

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

ISO New England, Inc.,)	
New England Power Pool)	Docket No. ER21-1637-000
Participants Committee)	
)	

COMMENTS OF THE ELECTRIC POWER SUPPLY ASSOCIATION

Pursuant to Rule 211 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC,” or “Commission”),¹ and the Commissions *Combined Notice of Filings* (“Notice”) issued April 8, 2021, the Electric Power Supply Association (“EPSA”)² hereby submits these comments in the above-referenced proceeding. In the instant matter, ISO New England, Inc. (“ISO-NE” or “the ISO”) and the New England Power Pool Committee Participants Committee (“NEPOOL”) have filed two alternative versions of Tariff changes to establish Offer Review Trigger Prices (“ORTPs” or “Trigger Prices”) for the sixteenth Forward Capacity Auction – a jump ball filing as allowed in NEPOOL’s Participants Agreement. EPSA supports the New England Power Generators Association’s (“NEPGA”) Protest and accompanying affidavit filed pursuant to the Notice concurrently with these comments.³

¹ 18 C.F.R. §§ 385.211.

² EPSA is the national trade association representing competitive power suppliers in the U.S. EPSA members provide reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies. EPSA seeks to bring the benefits of competition to all power customers. This pleading represents the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue. EPSA intervened in this proceeding on April 9, 2021.

³ Protest of the New England Power Generators Association, Inc., *ISO New England Inc. and New England Power Pool*, Docket No. ER21-1637-000 (filed April 28, 2021). This protest is accompanied by a Joint Affidavit from Richard D. Homich and Dennis Moritz (“NEPGA Protest”).

As NEPGA's pleading demonstrates, there are numerous concerns with both the ISO-NE and NEPOOL ORTP proposals, such that NEPGA requests that the Commission reject both proposals on several procedural grounds. EPSC concurs. However, should the Commission consider the two proposals on their merits, the NEPOOL proposal should be rejected as it is exceedingly flawed and not supported by sufficient analysis as established in NEPGA's protest and affidavit.

I. COMMENTS

As explained in detail in NEPGA's protest in this proceeding, NEPOOL's ORTP proposal is fundamentally deficient as it arrives at a \$0/kW-month Trigger Price for offshore wind through a flawed and deficient methodology. Throughout its proposal, NEPOOL makes a number of unsupported assumptions to obtain its lower total capital value in order to arrive at this fictional Trigger Price. First, NEPOOL did not perform a bottom-up, engineering-based estimation of the capital costs for offshore wind resources. Instead, NEPOOL "inferred" a total capital cost value from an analysis and model of power purchase agreements for recent large-scale wind projects in New England, in combination with a survey of various third-party offshore wind capital cost estimates in the public domain. Through this combination, NEPOOL established a capital cost value of \$3,326/kW.⁴ As ISO-NE points out, this method likely runs afoul of the ISO's Tariff.⁵ ISO-NE states that "it is not clear that the inferred capital cost approach is consistent with the Tariff requirements for calculating ORTP values," and

⁴ *ISO New England Inc. and New England Power Pool*, Docket No. ER21-1637-000 (filed April 7, 2021), ISO-NE Transmittal Letter, p. 39, ("ISO-NE Transmittal Letter").

⁵ ISO-NE Tariff § III.A.21.1.2(b). The Tariff requires a number of variables "to calculate the break-even contribution required from the FCM to yield a discounted cash flow with a net present value of zero for the project," including "[c]apital costs, expected non-capacity revenues and operating costs, assumptions regarding depreciation, taxes and discount rate."

that “there is simply no underlying data that explains what comprises the components of...the capital cost NEPOOL assumes.”⁶

In addition to these flaws, NEPGA explains that NEPOOL has not even provided adequate information about its model to enable the Commission and others to evaluate it critically.⁷ The ISO agrees, stating, “there has not been sufficient transparency about how this model functions.”⁸ This is especially problematic given that an analysis performed by the Independent Market Monitor (“IMM”) found that small adjustments to the inputs to the model could have significant impacts on the resulting value, in some cases a 45 percent change in the capital cost value resulting from minor adjustments.⁹ Given these potential vast variances, NEPOOL’s opaque proposal requires a far greater degree of scrutiny than has been possible in advance of its submission to FERC. Coupled with NEPOOL’s insufficiently supported capital cost inferences, NEPOOL has not met the threshold that would allow the Commission to approve its proposal.

