



memo

To: NEPOOL Markets Committee
From: Jonathan Lowell
Date: September 30, 2020
Subject: Forward Reserve Market Sunset (WMPP ID: 146)

The ISO is requesting a vote at the October 8-9 Markets Committee meeting on its proposal to sunset the Forward Reserve Market (FRM) on June 1, 2025 (coincident with the start of the 16th Capacity Commitment Period). The ISO will seek two votes on its proposal reflecting two alternative revisions to Section III.9.1 of the Tariff due to the pending Energy Security Improvements (ESI) proceeding.

The first alternative (the “**non-contingent FRM Sunset tariff changes**”) addresses the circumstance where the Federal Energy Regulatory Commission (FERC) **has issued an order in the ESI proceeding prior to December 31, 2020** that provides for the procurement of Ten-Minute Non-Spinning Reserve and Thirty-Minute Operating Reserve on a day-ahead basis starting no later than June 1, 2025. If this circumstance occurs, the ISO will file the “non-contingent FRM Sunset tariff changes” by the end of 2020, to sunset the FRM on June 1, 2025.

The second alternative (the “**contingent FRM Sunset tariff changes**”) addresses the circumstance where **no order on ESI has been issued by the Commission prior to December 31, 2020**. In this circumstance, the ISO will file the “contingent FRM Sunset changes” by December 31, 2020, which provides that the FRM will sunset on June 1, 2025 in the event the Commission issues an order that provides for the procurement of Ten-Minute Non-Spinning Reserve and Thirty-Minute Operating Reserve on a day-ahead basis starting no later than June 1, 2025.

In the event the **Commission issues an order in the ESI proceeding that does not provide for the procurement of Ten-Minute Non-Spinning Reserve and Thirty-Minute Operating Reserve on a day-ahead basis** starting no later than June 1, 2025, **neither of the alternative tariff changes will be filed**. Future discussions on reserves may need to be scheduled with stakeholders at another time should this outcome occur.

Consistent with prior recommendations from the External Market Monitor, the ISO finds the FRM is no longer necessary in its suite of markets, given the development of the new forward reserve obligations and in light of the significant transmission and market improvements over the past decade that relieve locational constraints and reward resource flexibility and performance.

The proposal for the committee's consideration at its October 6-8, 2020 meeting has been presented previously to the Markets Committee at the meeting dates outlined below:

- May 12, 2020; agenda item 6: <https://www.iso-ne.com/event-details?eventId=140261>
- June 10, 2020; agenda item 4: <https://www.iso-ne.com/event-details?eventId=140274>
- August 11-13, 2020; agenda item 2: <https://www.iso-ne.com/event-details?eventId=140275>
- September 8-10, 2020; agenda item 5: <https://www.iso-ne.com/event-details?eventId=142578>