



08/23/2023

James Woods, Secretary, NEPOOL Markets Committee
Tongxin Zheng, Director, Advanced Technology Solutions

ISO New England
1 Sullivan Rd.
Holyoke, MA 01040
jwoods@iso-ne.com
tzheng@iso-ne.com

Re: Advanced Energy United Perspectives on Resource Capacity Accreditation in the Forward Capacity Market

Dear Mr. Woods, Mr. Zheng, and fellow Markets Committee members,

Advanced Energy United (“United”)¹ appreciates the opportunity to comment on Resource Capacity Accreditation (“RCA”) in the Forward Capacity Auction (“FCA”) for Capacity Commitment Period 19 for ISO-NE and others to consider. United is a non-voting member of the New England Power Pool (“NEPOOL”) stakeholder process and has been closely tracking the discussions on how best to proceed with FCA 19 and implementing RCA in a manner that ensures reliability, fairness, and efficient outcomes. The following comments (1) provide input on ISO-NE’s stated objectives for the evaluation of RCA implementation options, (2) summarizes and evaluates the options for FCA 19, and (3) identifies information gaps and urges ISO-NE to provide detailed answers addressing these gaps so that stakeholders can better understand the implications of the different options and make informed decisions.

Without clarity on the open questions and missing details we have identified, stakeholders cannot reasonably finalize their preferences. If ISO-NE does not itself have clarity on the answers to these questions, we are also concerned that any decisions it makes will be based on an incomplete assessment of implications. Therefore, we recommend that ISO respond to our questions, and any others put forward by stakeholders regarding information gaps, and

¹ Advanced Energy United is a national association of businesses that are making the energy we use secure, clean and affordable. Advanced Energy United is the only industry association in the United States that represents the full range of advanced energy technologies and services, both grid-scale and distributed. Advanced energy includes energy efficiency, demand response, energy storage, wind, solar, hydro, nuclear, electric vehicles, and more. The comments expressed in this filing represent the position of Advanced Energy United but may not represent the views of any particular member.

afford stakeholders time to consider these answers and deliberate further, before determining the best course of action.

1. ISO-NE's Stated Objectives for Evaluating RCA Implementation Timeline Options

1. Seek additional time to make the necessary improvements to the winter risk model, rerun the impact analysis, and seek feedback from stakeholders;
2. Recognize the importance of simultaneously implementing a revised capacity accreditation framework that coincides with the elimination of the minimum offer price rule (MOPR) for FCA 19 as previously noted by the ISO;
3. Recognize the increasing importance of seasonality in the region, both from a supply resource portfolio perspective and the expected transition to a winter peaking system, and a stated interest in exploring a change from a forward to a prompt capacity market construct;
4. Minimize regulatory and implementation risks.

United agrees with these objectives, and would urge ISO-NE to consider adding the following additional objectives:

5. **Minimize developer risk for new entrants:** ISO-NE should consider developer risks and how these risks may impact developers' ability to secure investment and actually be ready (i.e. commercially operational) to replace retiring resources to ensure reliability. ISO-NE indicated at the August MC that consideration of developer risk for new merchant entry "may be more suitable as requests for additional design objectives to be considered in the context of specific design proposals." United disagrees; consideration of this objective now rather than as a design element of other proposals is critical because the impact of delaying FCA 19 could itself pose a risk. It is not prudent or reasonable to expect that such risk can be equally mitigated under any one of the options put forward, especially given the potential reliability implications.
6. **Ensure compatibility with achievement of state energy policies:** Capacity auctions have implications for achievement of New England states' policies to reduce greenhouse gas emissions and adopt clean energy. While ISO-NE has clarified that consumer impacts will always be assessed, consumer interests include not just reliability and cost but also fulfilling state policy requirements. Greenhouse gas emission impacts are therefore implicit objectives and ISO-NE should explicitly recognize them and evaluate how the different options would impact timely, cost-effective, and reliable achievement of state policy goals.

2. Summary and Evaluation of Options



Option 1

Option 1: proceed with FA 19 for CPP 19 as scheduled with current rules, without RCA.

