



July 20, 2018

Via Electronic Filing

The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
Room 1A-East, First Floor
888 First Street, N.E.
Washington, DC 20426

Re: ISO New England Inc., Filing of Permanent De-List Bids and Retirement De-List Bids Submitted for 2022-23 Forward Capacity Auction (FCA 13); Docket No. ER18- -000

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act (“Section 205”)¹ and Section III.13.8.1(a) of the ISO New England Transmission, Markets and Services Tariff,² ISO New England Inc. (the “ISO”) hereby submits confidential and public (*i.e.*, redacted) versions of this filing describing the Permanent De-List Bids and Retirement De-List Bids that were submitted on or prior to the Existing Capacity Retirement Deadline for the 2022-23 Forward Capacity Auction to be held in February 2019 (the 13th Forward Capacity Auction, or “FCA 13”).

Under Section III.13.8.1(a) of Market Rule 1, the ISO is required to make a filing with the Commission pursuant to Section 205 describing any Permanent De-List Bids or Retirement De-List Bids that have been submitted by capacity suppliers for the next Forward Capacity Auction. The filing is to be made 20 Business Days after the ISO’s Internal Market Monitor (“IMM”) notifies suppliers of the IMM’s determination regarding those bids. The filing is also to include, on a confidential basis, (i) the IMM’s determination with respect to each Permanent De-List Bid and Retirement De-List Bid, (ii) supporting documentation for each determination, (iii) the capacity that will permanently de-list or retire prior to the Forward Capacity Auction, and (iv) whether capacity

¹ 16 U.S.C. § 824d (2006 and Supp. II 2009).

² Capitalized terms used but not defined in this filing are intended to have the meaning given to such terms in the ISO New England Inc. Transmission, Markets and Services Tariff (the “Tariff”). Market Rule 1 is Section III of the Tariff.

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suppliers that submitted the bids have elected to conditionally or unconditionally retire the capacity pursuant to Section III.13.1.2.4.1.

I. COMMUNICATIONS

The ISO is the private, non-profit entity that serves as the regional transmission organization (“RTO”) for New England. The ISO operates and plans the New England bulk power system and administers New England’s organized wholesale electricity market pursuant to the Tariff and the Transmission Operating Agreement with the New England Participating Transmission Owners.

All correspondence and communications in this proceeding should be addressed to the undersigned as follows:

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II. BACKGROUND

Market Participants with Existing Capacity Resources may submit to the ISO Permanent De-List Bids or Retirement De-List Bids for any capacity that will qualify as an Existing Capacity Resource in the next Forward Capacity Auction. Permanent De-List Bids and Retirement De-List Bids must be submitted by the Existing Capacity Retirement Deadline,³ which is in March of the year prior to the year in which the Forward Capacity Auction will take place.⁴

In accordance with Section III.13.1.2.3.2.1, the Internal Market Monitor must review each Permanent De-List Bid or Retirement De-List Bid greater than 20 MW that is at or above the Dynamic De-List Bid Threshold. Where more than one Permanent De-List Bid or Retirement De-List Bid is submitted by a participant or its Affiliates, pursuant to Section III.13.1.2.3.2.1 the IMM must review each bid at or above the Dynamic De-List Bid Threshold if the sum of all such bids is greater than 20 MW. In accordance with this provision, the IMM must determine in its review:

whether the bid is consistent with: (1) the net present value of the resource's expected cash flows (as determined pursuant to Section III.13.1.2.3.2.1.2.B); (2) reasonable expectations about the resource's Capacity Performance Payments (as determined pursuant to Section III.13.1.2.3.2.1.3); and (3) the resource's reasonable opportunity costs (as determined pursuant to Section III.13.1.2.3.2.1.5).⁵

³ Market Rule 1, Section III.13.1.2.3.1.

⁴ Market Rule 1, Section III.13.1.10.

⁵ Market Rule 1, Section III.13.1.2.3.2.1.

