

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

ISO-New England Inc.)	Docket No. ER14-1639-000
)	Docket No. ER14-1639-001
)	Docket No. ER14-1639-002
and)	
)	
New England Power Pool Participants Committee)	

**COMMENTS OF THE ELECTRIC POWER SUPPLY ASSOCIATION
IN SUPPORT OF NEW ENGLAND POWER GENERATORS ASSOCIATION INC.**

Pursuant to Rules 211, 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. §§385.211, 385.212 & 385.214 (2014), the Electric Power Supply Association (“EPSA”) hereby files these Comments in Support of the New England Power Generators Association Inc. (“NEPGA”) Motion for Clarification and Request to Direct Compliance¹ regarding the Commission’s direction in multiple orders in the above-captioned and other FERC proceedings, that ISO-NE file sloped zonal demand curves for modeled import-constrained Capacity Zones in the tenth Forward Capacity Auction (“FCA 10”).²

EPSA supports NEPGA’s request to the Commission to direct ISO-NE to file sloped zonal demand curves, as proposed and voted on by the NEPOOL Participants

¹ *Motion for Clarification and Request to Direct Compliance*, New England Power Generators Association, ISO-NE Inc. and New England Power Pool Participants Committee, Docket No. ER14-1639-002 (June 22, 2015).

² *ISO New England Inc.*, 147 FERC P 61,173 (2014) (directing ISO-NE to file a sloped demand curve by April 1, 2014, to allow sufficient time to review, approve and implement prior to FCA 9); *ISO New England Inc.*, 150 FERC ¶ 61,066, at P 11 (2015) (excusing a sloped zonal demand curve filing in January 2015 due to continuing deliberations in NEPOOL).

Committee at its June 5, 2015 meeting. This proposal modified the zonal curve design proposed by ISO-NE most recently in April 2015 (“Zonal Curves”), for effect in FCA 10, to eliminate the FCA auction clearing rule ISO-NE had proposed under its Zonal Curves design.³

As discussed below, New England stakeholders and electricity consumers will realize significant benefits from the employment of sloped zonal demand curves in FCA 10. The Commission has recognized these benefits and expressed a clear preference for a sloped demand curve, both in prior orders and in the instant proceeding. In light of ISO-NE’s reluctance to follow through on its commitment to implement a sloped zonal demand curve design for FCA 10, the Commission should reaffirm its views on this issue and require ISO-NE to file sloped zonal demand curves as requested in the NEPGA filing. Further, ISO-NE has not made a showing that the sloped zonal demand curves requested by NEPGA will fail to satisfy the FCA 10 resource adequacy needs, nor that implementing the requested sloped zonal curve design for FCA 10 will impede the development of, or hinder improvements to, the sloped zonal demand curve design in future auctions to meet long-term resource adequacy needs. And yet, the costs of *not* implementing the requested sloped demand curve for FCA 10 would include continued and unnecessary marketplace distortions from discretionary administrative pricing schemes that would remain in effect for yet another capacity auction.

Additionally NEPOOL stakeholders – including certain EPSA members – would not

³ Under the Zonal Curves proposal, ISO-NE had proposed an auction clearing rule that would reduce the quantity of supply procured under the system-wide demand curve by more than the level of capacity purchases cleared under the zonal curve for an import-constrained zone if the import-constrained zone(s) price-separate, inconsistent with the Commission’s findings that the price/quantity pairs on the system-wide sloped demand curve are just and reasonable.

realize any value from having engaged in a good-faith, resource-intensive, years-long debate on a sloped zonal demand curve design. Further, as NEPGA states in its Motion, these stakeholders and the Commission relied on the reasonable expectation that the sloped curve proposals under lengthy discussion would ultimately be filed by ISO-NE for FCA 10. In light of these considerations, there is a preponderance of benefits to all parties in initiating a Section 206 proceeding on the ISO-NE Tariff and ordering ISO-NE to file the sloped zonal demand curve design NEPGA has requested. These benefits outweigh the hypothetical future concerns that ISO-NE raises about the potential need to further improve or modify these curve models for resource adequacy planning needs beyond FCA 10.

EPSA reiterates that a sloped demand curve is an essential component of efficient forward capacity auction design and mitigating price volatility— facts that the Commission has already recognized in several contexts.⁴ The Commission has already determined in this proceeding, for example, that sloped demand curves provide clear benefits to the competitive wholesale capacity markets because the higher price-elasticity of demand from a sloped curve leads to better market-clearing pricing outcomes.⁵ Having recognized these facts in the ISO-NE Demand Curve Order, the Commission addressed NEPGA’s price suppression-related concerns in this proceeding by pointing to its own expectation that the ISO-NE will have both a system-wide and

⁴ See, e.g., *Commission Staff Report*, Centralized Capacity Market Design Elements, Docket No. AD13-7-000 (August 23, 2013) at pp. 6 (discussing that “[c]oncern over volatility in capacity market prices under a vertical demand curve was a key reason that NYISO and PJM chose to move to the downward-sloping demand curve”).

