

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

New England Winter Gas-Electric Forum)
)
) **Docket No. AD22-9-000**

COMMENTS OF THE ELECTRIC POWER SUPPLY ASSOCIATION

Pursuant to the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) September 21, 2022 Notice Inviting Comments,¹ the Electric Power Supply Association (“EPSA”)² submits the following comments on the discussion and issues raised during the Commission’s September 8, 2022 New England Winter Gas-Electric Forum (“the Forum” or “September 8th Forum”). The Commission convened this Forum to bring together stakeholders in New England to address the challenges faced historically during New England winters and discuss the stakeholders’ differing expectations for future winters.

EPSA appreciates the opportunity to provide comments in this proceeding and stresses that the myriad issues facing New England are not a failure of its electricity markets but rather are a clear signal that reforms are necessary to address the regional factors impacting system reliability in the winter seasons. As the discussion made clear, ISO New England’s (“ISO-NE” or “the ISO”) energy and capacity markets have for some time needed

¹ Notice Inviting Comments, *New England Gas-Electric Winter Forum*, Docket No. AD22-9-000, (Sept. 21, 2022).

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.

to more clearly value the products and services which ensure system reliability. In these comments, EPSA addresses market issues which focus on mid- and longer-term reliability risks in New England. In preparation for this winter, as discussed below, EPSA urges the Commission to work with DOE to streamline the Section 202(c) emissions limit waiver process. Thereafter, should there be reliability events or emergencies this winter, New England stakeholders must work with the ISO to adopt approaches to those events that resolve concerns in the most expeditious, cost efficient, and market friendly manner possible. In the meantime, all stakeholders must look ahead to stave off these types of events and concerns in the winters to come.

I. COMMENTS

A. Long-Term Solutions to New England's Winter Performance Risks Should be Market-Based Approaches That Value Reliability

Winter energy adequacy has long been a concern in New England and, as the Forum discussion highlighted, the most critical reform that must take place is for the ISO New England markets and the region's states to adequately value system reliability. It can be argued that this has not been the case as states and the ISO have looked to out-of-market approaches to "get us through" the next winter, demonstrating a reticence to fully valuing reliability as a market imperative. While some point to the wholesale market design as a culprit in this reliability shortfall, that is not the case. However, to move forward from where we are today, the reliability risks to be addressed must be clearly identified so that needed market design reforms can be developed to install effective, longer-term market-based solutions to winter reliability anxieties.

New England's wholesale electricity markets have provided the region with lower prices through efficient entry and exit of new resources, despite extensive out-of-market efforts from state policy makers and, at times, the ISO itself. However, as highlighted by

conference participants,³ what is largely a successful market structure has not incented generators to take steps to ensure winter fuel availability in light of regional barriers and constraints to doing so. Alas, this situation remains largely the same as was highlighted a decade ago at the Commission's 2012 Gas-Electric Coordination Technical Conference.⁴ Thus, while New England's winter issues have been well known and well documented,⁵ the region has continued to lean on a series of temporary, out-of-market measures that have cost the region's ratepayers millions of dollars⁶ while not solving the underlying issues by developing and implementing useful, long-term market solutions.

It is commonly acknowledged that New England's limited energy infrastructure – and difficulty in expanding it – is a major driver of its winter issues and one that is a particularly formidable challenge. However, the ongoing insufficient valuation and compensation for generators that provide essential services – including reliability and fuel security – is also a barrier that can and must be addressed by the ISO markets. To move past consideration of

³ September 8th Forum, "Transcript of the 09/08/2022 Technical Conference held in South Burlington, VT re New England Winter Gas-Electric Forum under AD22-9," (Oct 11, 2022), ("Transcript").

See for example, p. 80, David A. Cavanaugh, Senior Vice President, Regulatory & Market Affairs, Energy New England: "And so to your broader question we're looking at reliability of the region, what our solutions are, and we would then look at what that cost is worth. And we really would like to look at the incremental value that is needed to cover the gap that the market doesn't provide."

