

TO: NECPUC
FR: Carolyn O'Connor
DA: October 28, 2011
RE: Update on Recent and Upcoming Regional Activities

This memo is prepared by ISO's External Affairs Department to provide an update on several regional issues and activities that may be of interest to you. For your convenience, when appropriate, I have identified dates when key discussions and votes are scheduled to occur at stakeholder meetings, as well as planned filings.

There are also sections highlighting upcoming ISO speaking engagements and meetings that may be of interest.

Issues and Updates

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ISO Speaking Engagements and NEPOOL and Other Meetings of Interest

Strategic Planning Initiative

ISO has developed a white paper that addresses the alignment of markets and planning, which is one of the risks identified in the Strategic Planning Initiative. The paper and a memo from Gordon van Welie are [posted](#) in anticipation of the November joint meeting of the Participants Committee and the ISO-NE Board of Directors.

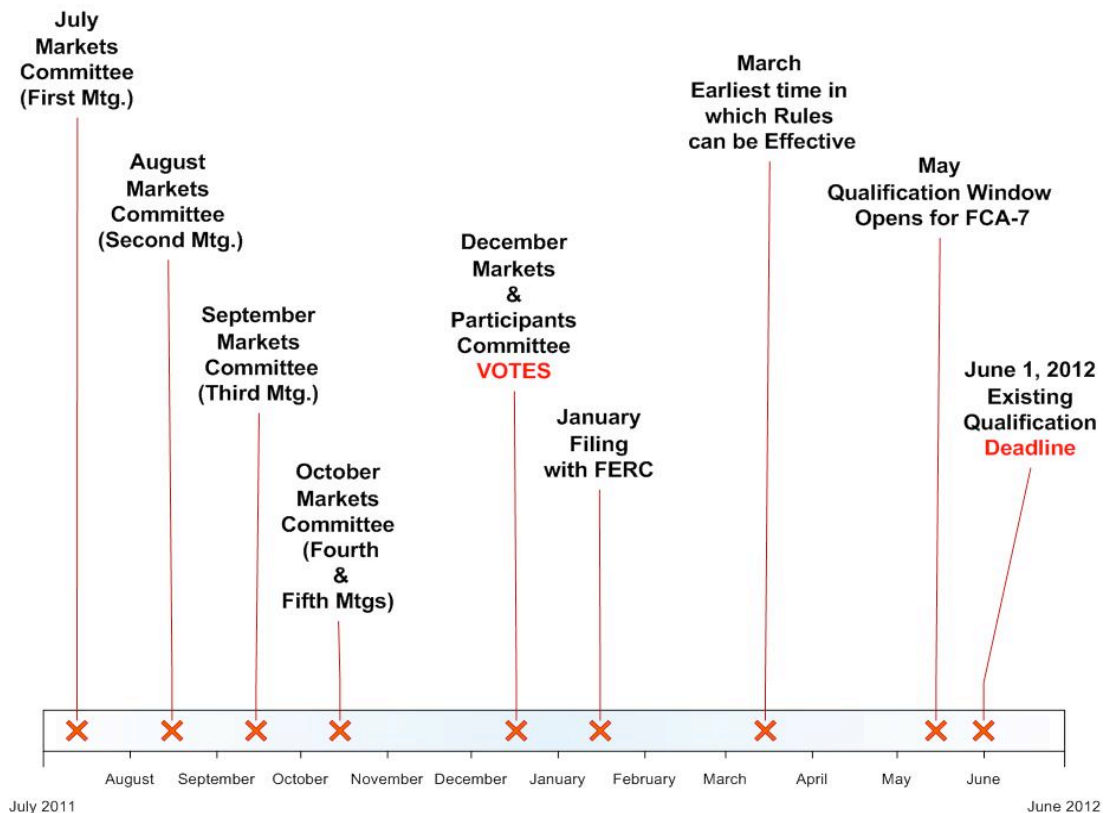
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FCM Reform Rules

On April 13, 2011, [FERC issued an order](#) relative to the redesign of the region's Forward Capacity Market. Initially, the ISO was concerned with its ability to implement the order prior to the eighth Forward Capacity Auction. However, in August the ISO determined that all of the Forward Capacity Market revisions required by the April 13 Order can be implemented for the seventh FCA.¹ FCA-7 revisions will include elimination of the auction floor price, elimination of the use of CONE (Cost of New Entry), and the implementation of the new market power mitigation process.

Upcoming Schedule and Timeline for Proposed Rules

Since July, the Markets Committee has been discussing and reviewing proposed rules. The rules are set to be voted upon by the Markets and Participants Committees in December.



