

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

ISO New England Inc.

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Docket No. EL18-182-000

MOTION FOR EXTENSION OF TIME OF ISO NEW ENGLAND INC.

Pursuant to Rules 212 and 2008¹ of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), ISO New England Inc. (“ISO-NE” or the “ISO”)² hereby respectfully moves for an extension of the time – until November 15, 2019 – to submit the filing of the longer-term market solution to New England’s winter energy security concerns, in response to the Commission’s July 2, 2018 order, issued in the above-captioned proceeding.³ ISO-NE requests this approximately four-month extension to better develop its market design proposal for winter energy security, and to engage in substantive and necessary discussions with its regional stakeholders. Importantly, while ISO-NE moves for extension of the filing deadline, it emphasizes that the targeted implementation schedule of 2024-2025, which aligns with the Capacity Commitment Period for the fifteenth Forward Capacity Auction (“FCA 15”), will remain unaffected by this request.⁴

ISO-NE also respectfully requests that the Commission allow a limited extension of the period for filing answers⁵ to this motion – until February 4, 2019 – in order to provide time for

¹ 18 C.F.R. §§ 385.212 and 385.2008 (2018).

² Capitalized terms used but not defined in this answer are intended to have the same meaning given to such terms in the ISO’s Transmission, Markets and Services Tariff (the “Tariff”).

³ *Order Denying Waiver Request, Instituting Section 206, and Extending Deadlines, ISO New England Inc.*, 164 FERC ¶ 61,003 (2018) (the “July 2 Order”).

⁴ As is discussed further in this motion, ISO-NE and regional stakeholders are currently reviewing an interim compensation treatment that would compensate similarly-situated generators for their stored energy until a longer-term market-based solution is implemented. ISO-NE expects to file an interim compensation mechanism before the close of the FCA 14 retirement window in March 2019, for implementation in FCA 14 and FCA 15.

⁵ See 18 C.F.R. § 385.213(d)(i) (establishing a five-day period for answers to motions seeking to extend or shorten time period for action, unless otherwise ordered).

NEPOOL to conduct a vote of regional stakeholders on this request at the February 1, 2019 NEPOOL Participants Committee (“PC”) meeting, and to inform the Commission of the outcome of that vote. The February PC meeting is the first regularly scheduled NEPOOL PC meeting at which NEPOOL could vote with the notice required by its procedures. **Additionally, ISO-NE respectfully requests that the Commission issue an order granting the requested four-month extension by February 22, 2019, so the region can proceed with certainty as to the deadline for meeting the July 2 Order’s directives.**

I. BACKGROUND

In the July 2 Order, the Commission rejected a petition for waiver of certain ISO-NE Tariff provisions filed by ISO-NE on May 1, 2018 in Docket No. ER18-1509-000, and instituted the instant proceeding under Section 206 of the Federal Power Act upon finding that the ISO-NE Tariff may be unjust and unreasonable because it fails to address the specific fuel security concerns facing the region.⁶ In relevant part, the July 2 Order directs ISO-NE “to submit by July 1, 2019 permanent Tariff revisions reflecting improvements to its market design to better address regional fuel security concerns. . . .”⁷

⁶ See July 2 Order at P 55:

Based on the evidence in this proceeding, including ISO-NE’s OFSA and Mystic Retirement Studies, we are concerned that ISO-NE’s Tariff does not sufficiently address the fuel security issues currently facing the region, which could result in a violation of mandatory reliability standards. Accordingly, pursuant to FPA section 206, we direct ISO-NE either: (1) to submit within 60 days of the date of this order interim Tariff revisions that provide for the filing of a short-term, cost-of-service agreement to address demonstrated fuel security concerns and to submit by July 1, 2019 permanent Tariff revisions reflecting improvements to its market design to better address regional fuel security concerns; or (2) within 60 days of the date of this order, to show cause as to why the Tariff remains just and reasonable in the short- and long-term such that one or both filings is not necessary.

See also id. at PP 2, 49. On August 31, 2018, ISO-NE submitted revisions to the Tariff in response to the Commission’s directives in the July 2 Order, and those revisions were accepted by the Commission in *ISO New England Inc.*, 165 FERC ¶ 61,202 (2018).

⁷ *Id.* at P 55.

