

To: NEPOOL Participants Committee

From: Vamsi Chadalavada, Executive Vice President and Chief Operating Officer

Date: April 30, 2019

Subject: **Re-entry of retired resources and Order 1000**

The ISO has received inquiries about its position related to re-entry of resources that have sought to retire, and its plans to solve for the transmission and fuel security needs posed by the retirement of the Mystic units. This memo seeks to explain the ISO's position on these items.

Background

In Forward Capacity Auction ("FCA") 12, Exelon sought to de-list its Mystic units and the ISO rejected the bids because the units were needed to meet local transmission security requirements.¹ Exelon then sought to retire the Mystic units in FCA 13 and the ISO retained them pursuant to new Tariff language that permits retentions for fuel security reasons.² The ensuing cost-of-service agreement spans the Capacity Commitment Periods beginning June 1, 2022 and ending May 31, 2024 (for FCA 13-14). However, before FCA 14, either the ISO can terminate the agreement if the units are no longer needed for fuel security or Exelon can opt out.³ The system must be prepared for the exit of the Mystic units and, to this end, the ISO recently presented the Attachment K Transmission Needs Assessment to the Planning Advisory Committee ("PAC") reflecting the transmission needs that arise due to the Mystic retirement.

ISO position and plans

The ISO has previously noted that its Tariff prevents a resource that is retained for reliability from re-

¹See ISO New England Inc. Forward Capacity Auction Results Filing at p. 5, FERC Docket No. ER18-940-000 (filed February 28, 2018).

² See Petition of ISO New England Inc. for Waiver of Tariff Provisions, FERC Docket No. ER18-1509 (filed May 1, 2018); Order Denying Waiver Request, Instituting Section 206 Proceeding, and Extending Deadlines, 164 ¶¶ 61,003 (issued July 2, 2018); and ISO New England Inc. Compliance Filing to Establish a Fuel Security Reliability Standard, FERC Docket Nos. ER18-2364-000, EL18-182-000 (filed August 31, 2018).

³ Constellation Mystic Power, LLC, Amendment No. 1 to Rate Schedule FERC No. 1, Docket No. ER19-1164-000 (filed March 1, 2019), transmittal letter at pp. 3-4; Constellation Mystic Power, LLC, Compliance Filing, Docket No. ER18-1639-003 (filed March 1, 2019), transmittal letter at p. 4. Both Exelon's opt-out right and the ISO's termination right must be exercised before FCA 14 is run in February 2020.

entering the markets as an existing resource.⁴ The current retirement provisions in the Tariff specifically state that a retiring resource will have its interconnection service terminated.⁵ At that point, a resource would have to seek to qualify as a new capacity resource, which it can do only if its owner makes an investment in the resource above capacity or cost thresholds specified in the Tariff⁶ and it establishes a new interconnection service.

The ISO clarifies here that it does not intend to modify its Tariff to allow units that seek to retire to re-enter the markets as existing resources. Any other course of action creates problematic incentives. As a consequence, the region must prepare to meet the transmission and fuel security needs associated with Mystic's retirement no later than June 1, 2024.

The ISO's plan for June 1, 2024 is to rely on the "Chapter 3" energy security improvements to meet the fuel security needs, and on competitive processes to solicit transmission solutions to meet the identified local reliability needs. Specifically, because Mystic's retirement is outside the three-year window that defines time-sensitive transmission needs, the ISO will rely on the Order 1000 competitive solicitation process to solve those needs.⁷

We have attached a proposed timeline to implement the ISO's plan for meeting the transmission needs related to the retirement of Mystic. We look forward to discussing these issues with you on May 3 and receiving feedback.

⁴ See ISO New England Inc., Answer of ISO New England Inc., Docket No. ER18-1509-000 (filed June 7, 2018) at p. 20.

⁵ See Section III.13.2.5.2.5.3.

⁶ See Section III.13.1.1.1.2.

⁷ ISO Tariff Section II, Attachment K.

	Action	Proposed Timing
1.	Discuss proposed changes to clarify Attachment K as needed, including cost containment provisions and evaluation criteria	May – September 2019: Transmission Committee October 2019: Participants Committee (“PC”) vote October 2019: Federal Energy Regulatory Commission (“FERC”) filing
2.	Discuss other Tariff changes as needed, including clarifications relating to the transmission certification process for competitive solutions	May – September 2019: Reliability Committee (“RC”) October 2019: PC vote October 2019: FERC filing
3.	Discuss other conforming Market Rule changes as needed	June – September 2019: Markets Committee October 2019: PC vote October 2019: FERC filing
4.	Discuss draft RFP template and supporting material, such as draft cost template, for stakeholder review and comment	June 2019: PAC
5.	Discuss conforming changes to Planning Procedures for cost allocation related to competitive solicitations	June – September 2019: RC October 2019: PC vote
6.	Issue Order 1000 RFP	December 2019