



October 3, 2022

Via Electronic Filing

The Honorable Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: *ISO New England Inc. and New England Power Pool,*
Docket No. ER06-613-___; Semi-Annual Report of
ISO New England Inc. Regarding Forward Reserve Markets**

Dear Secretary Bose and Deputy Secretary Davis:

Pursuant to the Federal Energy Regulatory Commission's ("Commission") orders issued in this proceeding,¹ ISO New England Inc. (the "ISO") hereby submits its semi-annual compliance report on the status of stakeholder consideration of the possible implementation in New England of a forward Ten-Minute Spinning Reserve ("TMSR") market.²

I. BACKGROUND

The May 12 Order required the ISO to report semi-annually on various issues related to the implementation of certain reserve markets. Specifically, the Commission directed the ISO to:

file a report semi-annually on the performance of the new market, including recommendations for future improvements. In addition, . . . these reports should provide: (1) updates on the implementation of a forward TMSR market,

¹ In 2006, the Commission required the ISO to provide semi-annual reports on certain issues associated with the real-time and forward reserve markets. *New England Power Pool and ISO New England Inc.*, Order Accepting Ancillary Services Market Proposal, 115 FERC ¶ 61,175, *reh'g denied*, 117 FERC ¶ 61,106 (2006) ("May 12 Order"). On June 23, 2008, the Commission discontinued the ISO's reporting obligation except for the requirement to continue reporting on the status of the possible implementation of a forward spinning reserve market. *ISO New England Inc.*, 123 FERC ¶ 61,298 at P 9 (2008) ("June 23 Order").

² Capitalized terms used but not otherwise defined in this filing have the meanings ascribed thereto in the ISO's Transmission, Markets and Services Tariff, FERC Electric Tariff No. 3 (the "Tariff"), the Second Restated New England Power Pool Agreement and the Participants Agreement.

including descriptions of proposals that have been considered to date, impediments to implementation that still need to be resolved, and a proposed schedule to resolve such impediments; (2) details concerning ISO-New England's operational and economic rationale for considering involuntary load shedding in determining reserve requirements in NEMA/Boston and the effect on reliability of considering involuntary load shedding; (3) once ASM Phase II has been operational for at least six months, a summary on whether increased failure-to-reserve and failure-to-activate penalties have successfully created an incentive for sellers to include commitment costs in their forward reserve bids (allowing ISO-New England to select the lowest-cost resources to provide reserves); and (4) a discussion concerning whether allowing forward reserve suppliers to buy back their obligations in a future day-ahead spot market would promote or impede the objectives of (i) encouraging sellers to include their full costs (including commitment costs) in their forward reserve bids, and (ii) procuring the lowest-cost resources to provide reserves.³

The May 12 Order required that the first report be filed six months from the date of the issuance of the order, with each subsequent report due every six months.⁴ This filing is the latest semi-annual report that the ISO is submitting in compliance with the May 12 Order.

In the June 23 Order, the Commission limited the ISO's future reporting obligation to the issue of the potential establishment of a forward market for TMSR. Specifically, the Commission stated:

ISO-NE's fourth semi-annual compliance report sufficiently complies with the May 12 Order and is hereby accepted. Additionally, ISO-NE has shown that it has substantially satisfied the reporting requirements set forth in the May 12 Order, and that the remaining unsatisfied reporting requirements will be included in its periodic reports, which are issued more frequently than the semi-annual reports and are easily accessible. ISO-NE's answer satisfies the NEPOOL Participants Committee's objection to ISO-NE's motion to discontinue reporting on implementation of a forward TMSR market. Accordingly, ISO-NE's motion to discontinue the semi-annual reserve market compliance reports is hereby accepted, with the exception of the reporting requirement regarding the forward TMSR market issue, which will continue to be subject to the semi-annual reporting requirement established in the May 12 Order.⁵

³ May 12 Order at P 110 (footnotes omitted).

⁴ *Id.* at Ordering Paragraph (B).

⁵ June 23 Order at P 9.

