity are indicative of a market that works. In previous auctions, a supply shortfall pushed up prices after more than 3,000 MW of resources announced their retirements in 2013; the higher prices have attracted new competition, which has helped lower prices while keeping the lights on in New England.”

For FCA #11, the region was divided into three zones: Northern New England (NENE), including Vermont, New Hampshire, and Maine; Southeast New England (SENE), including Northeastern Massachusetts, Greater Boston, and the former Southeastern Massachusetts and Rhode Island zone; and Rest of Pool (ROP), including Connecticut and western and central Massachusetts.

Preliminary results of FCA #11:

- The auction closed for most resources after six rounds of competitive bidding at \$5.30/kW-month, the lowest clearing price since the floor price was eliminated in the 2013 auction. The clearing price will be paid to all resources in all three capacity zones in New England and 1,035 MW of imports from New York and Quebec. Imports from New Brunswick, totaling 200 MW, will receive \$3.38/kW-month.

- Previous clearing prices (all per kilowatt-month): FCA #7 (2013), \$3.15 floor price, except \$14.99 for new resources in NEMA/Boston; FCA #8 (2014), \$15 new and \$7.025 existing; FCA #9 (2015), \$9.55 system-wide except SEMA/RI: \$17.73 and \$11.08 existing; FCA #10 (2016), \$7.03.
- At \$5.30/kW-month, the total value of the capacity market in 2020-2021 will be approximately \$2.4 billion.
- About 35,835 MW of capacity cleared the auction to meet the 34,075 MW net installed capacity target for 2020-2021.
 - 31,389 MW of generation, including 264 MW new, in the form of increased generating capability added at existing power plants
 - 3,211 MW of demand resources, including 640 MW that is new
 - 1,235 MW of imports from New York, and Quebec and New Brunswick, Canada
- Six megawatts of new wind and five megawatts of new solar resources cleared the auction; in all, 137 MW of wind and 66 MW of solar facilities cleared FCA #11 (most photovoltaic resources in New England are on the distribution system and don't participate in the wholesale markets).
- No large resources retired in FCA 11; a few small oil generators delisted during the auction, meaning they've dropped out of the capacity market for one year, but can sell energy during that time and can compete again in future auctions.

Forward Capacity Market auction basics

The annual FCM auction is held three years before each capacity commitment period to provide time for new resources to be developed. Capacity resources can include traditional power plants, renewable generation, imports, and demand resources such as load management and energy-efficiency measures. Resources that clear in the auction will receive a monthly capacity payment in that future year in exchange for their commitment to provide power or curtail demand when called upon by the ISO. The capacity market is separate from the energy market, where resources compete on a daily basis to provide power and are paid for the electricity they produce.

Next Steps

Finalized auction results, with resource-specific information, will be filed with the Federal Energy Regulatory Commission by the end of this month.

ABOUT ISO NEW ENGLAND

Created in 1997, ISO New England is the independent, not-for-profit corporation responsible for the reliable operation of New England's electric power generation and transmission system, overseeing and ensuring the fair administration of the region's wholesale electricity markets, and managing comprehensive regional electric power planning.