Since the July 2 Order,⁸ ISO-NE and its regional stakeholders have diligently focused on improvements to ISO-NE's market design to better address New England's winter energy security challenges (*i.e.*, assuring that the region's power system is able to meet the demand for electricity and operating reserves throughout the winter), with the intention of meeting the July 1, 2019 deadline established in the July 2 Order. To that end, in September 2018, ISO-NE refocused discussions with regional stakeholders on market-based solutions,⁹ and, in October, presented and requested stakeholder feedback on its concept for a market-based, multi-part approach for addressing the region's winter energy security challenges.¹⁰ The ISO also sought feedback on its concept and alternative designs, and continues to receive feedback and additional alternative ideas and approaches from stakeholders.¹¹

⁸ ISO-NE initiated stakeholder discussion about the region's growing fuel-security risk after issuing the Operational Fuel Security Analysis in January 2018, with various presentations at the NEPOOL Reliability Committee from January to May 2018. Discussions focused on the development of market-based solutions commenced in September, following the July 2 Order.

⁹ See Memorandum from ISO New England on Winter Energy Security Improvements to NEPOOL Markets Committee (Sept. 6, 2018), https://www.iso-ne.com/static-assets/documents/2018/09/a9_iso_memo_winter_energy_security_improvements.pdf. See also ISO-NE Presentation to NEPOOL Markets Committee, *Winter Energy Security Improvements: Market-Based Approaches* (Sept. 13, 2018), https://www.iso-ne.com/static-assets/documents/2018/09/a9_presentation_winter_energy_security_improvements.pptx.

¹⁰ See ISO-NE Presentation to NEPOOL Markets Committee, *Winter Energy Security Improvements: Market-Based Approaches* (Dec. 11-12, 2018), https://www.iso-ne.com/static-assets/documents/2018/12/a2a_iso_presentation_winter_energy_security_improvements.pptx; ISO-NE Presentation to NEPOOL Markets Committee, *Winter Energy Security Improvements: Market-Based Approaches* (Nov. 7-8, 2018), https://www.iso-ne.com/static-assets/documents/2018/11/a2_presentation_winter_energy_security_improvements.pptx; ISO-NE Presentation to NEPOOL Markets Committee, *Winter Energy Security Improvements: Market-Based Approaches* (Oct. 10, 2018), https://www.iso-ne.com/static-assets/documents/2018/10/a9_presentation_winter_energy_security_improvements.pptx.

¹¹ See Calpine Presentation to NEPOOL Markets Committee, *ISO New England Fuel Security Market Solution* (Dec. 2018), https://www.iso-ne.com/static-assets/documents/2018/12/a2b_4_capline_presentation_forward_enhanced_reserves_markets.pdf; The Brattle Group, on Behalf of NextEra Energy Resources, Presentation to NEPOOL Markets Committee, *Market-Based Mechanisms for Winter Energy Security in NE* (Dec. 2018), https://www.iso-ne.com/static-assets/documents/2018/12/a2b_1_nextera_presentation_market_based_winter_energy_security_revision_1.pdf; Energy Market Advisors LLC Presentation to NEPOOL Markets Committee, *Alternative Formulation for ISO-NE Chapter 3 Fuel Security Proposal* (December 2018), <https://www.iso-ne.com/static->

Because New England’s winter energy issues are fundamentally an energy supply problem, not a generation capacity shortfall problem,¹² the conceptual approach currently proposed by ISO-NE is focused on a set of integrated changes in the energy markets. More specifically, ISO-NE is developing interrelated market enhancements with the objective of cost-effectively optimizing the energy inventory of the region’s existing assets over an operating horizon beyond the current day-ahead market (*i.e.*, a multi-day operating horizon), and a new ancillary services market with the goal of improving resources’ incentives to procure and maintain fuel with operational flexibility.

These proposed interrelated market enhancements currently include three major components: the introduction of multi-day ahead markets; new ancillary service products compensating resources for their energy inventory in the multi-day ahead markets; and a new forward market for energy inventory. ISO-NE’s current thinking on how to achieve these three objectives is as follows. The first element would move from the current single day-ahead energy market to a rolling Multi-Day Ahead Market (“MDAM”). The objective of this change is to cost-effectively optimize all energy supply and demand offers over the multi-day horizon, and to provide forward price signals for resources to replenish when prospective fuel supplies are tight. Importantly, such a change would align the market’s horizon with ISO-NE’s multi-day operational decision horizon for the power system – the latter a *de facto* necessity in New England’s fuel-constrained power system.