Tentative Timeline: Including upcoming dates for the rules for FCA-7

¹ Except for modeling all eight energy zones in the capacity market. Only four zones will be modeled initially. The ISO will work with the appropriate NEPOOL technical committees to review the existing eight energy zones and identify the appropriate zones for capacity purposes. Implementation of the appropriate zonal configuration will follow after the completion of this process.

Minimum Offer Price Mitigation

As part of the capacity market reform order, FERC directed the region to use an offer-floor mitigation methodology to deter new resources from offering into the capacity market at prices that are significantly below their true net cost of entry due to out-of-market revenues. The objective of the offer-floor mitigation is to ensure that new resources are not able to suppress capacity auction prices below competitive levels

To comply with this order, ISO New England’s Internal Market Monitor (IMM) has proposed Minimum Offer Price Mitigation Rules.² Under this proposal, the IMM will establish Offer Review Trigger Prices for generation and demand resources including energy efficiency. Any offer at or above the relevant Offer Review Trigger Price is deemed competitive; however all offers below the relevant Offer Review Trigger Price must be submitted to IMM for evaluation with supporting information. IMM will evaluate the supporting information using data from independent sources and either accept or mitigate the offer.

While all offers below the relevant Offer Review Trigger Price will be reviewed, the IMM will mitigate only those offers that are below the Offer Review Trigger Price due to the inclusion of out-of-market revenues or which are supported by a regulated rate, charge or other cost recovery mechanism. Generally, out-of-market revenues are any form of support (direct or indirect) that is not broadly available through the market to any Market Participant developing a project of the same type.

The IMM is proposing the following Offer Review Trigger Prices:

Resource Type	Offer Review Trigger Price (\$/kW-mo)
Combustion Turbine	\$10
Combine Cycle Gas Turbine	\$11
Biomass	\$24
Wind	\$14
Active Demand Response	\$1
Energy Efficiency	\$0

The Massachusetts Attorney General’s Office has proposed an amendment that will provide limited categorical exemptions for wind and solar resources so that the “IMM will NOT mitigate new wind and solar resources whose offers are below their Offer Review Trigger Prices.”³ Among other things, MAAG said that applying the Offer Review Trigger Price for wind and solar is not consistent with the intent of state legislatures when they developed renewable portfolio standards and energy efficiency goals to lower emissions through displacing carbon-intensive fossil-fuel generation.

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² See October 24, 2011, Presentation by Marc Montalvo to NEPOOL Markets Committee, http://www.iso-ne.com/committees/comm_wkgrps/mrks_comm/mrks/mtrls/2011/oct242011/a03c_imm_presentation_10_24_11_r1.ppt.

³ See October 24, 2011 Presentation by David Cetola to NEPOOL Markets Committee. http://www.iso-ne.com/committees/comm_wkgrps/mrks_comm/mrks/mtrls/2011/oct242011/a03d_ma_ag_presentation_10_24_11.ppt

Federal Affairs

Proposed DOE-FERC Transfer of Authority Withdrawn

On October 11, the U.S. Department of Energy (DOE) [decided against](#) transferring to the Federal Energy Regulatory Commission (FERC) the authority to conduct transmission congestion studies and the designation of regions with significant congestion challenges. In July and August, DOE asked for public comment about the possible transfer of the two responsibilities given to DOE under Section 216 of the Federal Power Act. Several groups, like the National Association of Regulatory Utility Commissioners, strongly opposed the transfer. Instead the Secretary of Energy and the Chairman of FERC announced they would work in tandem to draft “Transmission congestion studies mandated by Congress; Supplements to those congestion studies based on, among other things, the transmission plans prepared pursuant to Orders 890 and 1000; and the environmental analyses for any proposed National Interest Electric Transmission Corridors.”

House Energy and Commerce Panel Explores Order 1000

A House Energy and Commerce Subcommittee heard from FERC Chairman Jon Wellinghoff and DOE Senior Advisor Lauren Azar on the benefits and challenges of Order 1000. The [hearing](#) fully explored the intra- and interregional cost allocation and regional planning aspects of Order 1000. This included direction to the regions to begin to incorporate enacted renewable energy standards into regional planning.

Several members struggled to understand how Order 1000 defines ratepayer “beneficiaries” for the purposes of cost allocation, and how a “benefit” is identified. Chairman Wellinghoff noted FERC attempted to achieve a balance in Order 1000 between being overly prescriptive and granting maximum flexibility to regions to make those determinations. Wellinghoff stated he does not believe FERC handed too much flexibility to the states/regions as FERC will be the ultimate arbiter in determining compliance. Members also pushed to ensure no preferences were given to certain forms of energy and that Order 1000 contains no subsidies for renewable energy or incentives for renewable energy transmission. Chairman Wellinghoff noted that additional transmission built under Order 1000 will improve efficiency and keep electric rates down.

