



Sherry A. Quirk  
202/778-6475  
squirk@schiffhardin.com

1666 K STREET N.W., SUITE 300  
WASHINGTON, DC 20006

t 202.778.6400  
f 202.778.6460

www.schiffhardin.com

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**VIA ELECTRONIC FILING**

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
Room 1A-East, First Floor  
888 First Street, N.E.  
Washington, D.C. 20426

**Re: ISO New England Inc., Docket Nos. ER07-546-002, ER07-547-001,  
and RM06-8-000**

Dear Secretary Bose:

Attached for electronic filing in the above-referenced docket is the *Answer of ISO New England Inc.* A copy of the foregoing has been served upon all parties included in the Commission's service list.

If you have any questions regarding this filing, please feel free to contact me. Thank you for your assistance in this matter.

Respectfully submitted,

/s/ Sherry A. Quirk  
Sherry A. Quirk, Esq.  
Robin E. Remis, Esq.

Counsel for ISO New England Inc.

Attachment

cc: Official Service List

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

<b>ISO New England Inc.</b>	)	<b>Docket Nos. ER07-546-002</b>
	)	<b>ER07-547-001</b>
	)	<b>RM06-8-000</b>

**ANSWER OF ISO NEW ENGLAND INC.**

Pursuant to Rules 101(e), 212 and 213 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission” or “FERC”),<sup>1</sup> ISO New England Inc. (the “ISO”) hereby submits its *Answer* (“*Answer*”) to comments filed in the above-captioned proceeding regarding the June 21, 2007 Compliance Filing Setting Forth Prioritization of Issues and Requesting Technical Conference (“Compliance Filing”). The instant *Answer* provides a limited response to the comments (“Comments”) that were filed jointly by the Connecticut Department of Public Utility Control, the New Hampshire Public Utilities Commission, and the Rhode Island Public Utilities Commission (“CT DPUC *et al.*”) relating to the June 21 Compliance Filing.

**I. BACKGROUND**

Pursuant to the terms of the FCM Settlement Agreement (“FCM Settlement”) filed on March 6, 2006 and approved by the Commission on June 16, 2006, and pursuant to Section 205 of the Federal Power Act , on February 15, 2007, the ISO submitted a filing containing revisions to the Market Rules implementing the FCM Settlement (“February 15 Filing”). The ISO

<sup>1</sup> See 18 C.F.R. §§ 385.101(e), 385.212 and 385.213 (2007).

underscored the need to prioritize several issues that were not addressed in the filing that need to be considered as the FCM is implemented and certain tasks that remain to be accomplished separate and apart from the FCM, and committed to make a compliance filing no later than September 1, 2007 setting forth a prioritization of the issues. Certain parties protested this approach and, instead, urged the Commission to adopt a set timetable for resolving specific issues, including the interconnection queue process to be followed once the FCM is adopted and the circumstances, terms and conditions for Reliability Agreements after FCM implementation.

In its April 16 Order, the Commission accepted the February 15 Filing subject to the condition that the ISO file certain changes set forth in the body of the order.<sup>2</sup> The Commission acknowledged the ISO's intent to submit a compliance filing setting forth the order of priority in which it will consider important issues relating to FCM.<sup>3</sup> Rejecting the request of some of the protesting parties, the Commission declined to set a time table for resolution of these issues.

On May 16, several state regulatory agencies filed for rehearing of the April 16 Order and claimed, *inter alia*, that: (1) the queue issues should be resolved with Market Rules being filed no later than February 1, 2008, and (2) Reliability Agreement compensation issues should be resolved prior to the first FCA. On May 31, 2007, the ISO filed its answer to this rehearing request, again urging the Commission to consider prioritization of ISO work pursuant to this compliance filing, rather than in the context of the rehearings.

On June 21, 2007, the ISO and NEPOOL filed the Compliance Filing setting forth the order of priority in which the ISO will consider certain regional projects, including issues related to the implementation of the FCM. In addition, the ISO and NEPOOL requested that the

<sup>2</sup> *ISO New England Inc.*, 119 FERC ¶ 61,045 at ordering paragraph A (2007).