- Disadvantages:
 - o Option 1 would mean conducting another FCA without an updated resource capacity accreditation methodology in place. While the updated RCA proposal may be imperfect, it may be an improvement to current capacity accreditation, which most stakeholders agree is currently inaccurate. (Fails to achieve Objective 2 and delays achievement of Objective 3.)
- Advantages:
 - o Option 1 prevents ISO-NE from delaying the FCA, which could create significant complications for capacity deliverability and jeopardize the development of new resources entering the capacity market, which could threaten reliability. (Achieves Objective 5, above; may support Objective 6 by avoiding risk and uncertainty.)
 - o Option 1 would provide additional time to review RCA design details, consider stakeholder feedback and concerns, and optimize RCA to ensure that the initial RCA design captures fuel availability, correlated outage data during extreme weather (e.g. Winter-Storm Elliot), and whether gas thermal units are being evaluated on a marginal basis. (Achieves Objective 1, above.)
 - o It leaves open the door for a prompt and seasonal market down the line and allows for more careful consideration of how RCA will interact with a prompt and seasonal market and avoids potential transitional incompatibility that could pose a risk to projects under development. (Achieves Objective 3 for future FCAs.)
 - o It would also reduce regulatory uncertainty by allowing FCA 19 to proceed under current FERC-approved rules, providing time for the region to propose and receive approval for RCA (and potentially a prompt and seasonal market) before proceeding. (Achieves Objective 4.)

Option 2 and 2a

Option 2: Implement RCA for FCA 19 for CCP 19, with the auction held in 2026 instead of February 2025.

Option 2A: Plan to implement RCA for FCA 19 for CCP 19, with the auction held in 2026; by no later than early Q3 2024 decide whether to implement prompt auctions starting with CCP 19 in early 2028; with continued discussions beginning in late 2024 on implementing as prompt/seasonal auctions starting in early 2028.



- Disadvantages:
 - o These options would need to address how an abbreviated capacity resource qualification window would impact capacity deliverability and interconnection timelines and how retirement processes would conform. (Fails to address Objective 5, may undermine Objective 6 given increased risk and uncertainty.)
 - o ISO-NE staff bandwidth may be more preoccupied in stakeholder discussions and resolving the administrative and logistical challenges of shortening the forward capacity auction from three years to two. (Risks undermining Objectives 1 and 3.)
 - o There is arguably less time to work on resolving RCA related issues relative to Option 1. (Risks undermining Objective 1.)
 - o More regulatory uncertainty involved due to the redesign of the capacity market, shorter timeline, and deviation from the currently just and reasonable FCM. (Fails to address Objective 4.)
- Advantages:
 - o Option 2a would give ISO-NE and NEPOOL the flexibility to defer a decision on whether to move to a prompt and seasonal market until 2024, allowing time to more fully assess the trade-offs of a prompt and seasonal market and the specifics on how it can be optimized. (Achieves Objective 3.)
 - o Option 2a does not bind NEPOOL to the updated RCA as currently proposed, rather it gives ISO some time to sort through issues related to the RCA proposal, which stakeholders could reject during votes at the MC and NPC. (Achieves Objective 1.)
 - o Allows an updated RCA to be implemented for FCA 19. (Achieves Objective 2.)

Option 3

Option 3: Implement RCA for CCP 19 with a prompt/seasonal auction running in early 2028 instead of February 2025. This option entails committing to a prompt and seasonal auction and implementing them as well as an updated RCA for FCA 19.

- Disadvantages:
 - o Option 3 would mean less time to address concerns in the current RCA proposal. (Potentially undermining achievement of Option 1.)
 - o It would also mean less deliberation and consideration on whether to move to a prompt and seasonal market. (Achieves Objective 3, but with less flexibility to evaluate the best course of action.)
 - o By committing to a prompt and seasonal market, load forecasts, RCA, and resource adequacy can all be theoretically improved, but may expose new entrant developers to more risk given the inherent uncertainties. (Fails to



address Objective 5, may undermine Objective 6 given increased risk and uncertainty.)