Page 98, J. Riley Allen, Commissioner, Vermont Public Utility Commission: "I think that there are market design issues. I agree with the other presenters that dispatchability is critically important, and I think that's an issue of how we construct our markets to encourage and preserve, especially existing resources, that have that critical functionality in the short, medium, and I believe the longer term. I think that will go a long way. In my mind that is also a design issue. That is how do we construct the markets to properly and appropriately value and segment the value -- distinct value that dispatchable resources can provide."

Page 211. Katie Dykes, Commissioner, Connecticut Department of Energy and Environmental Protection: "But instead to the extent that the ISO New England could identify the broadest set of products that can provide these services, I think that opens up the door for us to have the next productive conversation around the best market solution to leverage competition to get the resources that we need, and to have the discussion about whose jurisdiction that market solution can best be established under."

⁴ Federal Energy Regulatory Commission, *Staff Report on Gas-Electric Coordination Technical Conferences*, Docket No. AD12-12-000, (November 15, 2012).

⁵ *Id.*, *See also*, ISO New England, Inc., Addressing Gas Dependence, (July 2012).

⁶ *See for example*, Constellation Mystic Power, Inc, Protest of the Electric Power Supply Association, Docket No. ER18-1639-000, (June 6, 2018). In approving Mystic's cost-of-service agreement, New England's ratepayers were saddled with hundreds of millions of dollars in costs, while also paying an unprecedented, fully integrated asset that Exelon created out of whole cloth.

stop gap measures, the region needs a very clear and detailed assessment of the “energy gap” or “reliability gap” that must be addressed. By establishing a common understanding of both the nature and extent of the concerns, stakeholders can work together on sufficient market-based solutions that address the fundamental system shortcomings. EPSA agrees with the sentiments expressed by many at the Forum – including New England state officials and FERC Commissioners – who asked that ISO-NE better define the extent and nature of the energy or reliability shortcomings in New England during extreme winter weather, both in the immediate future and in the long-term.

While ISO-NE is working on a study on extreme weather with EPRI,⁷ the ISO continues to rely heavily on its 2018 Operational Fuel Security Analysis (“OFSA”)⁸ to inform its understand of the fuel security issues that exist in the region. Given that this study is now nearly five years old, and the global and regional outlook have dramatically changed in the intervening years, more detailed analysis is needed to evaluate the energy adequacy risks that New England faces, as the ISO itself has suggested.⁹ Specifically identifying the reliability target will assist in the ability to define and develop specific products and services that would help to solve the region’s winter issues. Given the urgency around this issue, there is no reason that any study cannot be completed expeditiously – this undertaking cannot delay action but instead *is necessary* to inform the appropriate action needed at this time. Hence, any additional study may need to be limited in scope to address only the most critical

⁷ ISO-NE Report at 27, *citing* ISO New England Inc., *Operational Impact of Extreme Weather Events: Energy Security Study* Performed in Collaboration with EPRI, Presentation to the NEPOOL Reliability Committee (July 19, 2022), https://www.iso-ne.com/static-assets/documents/2022/07/a06_operational_impact_of_extreme_weather_events.pptx.

⁸ *ISO New England, Inc.*, *Operation Fuel-Security Analysis*, (January 17, 2018), https://www.iso-ne.com/static-assets/documents/2018/01/20180117_operational_fuel-security_analysis.pdf.

⁹ *ISO New England, Inc.*, *Draft ISO/EDC/LDC Problem Statement and Call to Action on LNG and Energy Adequacy* Federal Energy Regulatory Commission New England Winter Gas-Electric Forum, (September 8, 2022), p. 4, <https://isonewswire.com/wp-content/uploads/2022/08/DraftFERCTechConferenceEverettandEnergyAdequacyProblemStatement-8.29-final.pdf>.

questions and be completed quickly. New England simply does not have the time to wait to move forward. Accordingly, EPSCA believes that any study production time should be limited to no more than 60 days in duration.

The information that stakeholders and the Commission need from the ISO should clearly delineate what the system risks currently are and how various market approaches may resolve those risks – to some extent this needs to expose what level of reliability the ISO and states require from the system based on existing and expected risks. For instance, does a mandatory LNG reserve program secure a fuel supply stockpile that protects against all blackouts even in the most extreme cold weather? And if so, at what cost to consumers, states, and market participants? Is that cost, and the collateral damaging impact to the ISO's markets, worth it for that level of protection?