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Within 90 days of the Existing Capacity Retirement Deadline, the ISO is required to notify suppliers that submitted Permanent De-List Bids or Retirement De-List Bids of the result of the IMM's review conducted under Section III.13.1.2.3.2.

No later than 20 Business Days after the IMM provides its notification, the ISO must make a filing with the Commission describing the bids.⁶ The filing is also to include, on a confidential basis, the IMM's determination with respect to each Permanent De-List Bid and Retirement De-List Bid, supporting documentation for each determination, whether capacity will permanently de-list or retire prior to the Forward Capacity Auction, and whether capacity suppliers have elected to conditionally or unconditionally retire the capacity that is subject to the de-list bid, pursuant to Section III.13.1.2.4.1.

III. DESCRIPTION OF PERMANENT AND RETIREMENT DE-LIST BIDS SUBMITTED FOR FCA 13

The Existing Capacity Retirement Deadline for FCA 13 was March 23, 2018. On or prior to this deadline, the ISO received three Permanent De-List Bids and eleven Retirement De-List Bids from eight Lead Market Participants for the 2022-23 FCA. These bids were for resources located in three Load Zones in New England, SEMASS, Vermont and NEMA-Boston. The aggregate MWs of capacity included in the bids is 2048.799 MWs. For nine of these bids, totaling 22.184 MW, the IMM was not required to perform a review under Section III.13.1.2.3.2.1 because the bids were not greater than 20 MW and the suppliers that submitted the bids do not meet the affiliation requirements that would mandate review of these bids.

Five bids for the remaining 2,026.615 MW of capacity came from two suppliers. The IMM reviewed these bids in accordance with Section III.13.1.2.3.2.1. The IMM's determinations regarding these bids are described in the following section.

An important caveat applies to the IMM's evaluation of the de-list bids for FCA 13. On June 11, 2018, the ISO filed with the Commission revisions to the methodology the IMM employs to evaluate Permanent De-List Bids and

⁶ Market Rule 1, Section III.13.8.1(a).

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Retirement De-List Bids.⁷ This proposed rule change, which if accepted would apply to the de-list bids submitted for FCA 13, modifies the method for determining the remaining economic life of a de-listing resource, which is a factor in the IMM's evaluation of the de-list bid under Section III.13.1.2.3.2.1. The IMM has determined that the current methodology may overstate the true economic life of a resource under some conditions by including years during which the resource operates at a loss (but still has net positive revenues when aggregated with other operating years). The Economic Life Change proposes a revision to the tariff language to remove the potential for the economic life calculation to cover those additional years.

Anticipating that the Commission will not have issued an order on the Economic Life Change prior to the instant filing, the IMM evaluated each de-list bid twice, once with and once without the Economic Life Change. Where the evaluation produced a different result using the Economic Life Change, the IMM provided a separate IMM-determined price, which is addressed in the applicable determination notification for the resource included in Appendix A to this filing. In fact, the Economic Life Change produced a different value in only two instances, as addressed below. If the Commission accepts the Economic Life Change, the ISO will use in FCA 13 the IMM-determined price calculated using the Economic Life Change, and otherwise will use the de-list bid value calculated with the currently effective methodology.

**IV. ADDITIONAL INFORMATION FILED CONFIDENTIALLY
AND REQUEST FOR CONFIDENTIAL TREATMENT**

In accordance with Section III.13.8.1(a), the following information is filed confidentially and therefore has been redacted from the public version of this filing.

- *Determination made by IMM under Section III.13.1.2.3.2.1.* A copy of the determination notifications provided by the IMM to the suppliers that submitted de-list bids is included in Attachment A to this filing.⁸ The IMM

⁷ *ISO New England Inc. and New England Power Pool Participants Committee*, Revisions to the Determination of Economic Life, Docket No. ER18-1770-000 (filed June 11, 2018) (referred to herein as the "Economic Life Change").