Senate Energy Committee Hears from DOE’s Shale Gas Production Panel and EPA/USGS

Earlier this month members of the Secretary of Energy Advisory Board’s Subcommittee on Shale Gas Production [appeared](#) before the Senate Energy and Natural Resources Committee to discuss its initial [90-day report](#) released in August. The report is designed to investigate ways to lessen the environmental impacts of shale gas extraction and improve safety practices for workers. The Subcommittee’s final report is due in mid-November.

The hearing featured extended discussion over the significant depth and quality of the regulation of the natural gas extraction industry at the state level, and ways the federal government could provide additional support to a pair of programs to encourage industry best practices and additional R&D. Subcommittee members noted the specific act of hydraulic fracturing has not impacted water quality. However, peripheral actions of hydraulic fracturing can impact the local environment, and companies and communities need to practice continued due diligence in their oversight.

On Oct. 20, a Senate Energy and Natural Resources Subcommittee (chaired by Sen. Jeanne Shaheen (D-NH)) heard from [witnesses](#) from the U.S. Environmental Protection Agency and the U.S. Geological Survey on shale gas production/hydraulic fracturing and its impact on water quality in the eastern U.S. The witness from the EPA noted that the Agency had just announced it was beginning stakeholder discussion to develop national pretreatment standards for wastewater from hydraulic fracturing with a goal of issuing a proposed rule in 2014. The purpose of the rule will be to ensure that wastewater that flows back to the surface from the hydraulic fracturing process is properly treated before being released back into the environment. The hearing also explored the differences in fracturing in the eastern U.S. (including higher water salinity levels), proper oversight of sedimentary by-products from drilling pad and access road construction, and the importance of conducting “baseline” research to measure the impact of drilling activities on local environments.

House Cybersecurity Task Force Recommendations

On October 5, the House of Representative's Republican Cybersecurity Task Force released its list of [recommendations](#) for addressing comprehensive cybersecurity reform. The Task Force was asked to make recommendations in four areas: protecting critical infrastructure and incentives (including power distribution); information sharing and public-private partnerships; updating existing cybersecurity laws; and legal authorities. At least nine committees have some form of jurisdiction over cybersecurity in the House, and Task Force members expressed their skepticism at an initial single, comprehensive bill covering such a complex topic.

In direct opposition to existing Congressional and Administration reform efforts, the Task Force noted "We are generally skeptical of direct regulation and of government agencies grading the security of a private company, which is another form of regulation. Threats and practices change so quickly that government-imposed standards cannot keep up. Regulations can add costs that ultimately come out of consumers' pockets." Instead the Task Force relies on voluntary incentives to encourage private companies to undertake needed security upgrades. And while carefully targeted regulation may be necessary for critical infrastructure, that infrastructure must be carefully identified, and those companies targeted as critical infrastructure must have full and complete participation in the development of standards and best practices.

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Summary of North American Synchronphasor Initiative (NASPI) Working Group Meeting

The North American Synchronphasor Initiative ([NASPI](#)) held a meeting in San Francisco in October to provide recipients of U.S. DOE-funded smart grid investment grants (SGIG) a forum to discuss the status of their synchronphasor projects. Synchronphasors are precise time-stamped measurements of grid performance taken by phasor measurement units ("PMUs"). NASPI is a joint effort of industry, U.S. DOE, and NERC, aimed at promoting deployment of synchronphasors. The meeting provided attendees a chance to exchange technical information relevant to the installation and operation of PMUs.

Several common themes came to light regarding the implementation of the SGIG projects. First, coordinating work with the various TOs is challenging. Another significant challenge is the management and storage of the tremendous amount of data (between 30 – 120 measurements per second) generated by PMUs. Some participants also noted that PMUs can at times generate anomalous readings. This led to a discussion of the need for highly accurate data if operators are to use real-time PMU information to help manage the grid (e.g., early event detection and wide-area visualization).

Technical sessions focused on the testing of PMUs and the ongoing work to develop interoperability standards and a registry for PMU signals.

The meetings concluded with a tour of PG&E's Synchronphasor Test Lab in San Ramon, CA. PG&E representative Vahid Madani (pictured) showed the company's state-of-the-art facility designed to test PMUs and demonstrate the benefits of the devices for grid operators.



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Regional System Plan

ISO published the final 2011 Regional System Plan (RSP11) on October 21, 2011. The [press release](#) and [report](#) are posted on the ISO website. (The report does not contain CEII.)