The ISO's status report on stakeholder consideration of issues associated with the design and potential establishment of a forward spinning reserve market is discussed in the following section of this filing.

II. REPORT

The May 12 Order stated that the ISO should provide semi-annual reports “on the implementation of a forward TMSR market, including descriptions of proposals that have been considered to date, impediments to implementation that still need to be resolved, and a proposed schedule to resolve such impediments.”⁶ As explained in prior status reports, a Forward Ten-Minute Spinning Reserve Market Working Group (“FSR Working Group”) of the NEPOOL Markets Committee was formed to address, in coordination with the ISO, certain issues with respect to establishing any forward market for TMSR. The FSR Working Group's October 13, 2006 report to the Markets Committee was part of the ISO's first compliance report in this proceeding.⁷ Consistent with the issues that the Commission directed the ISO to address in the May 12 Order, the FSR Working Group Report described various market design proposals and potential impediments to implementation, and provided a proposed schedule to resolve impediments.

In 2006, the FSR Working Group suspended further efforts until such time as the ISO would be able to commit the resources necessary to provide a thorough review and critique of the design proposals. In April of 2020, the ISO filed proposed market design changes with the Commission to implement day-ahead ancillary service products as a response to the Commission's order instructing the ISO to address regional energy security concerns.⁸ As the ISO noted in its previous recent reports in this docket, those products might ultimately have achieved the objectives of a forward TMSR market. In October of 2020, the Commission rejected the ISO's day-ahead ancillary service proposal, but advised that the ISO may consider whether to propose those products independently of its energy security concerns.⁹

⁶ May 12 Order at P 110.

⁷ Errata Compliance Report Attachment of ISO New England, *ISO New England Inc. and New England Power Pool*, Docket No. ER06-613-002 (filed Nov. 14, 2006) (attaching Forward Ten-Minute Spinning Reserve Market Working Group Report dated October 13, 2006, hereinafter “FSR Working Group Report”).

⁸ See *ISO New England Inc.*, Compliance Filing of Energy Security Improvements addressing New England's Energy Security Problems, Docket Nos. EL18-182-000 and ER20-1567-000 (filed April 15, 2020). The ISO filed the proposed day-ahead ancillary services to comply with a 2018 Commission order that directed the ISO to submit “Tariff revisions reflecting improvements to its market design to better address regional fuel security concerns.” *ISO New England Inc.*, 164 FERC ¶ 61,003 at P 2 (2018).

⁹ See *ISO New England Inc.*, Order Rejecting Proposed Tariff Revisions, 173 FERC ¶ 61,106 at P 57 (2020).

The ISO will begin discussions with stakeholders in the coming months regarding development of day-ahead ancillary services, and is currently seeking to file the proposed market design changes by the end of 2023.¹⁰ As those discussions proceed, the ISO will update the Commission regarding the relation of the proposed day-ahead ancillary services to a forward TMSR market, through future reports in this docket.

III. CONCLUSION

The ISO hereby submits this report in compliance with the Commission's prior orders in this proceeding. Any questions concerning the report may be directed to the undersigned.

Respectfully submitted,

By: /s/ Christopher J. Hamlen

Christopher J. Hamlen, Esq.
Assistant General Counsel - Markets
ISO New England Inc.
One Sullivan Road
Holyoke, MA 01040-2841
Tel: (413) 540-4425
E-mail: chamlen@iso-ne.com

Counsel for ISO New England Inc.

cc : Official Service List

¹⁰ An April 6, 2022 memorandum from the ISO to the NEPOOL Markets Committee provided an overview of the planned day-ahead ancillary services and the ISO's anticipated timeline for filing and implementing the design changes. The memorandum is available at https://www.iso-ne.com/static-assets/documents/2022/04/a05_mc_2022-04-12_day_ahead_ancillary_services_memo.pdf.

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 Secretary in this proceeding.

Dated at Holyoke, Massachusetts, this 3rd day of October, 2022.

Respectfully submitted,

By: /s/ Julie Horgan

Julie Horgan