While NEPOOL’s capital costs seem to be derived from inferences rather than data, its proposal to amend the ISO Tariff to add an extended-life definition for “New Capacity Resource Economic Life” similarly lacks rational or demonstrable justification as it relies on an arbitrary and discretionary approach to measuring a resource type’s economic life. As outlined in its proposal, NEPOOL seeks to replace the 20-year horizon in ISO-NE’s currently approved Tariff with the number of years that is:

the lesser of (a) the period of time that a New Capacity Resource of a given technology type or types would reasonably be expected to operate before the

⁶ ISO-NE Transmittal Letter, p. 40.

⁷ NEPGA Protest, p. 25.

⁸ ISO-NE Transmittal Letter, p. 41.

⁹ See IMM memo to NEPOOL Markets Committee (Nov. 9, 2020), available at https://www.isone.com/static-assets/documents/2020/11/a4_imm_memo_re_ucs_renew_offshore_wind_amendment.pdf.

resource becomes unprofitable for at least two consecutive years, (b) the expected physical operating life of the resource, or (c) 35 years.¹⁰

As NEPGA points out, a timeline of 35 years is arbitrary and unsupported by sufficient analysis. NEPGA demonstrates that NEPOOL ignores that “capital investment may be necessary to restore the performance levels assumed in the NEPOOL model, particularly past the 20-year horizon ...NEPOOL’s proposal ignores this, and treats a unit approaching the end of its physical life as if it is operating the same as it did on day one.”¹¹ ISO-NE also takes issue with the 35-year horizon, calling it “hopelessly ambiguous” and noting that it “hides a critical component to the financial horizon of a resource, likely leading to unreasonable financial assumptions that could artificially suppress ORTP values.”¹²

In addition to these troubling issues, the affidavit of NEPGA’s expert witnesses extensively details that NEPOOL overstates the anticipated tax benefits by between \$3 and \$8/kW-month and fails to use reasonable assumptions regarding inflation and capital structure.¹³ This serves to artificially lower ORTP values. NEPGA’s affidavit lays out three critical errors in NEPOOL’s modeling:

First, the owner(s) almost certainly do not all have sufficient ability to utilize the tax benefits in the timely manner assumed. Rather, the project sponsor will need to partner with tax equity investors to monetize the tax benefits, which invokes the IRC rules for partnerships not addressed in the NEPOOL model. Second, NEPOOL’s inflation adjustment of the cost of capital overstates the tax benefits and understates the ORTP. And third, NEPOOL’s use of a 60%/40% debt/equity ratio is flawed, which understates the weighted average cost of capital.¹⁴

¹⁰ NEPOOL Transmittal Letter, p. 12.

¹¹ NEPGA Protest, p. 34.

¹² ISO-NE Transmittal Letter, p. 24.

¹³ Joint Affidavit of Richard D. Homich and Dennis Moritz on Behalf of the New England Power Generators Association, pp. 5-8.

¹⁴ *Id.*, p. 2

Taken in totality, these fatal flaws represent a deficient proposal that should not be adopted. Accordingly, the Commission should reject NEPOOL's proposal as unjust, unreasonable, and unduly discriminatory on the merits.

II. CONCLUSION

EPSA supports NEPGA's detailed analysis concluding that there are numerous concerns with both the ISO-NE and NEPOOL ORTP proposals which require the Commission to reject both proposals on procedural grounds. If the proposals are considered by the Commission on their merits, however, it has been clearly demonstrated that NEPOOL's proposal is not supported by sufficient evidence or a transparent methodology. As such, EPSA respectfully requests that NEPOOL's proposal be deemed unjust, unreasonable and unduly discriminatory on the merits.

Respectfully submitted,

N. E. Bagot

Nancy Bagot
Senior Vice President
Bill Zuretti
Director, Regulatory Affairs & Counsel
Electric Power Supply Association
1401 New York Avenue, NW, Suite 950
Washington, DC 20005
(202) 628-8200

Dated: April 28, 2021

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on each person designated on the official service list compiled by the Secretary of the Federal Energy Regulatory Commission in this proceeding.

Dated at Washington, D.C., this 28th day of April, 2021.

/s/ Bill Zuretti
Bill Zuretti