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Planning Advisory Committee

The Planning Advisory Committee (PAC) is scheduled to meet twice in November, on the 16th and 17th. The Nov. 16 meeting is at the DoubleTree Westborough. The Nov. 17 meeting is at the Courtyard Marriott Marlborough, Marlborough, MA. Both meetings begin at 9 a.m. A separate notice will be issued to announce the agendas for these meetings.

Advanced registration for PAC meeting is required. Please register online through the ISO [Calendar](#).

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Access to Critical Energy Infrastructure Information

ISO New England has implemented a new system to provide access to Critical Energy Infrastructure Information (CEII) on the ISO website. The new system uses a digital certificate in place of usernames and passwords to access CEII material posted for the PAC and the Reliability Committee (RC).

If you have CEII approval

If you previously had access to CEII, then you should have received an email from **Customer Service at ISO-NE** informing you of the new system. (If you did not receive an email from Customer Service, please contact them directly.) You do not need to submit a new PAC (or RC) form to access PAC (or RC) materials under the new system, but you will need to follow the instructions from Customer Service to activate your digital certificate.

If you do not have CEII approval

If you do not have access to CEII, then you need to contact Customer Service to complete the appropriate CEII forms and obtain a digital certificate. In this case, we strongly urge you to submit the necessary forms and allow time to complete the activation of a digital certificate well in advance of the stakeholder meeting you plan to attend where CEII materials are discussed. Forms are processed as quickly as possible, but cannot be processed immediately due to the volume of requests and the need to verify the information that is submitted. Please plan accordingly.

To find out if you have CEII access, or if you have questions about a digital certificate, please contact Customer Service by email: custserv@iso-ne.com or by phone: (413) 540-4220.

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Wholesale Electricity Costs September 2011

Natural gas prices are one of the key drivers in regional electricity costs. The average natural gas price for September was \$4.18/MMBtu – down 4% from August 2010 and 2% below September 2010. Similarly, the average Day-Ahead and Real-Time Hub prices in September 2011 were approximately \$41 and \$42.50 respectively, which were also modest declines from the prior month.

	September 2011	September 2011 Compared to August 2011	September 2011 Compared to September 2010
Average Day-Ahead LMP (hub)	\$41.04/MWh	-6%	-9%
Average Real-Time LMP (hub)	\$42.56/MWh	-3%	-10%
Average Natural Gas Price	\$4.18/MMBtu	-4%	-2%
Peak Real-Time Load	20,319 MWh	-13%	-22%
Average Real-Time Load	14,741 MW	-8%	-1%

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Two-Day NECPUC Training – November 7 and 8 On November 7 and 8, ISO will be providing a special two-day training class for NECPUC. This training, *ISO New England Markets and Transmission Services: An Intermediate Overview*, will review New England’s three largest electricity markets – Energy, Capacity and Ancillary Services – including examples of how the markets interact. *Registration is closed and no more seats are available for this training.* Approximately 50 state regulators from all of states in the region are registered to attend this training in Milford, Massachusetts.

November 7, 2011	November 8, 2011
Topics to be discussed include: <ul style="list-style-type: none">• Introductory Information• Competitive Markets• Unit Commitment & Economic Dispatch• Locational Marginal Prices• Energy Markets Concepts• Settlements& NCPC	Topics to be discussed include: <ul style="list-style-type: none">• Financial Transmission Rights• Market Interactions• Ancillary Services• Capacity

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ISO 2012 Budget

In October, ISO filed its 2012 [Administrative Cost](#) budget and its 2012 [Capital Budget](#) with the FERC. The proposed budget continues the measured-growth approach adopted for 2011.

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ISO Speaking Engagements and NEPOOL and Other Meetings of Interest

November 1, 2011

New York ISO/ISO New England Joint Symposium, Hilton New York City, New York, NY.
 (Panelists include ISO New England President & CEO Gordon van Welie). [Conference website](#)

November 3, 2011

NECA Annual Power Markets Conference, Doubletree Hotel, Westborough, MA (Keynote speaker:
 ISO President & CEO Gordon van Welie)

November 3-4, 2011

New England-Canada Business Council Annual Energy Trade and Technology Conference,
 Seaport Hotel, Boston, MA (Panelist: John Norden, ISO New England Director of Operations)

November 9-10, 2011

Holyoke Clean Energy Innovation Workshop, Open Square Mill #1, Holyoke, MA. (Panelists
 include ISO and U.S. DOE Assistant Secretary Patricia Hoffman). [Register for Workshop here.](#)

	Participants Committee	Markets Committee	Reliability Committee	Planning Advisory Committee	Transmission Committee	NECPUC Conference Call	Consumer Advocate Conference Call
Nov.	18	9, 10	15	16, 17	4	4	21
Dec.	12	6,7	13	14	1	12	19

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