⁸ Market Rule 1, Section III.13.1.2.3.2.1 ("Permanent De-List Bids and Retirement De-List Bids that are not reviewed by the Internal Market Monitor shall be included in the retirement

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accepted 9 of the 11 submitted Retirement De-List Bids and all three of the submitted Permanent De-List Bid for the reasons set forth in the determination notifications. The following is a summary of the IMM's determinations:

[REDACTED]

- *Additional Information Regarding the [REDACTED] Retirement De-List Bids.*

[REDACTED]

- *Supporting Documentation.* Each of the determination notifications included in Attachment A to this filing provides an explanation of the IMM's rationale for accepting the submitted de-list bid.
- *Retirement Prior to FCA.* For each of the submitted de-list bids, if the Commission-approved bid price is greater than or equal to the starting price of the auction, then the bid will not be entered into the auction, and the capacity associated with the bid will be retired or permanently de-listed unless the capacity is retained for reliability.⁹

[REDACTED]

- *Elections Pursuant to Section III.13.1.2.4.1.* Within ten business days of the ISO's issuance of the retirement determination notification, a capacity supplier that has submitted either a Permanent De-List Bid or Retirement De-List Bid may make an election pursuant to Section III.13.1.2.4.1(a) or (b). If a supplier elects unconditional retirement pursuant to Section III.13.1.2.4.1(a), the capacity associated with the bid will be retired unless

determination notification described in Section III.13.1.2.4(a) and in the filing made to the Commission as described in Section III.13.8.1(a).”).

⁹ Market Rule 1, Section III.13.1.2.3.1.5.1(e)(i) and (ii). Pursuant to Section III.13.2.5.2.5, capacity with an IMM-accepted bid price greater than or equal to the starting price of the FCA will be reviewed for reliability. If the ISO finds the capacity to be needed and the supplier agrees to provide the capacity, the capacity will not be retired or permanently de-listed.

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the capacity is retained for reliability.¹⁰ If a supplier elects conditional treatment pursuant to Section III.13.1.2.4.1(b), the capacity associated with the bid will be retired or permanently de-listed if the auction clearing price is less than or equal to the price the supplier submitted in its de-list bid for that segment, unless the capacity is retained for reliability.¹¹

[REDACTED]

Section III.13.8.1(a) of Market Rule 1 requires the ISO to file the information explained above confidentially. Therefore, the ISO requests that the Commission provide privileged treatment to the bulleted information in this Section IV as well as to the information in Attachment A. The privileged Attachments A and B have been marked: “Contains Confidential Information - Do Not Release.”

The ISO is filing one version of this filing that includes the privileged information, which should not be released to the public. A public, redacted version of this filing, which does not include the privileged attachment and contains redactions in the body of the filing letter, is also filed herewith.

V. SERVICE

The ISO has served via electronic mail the foregoing document and attachment upon the Governance Participants posted on the ISO’s website at <http://www.iso-ne.com/participate/participant-asset-listings/>.

VI. CONCLUSION

In this filing, the ISO has presented all the information required by Section III.13.8.1(a) of Market Rule 1 regarding Retirement De-List Bids and Permanent De-List Bids that have been submitted for qualification in FCA 13. The ISO respectfully requests that the Commission accept this filing to become effective on September 18, 2018, which is 60 days from the date of this transmittal.

¹⁰ A supplier that elects unconditional retirement pursuant to Section III.13.1.2.4.1(a) may opt to have the capacity associated with the bid reviewed for reliability. If the ISO finds the capacity to be needed and the supplier agrees to provide the capacity, the capacity will not be retired.

¹¹ A supplier that elects unconditional retirement pursuant to Section III.13.1.2.4.1(b) may also opt to have the capacity associated with the bid reviewed for reliability.

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Respectfully submitted,

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Attachment

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ATTACHMENT A

[REDACTED]

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ATTACHMENT B

[REDACTED]