

Forward Capacity Market (FCM) Retirement Reforms: Return to Service



Project Introduction

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Proposed Effective Date: Q4 2023

- In 2021, Sigma introduced a Return to Service proposal which is now included in the ISO's annual work plan
- The ISO proposal removes cost requirements currently necessary for FCM re-entry
 - [November 2022 MC Materials](#)
- Today's discussion is the first on this topic and provides the background, rationale for change, and ISO-NE's proposal

I. BACKGROUND AND PROBLEM



The existing rules allow retired resources to re-enter the FCM

- If a participant completes the necessary steps, it can requalify a retired or permanently delisted resource to re-enter the FCM:
 - Management of interconnection queue backlog, if any
 - Interconnection Agreement
 - Overlapping impacts analysis
 - Qualification Process Cost Reimbursement Deposit and other interconnections costs
 - Financial Assurance requirements
 - Investment requirement of approximately \$417 per kW (as of FCA 18)
- These requirements apply to any re-entering resource after it has retired, regardless of its retirement elections and/or a reliability retention agreement

The prior market design provided New Capacity Resources access to unique pricing rules

- Previously, New Capacity Resources had access to:
 - Multi-year ‘price lock’ for up to seven years
 - Distinct FCA clearing prices for new and existing capacity
- These rules have been removed from the current market design



The investment requirement for re-entering resources is a remnant of the prior market design

- The investment requirement was intended to *reduce* the likelihood of a retired resource exiting and re-entering the market only to access to favorable New Capacity pricing rules



The current market design diminishes the need for the investment requirement to be a condition for re-entry

- As things stand currently, the investment requirement could create a barrier to cost-effective and timely re-entry of resources
 - Previously-retired resources may be able to re-enter the FCM without additional investment



II. PROPOSAL



Proposal Overview

- Remove the investment requirement for any resource seeking to re-enter the FCM after a full retirement or full permanent de-list
 - Re-entering resources still must meet all other qualification requirements for New Capacity Resources (see slide 4 for summary)



Existing resources are not impacted by the proposed changes

- There are other qualification options for existing resources to restore or increase capacity:
 - Incremental capacity additions (III.13.1.1.1.3)
 - Significant Increases (III.13.1.2.2.5)
 - Repowering, environmental repowering, and increases above threshold (III.13.1.1.1.2)
- The ISO proposal does not modify qualification options for existing resources or applicable investment requirements
 - This project scope focuses on re-entry rules

The ISO proposal does not include certain features previously discussed with the Markets Committee

- The ISO proposal applies to resources retained for reliability under a cost-of-service agreement
 - An investment requirement could create a barrier to cost-effective and timely re-entry of resources
- The ISO proposal does not include a ‘waiting period’ before a resource can re-enter
 - Such a requirement may create a more stringent barrier to re-entry than the investment requirement



II. CONCLUSION AND STAKEHOLDER PROCESS



Conclusion

- Market conditions may provide the opportunity for previously retired resources to re-enter the FCM
- An investment requirement could create a barrier to cost-effective and timely re-entry of resources
- The ISO proposal removes the investment requirement for fully-retired for permanently delisted resources seeking to requalify for the FCM
 - Re-entering resources still must meet all other qualification requirements for New Capacity Resources

Stakeholder Schedule

Stakeholder Committee and Date	Scheduled Project Milestone
Markets Committee August 8-10, 2023	Introduce proposal
Markets Committee September 12-13, 2023	Continued discussion on proposal and review initial Tariff redlines; Discussion of any potential amendments*
Markets Committee October 11-12, 2023	Vote on proposal and any proposed stakeholder amendments*
Participants Committee November 2, 2023	Vote on proposal and any proposed stakeholder amendments

*Members should provide their materials in advance so that they can be distributed by the posting date for the relevant MC meeting and should work with NEPOOL Counsel in the drafting of any desired Tariff changes or amendments to the ISO proposal

Questions