Importantly, by clearly stating and supporting the reliability objectives to be achieved, market participants can hold far more productive discussions about how to meet those objectives. Once the risk is identified, the market must be allowed to respond. Market-based products or services which will address those risks can be defined, assigned a value, and procured in the amounts needed to achieve system reliability objectives. Once the necessary information is compiled and published by the ISO, there may in fact be one or more existing market products which can resolve looming reliability concerns but may need some level of revision, which could include a valuation that ensures sufficient compensation. The first step is to establish what is needed so that market-based solutions can be developed, valued, and deployed. What has occurred to date is reliance on a series of out-of-market approaches and proposals that bring with them an array of unintended consequences, creating a type of death spiral for the competitive market structure in the region.

In the meantime, current efforts to address Resource Capacity Accreditation and Day-Ahead Reserves are a step in the right direction, though they may not go far enough to address all reliability concerns. Vermont Commissioner Riley Allen summarized the hopes of many at the Forum when he stated, “[W]hat I’m hoping for...was the opportunity to...speak to getting off of the cycle of having the same conversations over and over again [a]nd really focusing on lasting...solutions that will have impact in the coming winters.”¹⁰

In EPSA’s view, the best way for New England to achieve a lasting solution will include defining and developing technology-neutral products and services which address the defined reliability gaps, letting resources compete to provide those services that the grid requires. Such an approach would help New England control the cost of reliable service while ensuring that the region does not foreclose potential solutions from either existing or new resources.

B. New England Must Move Past Out-of-Market Approaches and Develop Market-Based Reliability Solutions

During the Forum, a consistent topic of discussion was the concept of a regional energy reserve or a regional fuel reserve. With details on such an approach not defined or forthcoming, this would appear to be an out-of-market payment to a resource or resources chosen by the states to mitigate their winter issues. EPSA believes this is the wrong approach for the longer-term. In taking a heavy-handed approach that picks winners and losers arbitrarily, New England would not only deprive its ratepayers of the benefits of least-cost, market-based solutions, it would also skew the existing regional market, erecting further

¹⁰ Transcript, p. 97. In a similar vein, Stephen George of ISO-NE further articulated the precarious and inefficient nature of the status quo in New England: “I think in the long-term we need to get out of the business of tracking LNG ships across the ocean. It’s not sustainable. It’s not reliable. That’s what we do today,” p. 43.

challenges for *existing* resources needed to maintain reliability, creating a costly, inefficient – and potentially counterproductive – scenario.¹¹

Any non-emergency out-of-market action would further suppress prices in the region for resources that rely on market revenues. Such an outcome could accelerate the retirements of critical resources or bring about a situation where large swaths of the existing fleet are sustained through out-of-market reliability must run agreements – something the Commission has long sought to avoid.¹² Ultimately, as Chairman Glick noted, New England would be best served trying to figure out how to leverage “all sorts of tools at our disposal” in order to address its winter issues.¹³ Competitive markets remain the best way to procure *and preserve* the resources New England needs, while providing flexible, long-term solutions to its reliability issues. As NPCC CEO Charles Dickerson explained at the Forum, the region must continue to maintain and operate the vast majority of the existing fleet to deliver dispatchable, balancing resources.¹⁴ As new technologies, including long duration battery storage, are not yet able to fully provide this function, for the foreseeable future the region’s existing natural gas-fired fleet will be needed to provide this function.¹⁵ Given these

¹¹ *Id.*, Joint Comments of the North American Electric Reliability Corporation and the Northeast Power Coordinating Council, (September 1, 2022), p. 19: “[T]he pace of the transition must be realistically managed given the essentiality of reliable and affordable electric service to nearly every aspect of modern life. Until alternatives that provide needed flexibility are available and deployed at scale, natural gas will remain an essential component of the electric grid in New England and across North America.”

¹² See, e.g., NYISO, 150 FERC ¶ 61,116 at p. 11. “RMR filings should be made only to temporarily address the need to retain certain generation until more permanent solutions are in place and that all alternatives should be considered to ensure that designating a generator for RMR service is a last resort option for meeting immediate reliability needs.”