The second component would add a new energy security ancillary service that would be integrated into the multi-day ahead optimization, currently referred to as “Energy Inventory

[assets/documents/2018/12/a2b_3_energy_market_advisors_presentation_alternative_for_iso_chapter_3_proposal.pdf](#).

¹² See *ISO New England Inc. and New England Power Pool*, 166 FERC ¶ 61,007 at P 45 (2019).

Reserve Constraint” (“EIRC”). ISO-NE’s intent with proposing EIRC is to create a mechanism to procure and to compensate for an additional energy margin, or “buffer stock” of energy, that would be available for used on demand over the multi-day horizon should operational uncertainties or energy supply constraints that affect the power system for extended periods materialize. To function cost-effectively, ISO-NE’s proposal would integrate this new ancillary service product into the MDAM as co-optimized energy and ancillary service.

The third element, which the ISO plans to develop after the co-optimized MDAM and EIRC components,¹³ would incorporate a voluntary, forward auction to procure the energy inventory ancillary service on a forward basis. That auction would provide a forward price signal for resource owners to arrange energy inventory and replenishment in advance, reducing risk and providing both participants and ISO-NE with greater certainty about fuel supply arrangement for future winters.

ISO-NE has already received extensive stakeholder feedback on its conceptual approach, and some stakeholders have come forward with alternative ideas and approaches. In addition, regional stakeholders, including members of NEPOOL, NESCOE, and other State representatives, have raised many important questions and requested detailed information on the approach proposed by ISO. These include requests for the ISO to quantify the potential impacts of its conceptual approach on the wholesale markets, their costs, and the expected benefits. Indeed, various regional stakeholders have urged ISO-NE to request that the Commission grant ISO-NE additional time to submit the filing required in the July 2 Order in order to have adequate time to address stakeholders’ questions and perform the appropriate analyses.

¹³ Provided the extension is granted, ISO-NE plans to discuss the forward market element with stakeholders prior to filing its design in 2019. The timing and filing of this component may lag the development of the ISO’s core energy market enhancements – namely, the co-optimized MDAM and the new ancillary service products – as its detailed design may depend on the core elements’ functionality.

Having the time to explore its designs fully with regional stakeholders and conduct supportive analysis will be very beneficial to ISO-NE and the Commission. Importantly, having an additional approximately four months will also provide ISO-NE the time it needs to address critically important details for a sound technical design and to provide a complete, thoughtfully-supported filing. ISO-NE therefore moves for extension of time, for the reasons discussed further below.

II. MOTION FOR EXTENSION OF TIME

ISO-NE requests an extension of the deadline, from July 1, 2019 to November 15, 2019, for filing Tariff revisions in response to the July 2 Order to achieve market-based improvements for regional winter energy security, to more fully develop its market enhancements, and to engage in substantive and necessary discussions with its stakeholders. The Commission has authority to grant extensions of time to compliance filings where the extension is requested before the filing is due and there exists a good cause to grant the extension.¹⁴ ISO-NE has timely filed this request and submits that good cause exists to grant the extension.

ISO-NE believes based on its work to date that its proposed conceptual market design enhancements represent a promising, workable, and cost-effective approach to comprehensively address the region's winter energy security.¹⁵ Importantly, this approach remains largely conceptual. Fundamental details still need to be worked out and the region is best served if ISO-NE has the chance to explore those details with the regional stakeholders, including potential alternative approaches. ISO-NE needs time to work with regional stakeholders to develop details that will be fundamental to the core design. ISO-NE's proposed approach would incorporate

¹⁴ See 18 C.F.R. § 385.2008(a).

¹⁵ See ISO-NE Presentation to the NEPOOL Markets Committee, *Interim Compensation Treatment* at 44-50 (Nov. 8, 2019), https://www.iso-ne.com/static-assets/documents/2018/11/a5_presentation_interim_compensation_treatment.pptx (listing alternatives evaluated).

several tightly-interrelated energy market enhancements. While each of these new market enhancements would be significant and complex in isolation, to achieve their intended benefits and to work seamlessly, they must be integrated with one another. Furthermore, these elements are technically complex and must be analyzed rigorously to determine whether they will perform as intended, and can be implemented as designed. In short significant improvements to energy security will require significant changes to the wholesale electricity markets in the New England.