⁵ *ISO New England Inc. and New England Power Pool Participants Committee*, 147 FERC ¶ 61,173 (2014) [“ISO-NE Demand Curve Order”].

zonal downward-sloping demand curves in place for FCA 10. For example, in its 2015 ISO-NE Compliance Order, the Commission stated that “coupling the Renewable Technology Resource Exemption with the particular parameters of ISO-NE’s sloped demand curve will limit the impact of price suppression” and also stated that in general, “the less steep the slope of a demand curve, the less impact any exemption will have.”⁶ Therefore, the Commission’s own reasoning demonstrates that the benefits of deploying downward-sloping zonal curves are clearly integrated into the Commission’s policy discourse regarding efficient capacity markets. Given the clear views of the Commission on this issue, as well as its directive that this issue would be appropriately addressed in the instant proceeding, EPSA urges the Commission to require the ISO-NE to make filings consistent with NEPGA’s request.⁷

It is also important to consider that in the Commission’s recent orders regarding the ISO-NE FCAs, the Commission reached certain conclusions regarding NEPGA’s concerns which were based very clearly on the Commission’s expectation that ISO-NE would make a future sloped zonal curve filing. The Commission developed its reasoning as to why it believed price suppression related to the Renewable Technology Resource Exemption would be minimized in specific capacity zones, on its reliance that the ISO-NE would follow through with a zonal curves filing prior to FCA 10. The

⁶ *ISO New England Inc. and New England Power Pool Participants Committee*, 150 FERC ¶ 61,065 at P. 20 (2015) (stating that “small changes in quantity [using a sloped demand curve] will have a much smaller impact on price when using a downward sloping demand curve than they would using a vertical demand curve”) [“ISO-NE Compliance Order”].

⁷ *ISO New England Inc. and New England Power Pool Participants Committee Report on Progress Toward Developing Zonal Demand Curve Improvements*, Docket No. ER14-1639-000 (filed May 18, 2015) (“May Filing”); see also *ISO New England Inc.*, 151 FERC ¶ 61,183 (2015) (“Boundary Proceeding”).

Commission stated in its ISO-NE Compliance Order, as part of the necessary reasoning to conclude that price suppression will in fact be minimized in FCA 10, that it believes the future implementation of sloped curves will mitigate NEPGA's concerns because the "[Commission] expect[s] that, based on ISO-NE's statements, ISO-NE will implement sloped demand curves at the zonal level for FCA 10, which will limit the ability of any Renewably Technology Resource to suppress prices."⁸

Given these facts, permitting the ISO-NE to bypass the use of sloped curves for yet another FCA would be plainly contradictory to the Commission's intent, and would also objectively compromise the rationale upon which the Commission concluded in the ISO-NE Compliance Order that NEPGA should not be as concerned about heightened price suppression issues in specific capacity zones.

EPSA is encouraged that the Commission has provided the parties specific direction to discuss this issue in the instant proceeding. While the merits of sloped zonal demand curves remain clear and uncontested, what remains unclear is why ISO-NE should continue to withhold the use of such curves for FCA 10 without giving any concrete information to support its claim that hypothetically, the sloped zonal demand curve design could impede favorable auction outcomes beyond FCA 10. The record in this proceeding clearly demonstrates that the opportunity costs of not deploying downward-sloped zonal curves for FCA 10 are identifiable, imminent, significant, and tangible, whereas ISO-NE builds a case against using sloped curves based on mere suppositions of what the future may bring. Given these considerations, EPSA urges

⁸ ISO-NE Compliance Order, at P. 24.

the Commission to take prompt action in responding to NEPGA's motion and order ISO-NE to make the requisite sloped zonal demand curve filing requested by NEPGA.

In the context of costs, it is also important from a public interest perspective to underscore that NEPOOL stakeholders, the Commission, and all other interested parties are relying on specific actions on ISO-NE's part based on several years of planning, design, public proceedings, and debate regarding appropriate curve models for the FCAs. By enforcing its own expectations, the Commission will acknowledge the significant stakeholder engagement that has taken place at the regional level, and protect the regulatory and economic certainty that stakeholders rightfully expected from this process. A prompt and proactive response from the Commission would also set a valuable precedent that signals to ISO-NE and to all other regions that, as a general rule, they must stand by the commitments made in a proceeding before the Commission.

For these reasons, EPSA supports NEPGA's request that the Commission initiate a Section 206 proceeding on the ISO-NE Tariff and order ISO-NE to file the sloped zonal demand curve design NEPGA has requested. EPSA also requests that the Commission clarify, as noted in NEPGA's motion, that the Commission's failure to explicitly order ISO-NE to make such filing was solely a result of ISO-NE's commitment and the Commission's reliance thereon. EPSA does not believe that the Commission intended the ISO-NE to receive a free pass on this issue. Although the details of the sloped zonal demand curves will and should be carefully considered by the Commission, the Commission should not permit ISO-NE to simply bypass a directive

that is germane to the Commission's past and current decision-making regarding the ISO-NE FCAs.

II. CONCLUSION

WHEREFORE, for the reasons stated herein, EPSA respectfully requests that the Commission grant NEPGA's Motion for Clarification and Request to Direct Compliance, which requests that the Commission initiate a Section 206 proceeding on the ISO-NE Tariff and order that ISO-NE file the sloped zonal demand curves proposed by ISO-NE as recently as April 2015, amended to eliminate the auction clearing rule, and require an ISO-NE compliance filing within 30 days after such order.

Respectfully submitted,



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Dated: July 7, 2015

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of these comments upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., July 7, 2015.

A handwritten signature in cursive script that reads "Nancy Bagot".

Nancy Bagot, Sr. Vice President