- More regulatory uncertainty involved due to the redesign of the capacity market, shorter timeline, and deviation from the currently just and reasonable FCM. (Fails to achieve Objective 4.)
- Advantages:
 - Option 3 would provide certainty for stakeholders on the direction of the capacity market and allow stakeholders to focus on market design. (Consistent with Objective 3.)
 - There is an emerging trend across RTOs to move to a prompt and seasonal capacity market, so embracing a change now that is likely to come sooner or later will accelerate progress. Prompt and seasonal markets may improve efficiency and lead to better outcomes in the capacity market, and this option propels the region toward these changes. (Consistent with Objective 3.)

4. Information Gaps

Several stakeholders during the last MC stated that they could not arrive at a definitive option preference without more clarity on the final RCA proposal outcomes (ISO-NE has indicated that it will resume RCA discussions in October or November, after a decision about which Option to pursue has been made). United shares this perspective. If an incomplete or suboptimal RCA is implemented, this may unfairly disadvantage some market participants and benefit others and fail to result in the anticipated market and reliability improvements implied by Objective 2.

Any Option that would delay FCA 19 (i.e., all but Option 1) could result in regulatory uncertainty and create complications to retirement processes and capacity deliverability for new entrants because of the abbreviated forward capacity auction timeline. Currently, capacity deliverability is evaluated as part of FCM qualification and is conducted under the three year-forward construct. Decoupling these processes and pushing capacity deliverability into the interconnection process as the region moves to a prompt auction will require careful consideration, may cause additional complications, and could pose challenges and uncertainty for to interconnection for projects currently in the queue—potentially resulting in cost and reliability impacts. While this transition is achievable, it is critical to the market and for reliability to avoid harming projects caught up in the transition.

More information on what a delay to FCA would mean for subsequent auctions and analysis on the broader implications for each option is therefore an important information gap that would be necessary to fill to inform stakeholder option preferences. United and our members feel that we are missing answers to important questions, including:



1. How will capacity deliverability be studied during the transition period? How would ISO reconcile capacity deliverability processes with a shortened timeline?
2. How will retirement processes conform to the abbreviated timelines required to implement a delay to FCA 19?
3. How much staff time would a delay in FCA 19 consume? How long will it take to design, propose, and implement a delay, and how many resources will staff have to dedicate to effectuating a delay? Will relevant staff and resources overlap with those otherwise allocated to finalizing RCA and design of a prompt and seasonal market?
4. How much longer would ISO have to continue work on RCA prior to its initial implementation under Option 1 relative to the other options where FCA 19 is delayed?
5. Given that all options extend the RCA timeline, would ISO use this time to address additional factors that impact reliability values left out of the initial RCA scope² (e.g. correlated thermal outages)?
6. If ISO delays FCA 19, can it revert to a three-year forward market if ISO and NEPOOL determine that a prompt auction is not in the region's best interest?
7. What are the various regulatory check points and associated risks for each of the options?

In conclusion, we do not feel stakeholders can make informed decisions without further explanation addressing these information gaps. Therefore, we urge ISO-NE to respond to these information requests in as much detail as possible, present the findings to the Markets Committee in September for stakeholders to consider, clarify, and deliberate on, and then survey stakeholders one last time on their option preferences. While we appreciate the time constraints driving ISO to move quickly to land on a preferred path forward, we believe the significance of the decision necessitates a fulsome exploration of the implications of each pathway, and we are not yet satisfied that ISO-NE and NEPOOL have completed such an exploration.

Respectfully submitted,

/s/ Alex Lawton
Alex Lawton, Senior Policy Principal

/s/ Caitlin Marquis
Caitlin Marquis, Managing Director

² Additional Detail on the Resource Capacity Accreditation (RCA) Scope for the Nineteenth Forward Capacity Auction (FCA19), ISO-NE Memorandum to the NEPOOL Markets Committee (October 11, 2022). Available at: https://www.iso-ne.com/static-assets/documents/2022/10/a09e_mc_2022_10_12-13_rca_iso_scope_memo.pdf.

