

162 FERC ¶ 61,175
UNITED STATES OF AMERICA

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previously prohibited, while accounting for the actual net impact on reliability. ISO-NE also states that the new mechanism is straightforward to negotiate and administer.¹²

8. ISO-NE states that the proposed ART is an accounting mechanism that, when settled, offsets any price difference between the negotiated fixed price of the bilateral agreement and the ARA clearing price. ISO-NE states that the two parties to an ART agree on a fixed price (\$/kW-month), a quantity (MW), and a location (capacity zone) and then, separately, each party enters a bid or offer in the ARA.¹³ ISO-NE states that after the auction, the ART is settled based on the difference between the ARA clearing price and the ART fixed price, multiplied by the quantity (the quantity of an ART is a notional amount only; it is not a CSO).¹⁴ ISO-NE states that, if the result is positive, the transferring party will receive this amount as a credit each month of the capacity commitment period and the acquiring party will be charged this amount each month. If the result is negative, the acquiring party will receive this amount as a credit each month and the transferring party will be charged this amount each month. ISO-NE states that the settlement of the ART will offset the settlement of the demand bid and supply offer such that the net settlement for each party is equivalent to the fixed price of the ART, in general.¹⁵ Generally speaking, ISO-NE states, when the ARA yields an improvement in

¹² *Id.* at 33.

¹³ *Id.* at 33-34.

¹⁴ ISO-NE states that an added feature of the ART mechanism is that this price assurance does not depend on the demand bid or supply offer clearing in the ARA. The ART settlement is based on the difference between the ARA clearing price and the ART fixed price. *Id.* at 48.

¹⁵ ISO-NE states that, as an example, suppose that a supply offer and demand bid of the same size (100 MW) exist in the same zone (the Rest-of-Pool Capacity Zone). Because neither party would know for certain what the ARA clearing price will be, but they would both rather have a price certain, they agree to an ART prior to the ARA at a negotiated fixed price of \$7.50/kW

reliability there will be a charge to load (paid to suppliers) and conversely, when the ARA yields a worsening in reliability there will be a credit to load (paid by suppliers).¹⁶

9. ISO-NE explains that the ART mechanism accounts for partial substitutability, unlike a CSO Bilateral that would be denied by the ISO if the capacity was not deemed fully substitutable across the zone's boundaries. ISO-NE elaborates that the ART mechanism provides a means to achieve the equivalent of a private transfer across constrained zone boundaries, regardless of the zone's fixed requirement because the combined settlement of the ART and ARA bids and offers accounts for the impact on reliability.¹⁷ Thus, ISO-NE concludes that the ART mechanism, in combination with ARA participation, effectively provides price certainty to the extent the transfer is substitutable and the proper settlement with load to the extent the transfer is not fully substitutable.¹⁸

10. Filing Parties state that ARTs, like CSO Bilaterals, must be subject to financial assurance requirements to protect the overall market. Thus, ISO-NE's proposal includes changes to the ISO New England Financial Assurance Policy to ensure that appropriate levels of financial assurance are provided when parties enter into ARTs.¹⁹

B. ~~CONFORMING~~
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11. As to the second set of changes, Filing Parties also propose tariff revisions related to the use of the MRI-Based Demand Curves. ISO-NE states that these changes modify or eliminate elements of the existing capacity market rules that are incompatible with the use of MRI-based demand curves.²⁰ For instance, Filing Parties explain that the conforming changes eliminate several methods of transferring CSOs on a sub-annual basis, which will ensure that annual market activities are for annual CSOs. Going forward, ISO-NE proposes to limit monthly transfers of CSOs to transactions within the

Docket Nos. ER18-455-000 and ER18-

The following parties submitted timely motions to intervene: Exelon Corporation, Brookfield Energy Marketing LP, Consolidated Edison Energy, Inc., National Grid, NRG Power Marketing LLC and GenON Energy Management, LLC, Eversource Energy

19. FirstLight states that it supports the bulk of Filing Parties' filing, except for the proposed change to materiality thresholds. Specifically, FirstLight objects to the change to the significant decrease thresholds, which would consider any deficiency of less than 2 MW as insignificant, irrespective of what percent of the resource's CSO cannot be supported by the resource's actual capability.³⁶ FirstLight argues that this change would ignore significant deficiencies by smaller resources and would result in discriminatory treatment of capacity resources. FirstLight explains that, for example, if a resource with a 5 MW capacity sale can only demonstrate a 3.01 MW capability, an almost 40 percent deficiency, it would have no culpability or consequence for that deficiency. FirstLight argues that, conversely, a resource with a 20 MW capacity sale, which can demonstrate Tle

still unfairly discriminates between resources. FirstLight points out that the new thresholds would accept a less than 2 MW resource with up to a 100 percent deficiency while other resources will face a threshold of 10 percent. FirstLight disagrees with ISO-NE that the ongoing obligations associated with a CSO help justify the 2 MW threshold. FirstLight contends that the willingness of a market participant to accept the financial consequences of a non-performance penalty is not enough. FirstLight concludes that a financial charge to the resource owner, even if it occurs, will not keep the lights on and is not a replacement for the physical provision of capacity.⁴⁴

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A.

25. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2017), the timely-filed unopposed motions to intervene serve to make the entities filing them parties to this proceeding. We will grant PSEG Companies' late intervention given its interest in this proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

26. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2017), prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority. We will accept the answers in this proceeding because they have provided information that have assisted us in our decision-making process.

27. We find good cause to grant Filing Parties' request for waiver of the 120-day notice requirement in section 35.3 of the Commission's regulations.⁴⁵ Additional notice will provide market participants with more time to prepare for the implementation of the financial assurance changes.

B.

28. As discussed below, we accept the Filing Parties' proposed filing, effective March 1, 2018 and June 1, 2018, as requested. We agree with Filing Parties that the ART mechanism provides a just and reasonable replacement of the CSO Bilateral, while also accounting for the impact on system reliability from the use of the MRI-Based demand curves. The ART mechanism will accommodate even or uneven exchanges within the same zone or across constrained zone boundaries, even where exchanges previously were prohibited, while accounting for the actual net impact on reliability in a manner that does not disadvantage suppliers or consumers. By allowing for partial substitutability, the

proposed ART mechanism will provide more flexibility to resources looking to replace their CSO through a bilateral contract. Further, the ART mechanism accounts for proper settlement with load due to the impact of a resource's location on system reliability through the combined settlement of the ART and ARA bids and offers. We also note that no party protested or filed adverse comments with respect to Filing Parties' proposed replacement of the current CSO Bilateral construct with the ART mechanism. Accordingly, we accept as just and reasonable the proposed ART mechanism.

29. We reject Indicated New England Generators' request that the Commission accept the filing with the condition that the mandatory demand bid changes take effect in FCA 9, rather than FCA 11. Because we find Filing Parties' proposal, including its implementation date, to be just and reasonable, we need not consider whether an alternative proposal is also just and reasonable.⁴⁶ Further, section 205 provides utilities

The Commission orders:

Filing Parties' proposed revisions are hereby accepted, effective March 1, 2018 and June 1, 2018 as requested, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.