

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

ISO-New England Inc.)	
)	
New England Power Pool)	
Participants Committee)	Docket No. ER16-921-000
)	
)	

**MOTION TO INTERVENE AND COMMENTS OF
THE NEW ENGLAND POWER GENERATORS ASSOCIATION, INC.
AND THE ELECTRIC POWER SUPPLY ASSOCIATION**

Pursuant to Rules 211 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”)¹, the New England Power Generators Association, Inc. (“NEPGA”) and the Electric Power Supply Association (“EPSA”)² hereby file this joint Motion to Intervene and Comments in response to ISO New England Inc.’s (“ISO-NE”) and the New England Power Pool Participants Committee’s (“NEPOOL”) (together, “Joint Parties”) December 16, 2015, filing in the above-captioned proceeding.³ The Joint Parties ask FERC to approve the elimination of Forward Reserve Market rules that net Forward Capacity Market revenues from Forward Reserve Market revenues (“Netting Rule”), and a change in the methodology for establishing the Forward Reserve Offer Cap.

NEPGA and EPSA support the Joint Parties’ proposed changes to the Forward Reserve Market because they will allow resources the opportunity to recover the incremental cost of

¹ 18 C.F.R. §§ 385.211 and 214 (2014). NEPGA’s and EPSA’s Motion and Comments are timely and in accordance with the Commission’s Combined Notice of Filings #2, dated February 10, 2016.

² The comments expressed herein represent those of NEPGA or EPSA as organizations, but not necessarily those of any particular member.

³ *ISO-NE and New England Power Pool Committee Filing Re: Revisions to Forward Reserve Market Offer Cap and Elimination of Price Netting*, Docket No. ER16-921-000 (filed February 10, 2016) (“Joint Filing”).

providing forward reserves without artificial price suppression caused by the Netting Rule, eliminate inefficient market outcomes, and improve price signals in the Forward Reserve Market. NEPGA and EPSA also support the Joint Parties' request that the Commission approve the Tariff changes by April 11, 2016, so that resources can factor the rule changes, if approved, into their offers prior to the summer 2016 Forward Reserve Auction, which commences on April 15, 2016.

I. Motion to Intervene and Communications

NEPGA is a private, non-profit trade association advocating for the business interests of competitive electric power generators in New England. NEPGA's member companies represent approximately 26,000 megawatts of installed capacity throughout the New England region. NEPGA's mission is to promote sound energy policies which will further economic development, jobs, and balanced environmental policy. NEPGA's member companies are responsible for generating and supplying electric power for sale within the New England bulk power system. As active participants in the ISO-NE capacity and wholesale electricity markets, NEPGA's member companies have substantial and direct interests in the outcome of these proceedings, and those interests cannot be adequately represented by any other party in the proceeding.

EPSA is the national trade association representing competitive power suppliers, including generators and marketers. Competitive suppliers, which, collectively, account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities. EPSA seeks to bring the benefits of competition to all power customers. This filing represents the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

All correspondence and communications related to this proceeding should be addressed to the following individuals:

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II. Comments

A well-functioning market allows market participants the opportunity to recover the costs of providing the service procured in the market. As the Joint Parties explain, the existing Forward Reserve Market rules violate this basic principle. By netting from a resource's Forward Reserve Market revenues any revenues it received in the Forward Capacity Market, the Netting Rule creates an effective Forward Reserve Market revenue cap of \$0/kW-month when Forward Capacity Auction clearing prices reach or exceed the Forward Reserve Offer Cap of \$14/kW-month.⁴ An effective cap of \$0/kW-month completely eliminates any ability to reflect the incremental costs of providing forward reserves above the costs necessary to provide capacity, which in turn eliminates the ability of the Forward Reserve Market to attract suppliers. Though the opportunity for reserve resources to realize revenues is created when the netted Forward Capacity Market clearing prices are less than \$14/kW-month, the key question then becomes how high must the effective cap be in order for participants to be able to reflect in their Forward Reserve Market offers the incremental costs of providing forward reserves. Without the ability

⁴ Joint Filing Transmittal Letter at 14 ("Transmittal Letter"); Joint Filing, Testimony of Christopher A. Parent on Behalf of ISO New England Inc., at 8-11 ("Parent Testimony").

to reflect those costs, market participants will not offer into the Forward Reserve Market, the market mechanism intended to satisfy New England's forward reserve adequacy needs.

To resolve these concerns, the Joint Parties' first propose to eliminate what is a flaw in the market design – the inability to recover the incremental cost of providing forward reserves in certain situations – by eliminating the Netting Rule. The Joint Parties then propose an offer cap of \$9/kW-month, which, as ISO-NE explains, is based on the incremental costs for existing resources to provide forward reserves. Rather than setting the offer cap at a price meant to approximate the net cost of new entry for a new reserve resource (more specifically, one that can provide ten minute spinning reserves), as is the case at present, ISO-NE and NEPOOL sensibly seek to set an offer cap intended to accommodate the incremental costs for existing resources to provide forward reserves.⁵ The \$9/kW-month offer cap should both allow resources to reflect their incremental costs in their forward reserve offers and allow the market to send appropriate price signals when forward reserve resources are needed.

The elimination of the Netting Rule will improve the Forward Capacity Market in other ways, for example by eliminating a design flaw that allows for inefficient outcomes. As explained by ISO-NE, the Netting Rule can create inefficient pricing when import-constrained zones price separate in the Forward Capacity Auction and can cause the Forward Reserve Market to clear suppliers with higher incremental forward reserve offers than those with lower incremental offers.⁶ With the elimination of the Netting Rule, distorted market outcomes resulting from an attempt to reconcile capacity clearing prices and forward reserve clearing

⁵ Transmittal Letter at 4.

⁶ Parent Testimony at 11-15.

prices are avoided, resulting in a market that sends clearer price signals and more properly prices the locational value of forward reserves.

III. Conclusion

Wherefore, NEPGA and EPSA respectfully request that the Commission: (1) find as just and reasonable both the elimination of Forward Reserve Market rules that net Forward Capacity Market revenues from Forward Reserve Market revenues, and the establishment of a Forward Reserve Offer Cap based on the incremental costs to existing resources to provide forward reserves; and (2) approve the Tariff changes by April 11, 2016, so that resources can factor the rule changes, if approved, into their offers prior to the summer 2016 Forward Reserve Auction, which commences on April 15, 2016.

Respectfully Submitted,

/s/ Bruce Anderson_____

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CERTIFICATE OF SERVICE

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

Dated at Boston, Massachusetts, March 2, 2016.

/s/ Bruce Anderson _____

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