

**To:** NEPOOL Markets Committee

**From:** Mark Karl, Vice President, Market Development and Settlements  
Jeff McDonald, Vice President, Internal Market Monitor

**Date:** December 4, 2019

**Subject:** Changes to the FCA 15 De-List Bid Submittal Process to Accommodate the Timing of NEPOOL Votes on the Energy Security Improvements and the Possible Early Sunset of the Inventoried Energy Program

In recent months, stakeholders have raised two questions regarding the interaction between the Energy Security Improvements (ESI) that are to be filed in April 2020 and other market functions that are currently in place. Noting the ISO's intent to implement the new ESI ancillary services in June of 2024, stakeholders have asked if the ISO still plans to propose an early sunset of the Inventoried Energy Program (IEP) that is to be in place for the winters of 2023-24 and 2024-25. Separately, stakeholders have raised a question about the timing of the NEPOOL votes on ESI prior to the April 2020 filing, and the potential that certain Forward Capacity Auction de-list bids for the fifteenth Forward Capacity Auction (FCA 15) will need to be submitted before participants vote on the final ESI design.

The answers to both of these questions have implications for participation in FCA 15, to be conducted in February 2021 for the Capacity Commitment Period 2024-25. This memorandum addresses these questions, in order to provide participants with greater clarity regarding the IEP and ESI in advance of the March 2020 start of the FCA 15 qualification period. More specifically, this memorandum addresses:

- Details regarding the proposed IEP sunset and its relationship to FERC's acceptance of the ESI market enhancements;
- The need for capacity suppliers to submit two de-list bids and new supply offers for FCA 15, to account for two alternative scenarios, one with the ESI market enhancements in place and one with the IEP in place for the 2024-25 Capacity Commitment Period;
- Additional optionality for capacity suppliers submitting Retirement or Permanent De-List Bids for FCA 15 given the possibility of ESI design changes following the current March 13, 2020 de-list submittal deadline for FCA 15;
- Steps the ISO will take in the event it does not receive an order on ESI prior to executing FCA 15 in February 2021.

### ***Proposed Conditional Sunset of the IEP after the 2023-24 Winter***

In August 2020, the ISO reported to the Markets Committee the ISO's intent to seek an early sunset of the IEP, contingent upon the Federal Energy Regulatory Commission's (FERC) acceptance of the Energy Security Improvements. The ISO plans to move forward with this proposal and will file the necessary Tariff changes as part of the April 2020 ESI filing.

Currently, the IEP is to be in place for the winters of 2023-24 and 2024-25, which occur during the Capacity Commitment Periods (CCP) for FCAs 14 and 15. As the ISO has explained to stakeholders, the ISO anticipates implementing the ESI enhancements in June 2024, at the start of the 2024-25 CCP. To avoid any interference with the proper functioning of the new ESI ancillary services, the ISO intends to propose that the IEP sunset after the 2023-24 winter, conditional upon FERC's acceptance of the ESI tariff changes.

If FERC accepts the ESI tariff changes, the early termination of the IEP would limit application of the IEP to the winter of 2023-24 and avoid any overlap with the new ESI ancillary services in the day-ahead market.

### ***De-List Bid and Supply Offer Submittals for FCA 15***

Because the early sunset of the IEP will be contingent upon the Commission's acceptance of the ISO's April 2020 ESI filing, any participant that intends to submit a de-list bid or new resource offer for FCA 15 should be prepared to submit two bids or offers, one that reflects the impacts of the IEP on a resource's wholesale market revenues and costs for the 2024-25 FCA 15 Capacity Commitment Period, in the absence of the new ESI ancillary services, and one that reflects the impacts of the new ESI ancillary services on the resource's wholesale market revenues and costs for that period, in the absence of the IEP.

The IMM will perform the required mitigation evaluation for both bids/offers. The appropriate bid/offer will be used in the auction based on FERC's order on the ESI market design changes; that is, if FERC accepts the ESI rules prior to FCA 15, then the bids/offers reflecting the impact of the new ESI ancillary services will be utilized in the auction; otherwise the bids/offers reflecting the impact of the IEP will be used in FCA 15.

For reference, a similar approach was taken when the ISO filed market rule revisions to the economic life calculation in June 2018, which is performed as part of the market power assessment for Retirement and Permanent De-List Bids.<sup>1</sup> In addition, bids/offers reflecting the impact of the IEP were required in FCA 14. The work that participants did to prepare these bids/offers for FCA 14 will hopefully reduce the level of effort required for developing two sets of bids/offers for FCA 15.

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<sup>1</sup> See *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); *ISO New England Inc., Filing of Permanent De-List Bids and Retirement De-List Bids for the 2022-23 Forward Capacity Auction (FCA 13)*, Docket No. ER18-2047-000 (filed July 20, 2018).

### ***Retirement De-List Bid Submittal Process***

Retirement and Permanent De-List Bids are due in mid-March, 2020. While it is anticipated that the Markets Committee vote will be executed before the de-list bid submission deadline, the Participants Committee vote is scheduled for April 2, 2020, after the submission date. This raises the potential that the ESI market design will be revised during the final NEPOOL vote, after the de-list bids are submitted, and that those bids might not accurately reflect the impacts of the ESI market enhancements on wholesale market revenues and costs. To avoid this scenario, the ISO plans to request that FERC grant capacity suppliers limited additional flexibility in submitting Retirement and Permanent De-List Bids.

Specifically, FCA 15 Retirement and Permanent De-List Bids will remain due on March 13, 2020, which is the date established in accordance with the Tariff, but the ISO will request, from FERC, a conditional waiver of this deadline if the ESI market design is revised after the March 13 de-list bid deadline. Assuming this waiver is granted, then, in the event a non-clerical revision is made to the ESI market rules after the March 13 de-list bid deadline and in the lead-up to (or as part of) the April 2020 Participants Committee vote on the ESI market rules,<sup>2</sup> a participant that has submitted a Retirement or Permanent De-List Bid will be given the option to either update its de-list bid to reflect the impact of the changes to the ESI design or withdraw the de-list bid altogether. Either option will need to be exercised within a week following the Participants Committee vote, in order to afford the Internal Market Monitor (IMM) the time necessary to complete its review within the Tariff-prescribed deadlines. The ISO intends to file this waiver request in early January 2020 and will request an order prior to the March 13 Retirement and Permanent De-List Bid deadline.

### ***Timing of FERC Order on Energy Security Improvements***

It is possible that FERC will not issue an order on the ESI market enhancements before the ISO must finalize its inputs for conducting FCA 15 in February 2021 (i.e., the final “inputs lockdown” date). While the ISO intends to highlight this concern for FERC in its April 2020 ESI filing, in the event an order on the ESI filing is not issued before the FCA 15 inputs lockdown date, the ISO will utilize in the auction the de-list bids and new supply offers that reflect the impact of the IEP, and the absence of the new ESI ancillary services. This approach is appropriate because, in the event FERC does not act on the ESI filing before FCA 15, then as of that time, the IEP will remain in place for the FCA 15 Capacity Commitment Period and ESI will not be in effect for that time period.

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We welcome stakeholder feedback and questions on the matters addressed in this memorandum.

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<sup>2</sup> This might occur, for example, if additional changes to the design are made between the Markets Committee vote and the Participants Committee vote in response to stakeholder feedback.