¹³ Transcript, p. 25.

¹⁴ Transcript, p. 41.

¹⁵ *ISO New England, Inc*, Draft ISO/EDC/LDC Problem Statement and Call to Action on LNG and Energy Adequacy, (September 8, 2022), p. 1, “[T]he region will depend on gas to ensure the reliable provision of heat and electricity. Specifically, on the electricity side, we will continue to need natural gas to fuel the current gas-fired generation fleet until sufficient clean energy resources and alternative forms of long duration energy storage are built.”

Joint Comments of the North American Electric Reliability Corporation and the Northeast Power Coordinating Council, (September 1, 2022), p. 18, “Until suitable alternatives that can mimic gas generation’s high flexibility to integrate variable energy resources and replace the kilowatt-hours produced from natural gas generation are available and deployed at scale, the natural gas system will remain core to electric reliability in New England.”

constraints, New England will need to continue to refine its markets in a way that preserves its existing dispatchable resources.¹⁶ This will become particularly challenging – but critically important – as new, intermittent resources grow in number and erode energy market revenue opportunities for existing, flexible resources.

Even considering this continued need for thermal resources to maintain system reliability, recent suggestions to establish a fuel reserve via out-of-market means exemplify the types of approaches that are not durable or sustainable for the region. Rather, such a program would likely beget a new array of challenges to New England including negative collateral impacts to the ISO markets. Products or services priced into New England’s wholesale markets represent a better approach, as this would be responsive to externalities, both regional and global, and better able to quickly and seamlessly integrate new technologies that could provide what New England’s grid needs in a least cost manner.

One of the market-based concepts floated at the Forum was the discussion of an insurance product. While this product has not been clearly defined, the positive response to this concept during that discussion exposes the underlying need for better information about what must be resolved in New England to better ensure winter reliability of the power grid. It may well be that there are existing products or services which can function as a type of “insurance coverage” for the ISO, but the fundamental underpinning to that type of coverage is to first understand the threats to be addressed. The ISO should undertake an expedited study, as discussed above, to clearly identify what the system lacks and thus needs.

¹⁶ *Modernizing Wholesale Electricity Market Design*, Report of ISO New England, Inc., p. 8, referencing ISO-NE’s *Pathways Study*.

C. Emissions Waiver Streamlining Is Needed to Address Emergency Situations This Winter

While EPISA is not suggesting any immediate market solutions, one action that should be undertaken immediately to address an existing barrier to emergency responses is a streamlining of the Section 202(c) emissions limit waiver process. As winter conditions can often be tight in New England, making it easier to apply for these waivers would be a valuable tool to address a very specific existing limitation during times of stress or emergency. In order to ensure the process maintains the integrity of the emissions limitations, it may make sense to outline a specific set of trigger conditions under which the ISO can have blanket authority to allow a unit to run under a 202(c) waiver should it need additional generation to keep the lights on in emergency conditions. Today, these waivers become necessary on very short notice and the ISO is forced to coordinate with an individual generation operator on hours' notice – sometimes over weekends or in the dead of night – in order to obtain a waiver to allow for emergency operations. The Commission should encourage the ISO-NE and the Department of Energy (“DOE”) to develop these trigger conditions to support a blanket waiver authority to prevent possible service interruptions that could otherwise be avoided should a 202(c) waiver not be granted in time. Other measures, including examination of a Jones Act waiver, may also merit consideration to address short-term barriers not related to market design to regional fuel security.

II. CONCLUSION

EPSA believes that ISO New England must expeditiously identify the reliability risks the region faces so that the ISO can then work with stakeholders to define and develop market-based products and services to address those regional winter reliability concerns. To support this effort, the first step is to complete a time- and scope-limited study to identify the most critical reliability or energy gaps to allow the region to get to work on the resource and technology neutral products and services it needs as soon as possible. The Commission also should work with the ISO and DOE to streamline the 202(c) waiver process to allow the ISO to better prevent avoidable service interruptions in a timely manner in emergency conditions.

Respectfully submitted,

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