<sup>3</sup> *Id.* at P 60.

Commission convene a technical conference for purposes of discussing the major project priorities outlined in the Compliance Filing to permit additional dialogue among representatives of state regulators, the ISO and New England stakeholders with the involvement of the Commission, to ensure that the region's priorities reflect the Commission's views after consideration of the diverse viewpoints of all interested entities. The CT DPUC *et al.* submitted Comments in response to the Compliance Filing and renewed the request that the Commission set a time table for resolution of certain issues.

On July 25, 2007, the Commission issued an Order Granting and Denying Rehearing and Denying Clarification<sup>4</sup> (“Order on Rehearing”) in which it addressed the issues raised by the CT DPUC *et al.* In the Order on Rehearing, the Commission reiterated its concern that the proposed timetable was “unreasonably short” and renewed its rejection of the request to impose a timetable for filing tariff provisions setting forth an alternative to reliance on the interconnection queue as a determinant of which capacity resources may qualify for participation in an FCA. The Commission also rejected NECPUC's argument that the current tariff provisions would produce unjust, unreasonable and discriminatory prices over the course of multiple FCAs.<sup>5</sup> The Commission acknowledged the prioritization filing submitted by the ISO and NEPOOL, and stated that it will evaluate the timetable advanced therein.

<sup>4</sup> *ISO New England Inc.*, 120 FERC ¶ 61,087 (July 25, 2007).

<sup>5</sup> Order on Rehearing at P 114.

## **II. ANSWER**

### **A. The Commission Should Reject The Arguments Raised In The Comments.**

#### **1. The Timeframes Requested In The Comments Are Unworkable.**

Failing to consider the complexity and controversial nature of the redesign of the interconnection queue, the intense disagreements that have surrounded a generator's right to and compensation under a reliability agreement, the requisite stakeholder process and the ISO's current workload, the CT DPUC *et al.* request that the Commission mandate that the ISO develop market rules and file tariff changes to: (1) provide compensation to capacity resources needed for reliability by December 31, 2007, and (2) modify the interconnection queue process by February 29, 2008. In light of the complexity of the tasks and the length of the stakeholder process through which proposed market rules must be vetted, these proposed deadlines are unattainable. The Commission should continue to reject the proposed timeframes and permit the requisite stakeholder processes associated with the projects enumerated in the priorities list to be convened.

The ISO and NEPOOL, in the Compliance Filing, delineated the stakeholder,<sup>6</sup> infrastructure and business<sup>7</sup> processes required for tariff modifications which are expected to take roughly one year for the queue and six to nine months for reliability agreements. The ISO also explained that it cannot begin to initiate the stakeholder process for the queue until late in the third quarter and for reliability agreement and compensation redesign until the fourth quarter because its resources are currently consumed by the numerous demands of implementing the requirements of the FCM. Resolving all issues related to the interconnection queue and the

<sup>6</sup> Compliance Filing Setting Forth Prioritization of Issues and Requesting Technical Conference. ("Compliance Filing") at 5 (citations omitted).

<sup>7</sup> Compliance Filing at 6.

FCM, including the impact and resolution of any tariff modifications on current queue position,<sup>8</sup> will likely require significant stakeholder review. Likewise, while the criteria for a generator to receive a reliability agreement and the compensation thereunder are less complex, the disagreements over these matters will be very significant. Such issues cannot be resolved in the short timeframes proposed by the CT DPUC *et al.*

In its Order on Rehearing, the Commission renewed its rejection of the proposed timetable, concluding:

The Commission will not direct ISO-NE to file rules to remove or revise section III.13.1.1.2.3(f) by February 1, 2008. While the Commission is supportive of stakeholders arriving at an appropriate solution, we were persuaded that the issue was of sufficient importance and complexity to avoid imposing a timeline proposed by a minority of stakeholders. In the April 16 Order, the Commission declined to implement the timetable proposed by CT DPUC and others because we were concerned that it would not afford ample time in which to resolve the matter, particularly in view that the critical task of qualifying resources for the first time would be occurring simultaneously. We reiterate that concern here.<sup>9</sup>

Likewise, the Commission refused to set a timetable for redesign of the reliability agreement process, noting that ample time should be given for stakeholder review. The Commission should again reject the timetables proposed by the CT DPUC *et al.*

<sup>8</sup> At present, there are approximately 90 units in the interconnection queue whose rights will be impacted.

