



Amendments to ISO-NE's Energy Security Improvements Proposal

NEPOOL Markets Committee
September 3-4, 2019



Introduction

- The MA AGO is proposing three separate amendments to ISO-NE's ESI proposal.
- Each is a stand-alone to be voted separately.
- Each is intended to afford the opportunity to evaluate ESI in various ways: the cost and the efficacy of its individual elements, as well as the overall suite of AS products.
- This cautious approach is warranted because ESI is a major market change and we lack necessary information to fully evaluate its costs and its effect on energy security.



Proposed Amendments

Amendment #1: Restrict use of GCR, RER, EIR to winter months; require impact analysis and NEPOOL stakeholder process before implementing ESI year-round.

Amendment #2: Limit use of RER 90 & RER 240 options year-round.

Amendment #3: Add a sunset provision to ESI to trigger review of program need and efficacy.



Amendment #1

Purpose: Restrict GCR, RER, and EIR to winter months; require impact analysis and NEPOOL stakeholder process before implementing ESI year-round.

1. Procurement Quantities

- For the period March-November: procurement quantities for EIR, RER, GCR set to zero. Rely on current market rules for the non-winter period.*
- For period December-February: ISO-NE proposed procurement.

2. Impact Analysis

- Direct ISO-NE to conduct an impact analysis of the new AS over the nine non-winter months (March-November).
 - Use same framework as current winter-only impact analysis; extend to other months.

**This amendment may require slight changes to the Forward Reserve Market (“FRM”) to ensure that there is no overlap between the ESI and FRM seasons. E.g., remove FRM from December through February, by redefining of the FRM’s Winter Capability Period (III.9.1) as October 1 through November 30 and March 1 through May 31.*



Amendment #1 Rationale

- Winter-only ESI is consistent with July 2, 2018 FERC Order in EL18-182.
- Stakeholders have no assessment of total program costs or total program benefits.
 - ISO-NE’s impact analysis focuses only on the *winter* months; the period when ISO-NE asserts that most benefits will accrue.
 - Winter-only analysis gives us no sense of costs or benefits for the other nine months.
 - ISO-NE does not meet its own stated objective of reducing the system’s total cost of production, if it does not demonstrate overall costs or benefits.¹
- We should fully understand the effects and costs of ESI before committing to a year-round implementation.
 - A year-round impact analysis would allow stakeholders to assess the potential impact of ESI on cost-to-load, market revenues for resources, and reliability impacts.
- Does not preclude expansion of ESI to full year operation, subject to future tariff revision, if a year-round analysis – vetted through the NEPOOL process – demonstrates that such a change is warranted.

[1] ISO-NE April MC Presentation at 49: Goals: “Compensate the supplier such that it will be willing to incur the fixed costs of arranging energy supplies in advance when that would be **cost-effective from the system’s standpoint**”; “Tie compensation to consequences, so that the supplier will be induced to incur the fixed costs of arranging energy supplies **whenever efficient (for the system)**”. cf. Whitepaper at 8, 13, 33, 38, & 67.



Amendment #2

Purpose: This amendment limits use of RER year-round.

1. Procurement Quantities

- In all hours of the year, set demanded quantity of RER-90 & RER-240 to a maximum of zero MW/h.

Amendment #2 may be modified or withdrawn subject to receipt of additional analysis and impact analysis runs.



Amendment #2 Rationale

- The RER product may not be cost effective in any period.
- ISO-NE has not demonstrated that RER helps with market efficiency or reliability.
- ISO-NE has not argued that RER is an essential component of the ESI design (unlike claims that GCR needs EIR).
 - RER is a fundamentally different product than GCR or EIR.
- RER may be “baking in” a higher level of reliability than required under NERC/NPCC requirements: it is a reserve product for reserve products.
 - ISO-NE has not shown that the system has had trouble recovering reserves historically; impact analysis does not show it will have this trouble in the future.
- Does not preclude ISO-NE “turning on” RER-90 and RER-240, subject to future tariff revision, vetted through the NEPOOL process.



Amendment #3

- The various elements comprising ESI will remain in effect for the 2024/25, 2025/26 and 2026/27 Capacity Commitment periods, after which they will sunset on May 31, 2027.



Amendment #3 Rationale

- While ESI is designed as a “long-term solution,” ISO-NE has provided inadequate information to assess its need and efficacy.
- Sunset provision provides clean way to trigger re-evaluation of ESI after several years.
 - Does not preclude continuation of ESI after sunset date, subject to future tariff revision via NEPOOL process, if program has demonstrated its need and efficacy.
- Proposed sunset: May 31, 2027
 - ISO-NE and stakeholders would have 2+ years to evaluate need and efficacy before proposing tariff revisions.



Questions?