The scope of this type of project would typically take ISO-NE approximately 18 to 24 months of internal design work *prior to filing* to resolve the technical details, clearly understand the sequencing of the work, and plan how each component would be implemented. Here, ISO-NE has less than ten months. The requested additional time would permit ISO-NE to more fully develop the core elements of the proposed market enhancements, to educate regional stakeholders on those elements and receive and account for their feedback, including proposed alternative approaches, and to reduce and hopefully resolve major issues with the core design before the design is filed with the Commission. Allowing more time for the development of the core design and ensuring the interrelated market enhancements work as intended should also reduce the scope of subsequent filings as the region works through significant (and as-of-now unknown) core design issues that may not be resolvable before the July 1 deadline. In short, the ISO is not presently confident that the significant changes necessary to address winter energy security challenges can be designed and reviewed by stakeholders by the current July 1 deadline.

Additionally, while ISO-NE has commenced the initial stages of the qualitative and quantitative analyses on how these market design improvements may affect outcomes under various circumstances, such analyses cannot be completed until the core market design is more fully developed and the technical requirements are specified. The extension of the July 1 deadline would afford the additional time to perform more thorough scenario-based qualitative

and quantitative analyses once the core market design and required technical specifications are complete.

Granting the extension of the July 1 deadline to November 15 would also allow for more robust, substantive and productive regional stakeholder discussions and participation. The current deadline of July 1 allows only limited stakeholder review and discussions of ISO-NE's proposed significant market enhancements. At present, these discussions would be limited in their depth as many of the important elements are yet to be worked out and those that have been are at a high level. With the requested additional time, ISO-NE plans to engage in initial discussions with regional stakeholders at the March NEPOOL Markets Committee ("MC") meeting on a technical paper on the core design, and then post such a paper, with supporting design detail and numerical examples, by April 1. Moreover, with the additional time, the ISO would present at the July NEPOOL MC meeting its initial market impact quantitative analyses for stakeholder discussion – a matter of particular interest to stakeholders. Together, these items will provide regional stakeholders a more solid foundation upon which to understand and assess ISO-NE's proposal, as well as stakeholder alternatives, before the region must commence review of Tariff language in August. The technical paper, impact analyses, and Tariff language would be finalized in October, with a final stakeholder vote on the proposal planned to take place at the November 1, 2019 NEPOOL PC meeting (leaving two weeks to finalize the filing).

Importantly, granting the extension of time will not adversely impact or jeopardize the targeted implementation schedule. All of the additional core elements design work that will not be ready in time for a July 1 filing but would be completed prior to a November 15 filing (if the extension requested herein is granted) would need to be completed prior to the development of any software, so there is no case in which maintaining the current July 1 filing deadline would accelerate the ISO's workload and final implementation. Procedurally, with the requested four-

month extension, the filing would still leave the Commission with more than sixty days to evaluate and issue an order ahead of the retirement submission window for FCA 15. The ISO's targeted implementation schedule of 2024-2025, coincident with the FCA 15 Capacity Commitment Period, would remain unchanged.

ISO-NE fully recognizes that, until the long-term market-based solution is implemented, resources providing winter energy security may not be fully compensated for that specific service – and that, until then, there is a risk that otherwise economic resources may seek to retire. Consistent with its commitment in the August 31, 2018 filing in response to the July 2 Order's directives,¹⁶ ISO-NE and regional stakeholders are currently reviewing an ISO-NE “interim compensation” proposal that would compensate similarly-situated generators for their stored energy until a longer-term market-based solution is implemented. A March 13, 2019 meeting of the NEPOOL PC has been scheduled for a vote on an interim compensation mechanism, and the ISO plans to file such a mechanism before the close of the FCA 14 retirement window in March, for implementation in FCA 14 and FCA 15.

Based on the foregoing, ISO-NE submits that good cause exists to grant the requested extension.

II. CONCLUSION

For the foregoing reasons, ISO-NE respectfully requests that the Commission: grant this motion for extension of the filing deadline established in the July 2 Order by approximately four months, until November 15, 2019; extend the time period for answers, until February 4, 2019, to allow regional stakeholders the opportunity to vote to support this motion at the February 1st

¹⁶ July 2 Order at P 55.

NEPOOL PC meeting; and issue an order granting the requested four-month extension by
February 22, 2019.

Respectfully submitted,

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Dated: January 18, 2019

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Commission Secretary in these proceedings.

Dated at Holyoke, MA this January 18, 2019.

/s/Linda Morrison
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