<sup>9</sup> Order on Rehearing at P 112.

**2. The Commission Has Found That The Current Tariff Provisions Will Not Produce Unjust, Unreasonable Or Discriminatory Prices.**

In support of the proposed timeframes, the CT DPUC *et al.* seem to claim that absent implementation of tariff modifications, “the FCM’s auction is unlikely to produce just and reasonable wholesale capacity prices.”<sup>1</sup> In the Order on Rehearing, the Commission expressly rejected this argument, stating:

NECPUC also argues that, if the approved provision were maintained over the course of multiple Forward Capacity Auctions, the prices produced by those auctions would be unjust, unreasonable and discriminatory. The Commission does not agree. This provision in question will be invoked solely in instances of overlapping impacts. In the event that the rules remained as approved over several auctions, there is no certainty that a necessary new generating capacity resource would definitely be disqualified on the basis of its position in the interconnection queue. Moreover, NECPUC has made no demonstration that the approved provision will result in unjust and unreasonable prices or even prices above the Cost of New Entry. Finally, the Commission does not agree that the approved method prevents new capacity resources from competing against existing capacity resources. Under the approved FCM rules, new capacity resources will largely be able to compete against existing capacity resources, and the large number of parties filing Show of Interest forms to indicate their desire to construct new capacity are indicative of that.<sup>10</sup>

Like NECPUC earlier claimed, the CT DPUC *et al.*’s assertion that absent modification of the tariff sheets, the FCM will produce unjust and unreasonable rates is unsubstantiated and contrary to the Commission’s express findings.

**B. The Commission Should Convene A Technical Conference To Consider The Prioritization Plan.**

In the event the Commission seeks to impose specific deadlines or changes to the prioritization, a technical conference should be convened in order to discuss the priorities outlined in the Compliance Filing. In fact, the issues raised in the Comments regarding prioritization of issues exemplify and reinforce the need for a technical conference during which

<sup>10</sup> Order on Rehearing at P 114 (citations omitted).

the Commission staff, the ISO and New England market participants can discuss and evaluate the projects outlined in the Compliance Filing and other relevant projects that will demand NEPOOL stakeholder and ISO resources over the next two years. Moreover, a technical conference will provide the appropriate forum for the Commission to obtain the relevant information necessary to assess pending projects and, thus, aid in the Commission's evaluation of the workload concerning implementation of FCM and other interrelated initiatives. Finally, a technical conference will be beneficial to the ISO and NEPOOL in the event that the Commission intends to require other programs or directives which may necessitate readjusting the priorities set forth in the Compliance Filing.

### III. CONCLUSION

For the foregoing reasons, the ISO respectfully requests that the Commission deny the relief sought by the CT DPUC *et al.* in the Comments.

Respectfully submitted,

/s/ Sherry A. Quirk, Esq.

Sherry A. Quirk, Esq.

Robin E. Remis, Esq.

Schiff Hardin LLP

1666 K Street, N.W., Suite 300

Washington, D.C. 20006

(202) 778-6475

/s/ Raymond W. Hepper, Esq.

Raymond W. Hepper, Esq.

Kerim May, Esq.

ISO New England Inc.

One Sullivan Road

Holyoke, MA 01040-2841

(413) 540-4592

Counsel for ISO New England Inc.

Dated: July 27, 2007

## **CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.2010 (2007), upon each person designated on the official service list in this proceeding as compiled by the Secretary of the Federal Energy Regulatory Commission.

Dated at Washington, D.C., this 27th day of July, 2007.

/s/ Sherry A. Quirk  
Sherry A. Quirk

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