

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

**ISO New England Inc.** ) **Docket No. ER08-41-002**  
**and** )  
**New England Power Pool** )

**COMMENTS OF  
THE MAINE PUBLIC UTILITIES COMMISSION,**

The Maine Public Utilities Commission (“MPUC”), by and through counsel, Lisa Fink and Ben Smith, State of Maine Public Utilities Commission, 242 State Street, 18 State House Station, Augusta, Maine 04333-0018 respectfully files these comments in the above-captioned proceeding regarding the July 31, 2008 filing (“July 31 Filing”) by ISO New England Inc. (“ISO-NE”) and the New England Power Pool (“NEPOOL”) (together “Joint Filers”) proposing a modified methodology for determining tie benefits in accordance with the Federal Energy Regulatory Commission (“Commission”) Order of December 10, 2007. See *ISO New England Inc. and New England Power Pool Participants Committee*, 121 FERC ¶61,250 (2007) as clarified *ISO New England Inc.*, 123 FERC ¶ 61,129 (2008).

As discussed below, the MPUC supports the change in the allocation of tie benefits because it removes the artificial reduction of tie benefits from New York and New Brunswick that occurs under the existing methodology. That said, the MPUC also believes that there should be additional study of the use of an “at criteria” methodology which may result in an overly conservative determination of the emergency assistance available from neighboring control areas.<sup>1</sup>

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<sup>1</sup> Nothing in these comments waives MPUC’s arguments opposing the Commission’s assertion of jurisdiction over determinations of resource adequacy, such as the determination of IC requirements. This matter is currently on appeal in the D.C. Circuit Court of Appeals.

## **I. BACKGROUND AND DESCRIPTION OF JULY 31 FILING**

On July 31, 2008, ISO-NE and NEPOOL filed Market Rule revisions concerning the calculation and allocation of tie benefits (“July 31 filing”). The Filing Parties state that the filing is made pursuant to the Commission’s directives in *ISO New England and New England Power Pool Participants Committee*, 121 FERC ¶ 61,250 (2207) as clarified in *ISO New England, Inc.*, 123 FERC ¶ 61,129 (2008).

### **A. Tie Benefits**

The July 31 Filing explains the purpose of tie benefits:

[T]ie benefits should reflect the amount of emergency assistance that New England could reasonably rely on in the event of a capacity shortage in New England, without jeopardizing reliability in New England or its neighboring Control Areas and without unreasonably requiring the purchase of more capacity for New England than is needed to meet the one day in ten years LOLE resource adequacy planning criterion.<sup>2</sup>

The July 31 filing changes the methodology used to determine and allocate these tie benefits among the New York, Quebec and New Brunswick Control areas.

### **B. HQICCs and Tie Benefit Allocations**

Hydro Quebec Interconnection Capability Credits (“HQICCs”) are capacity credits allocated to Interconnection Rights Holders.<sup>3</sup> Under the existing methodology, tie benefits for New Brunswick and New York are reduced to reflect HQICCs and the remainder is allocated between New Brunswick and New York ties based on the results of the probabilistic methodology used to determine the total tie benefit value. The

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<sup>2</sup> July 31 filing at 7-8.

<sup>3</sup> *Id.* at 10. Interconnection Rights Holders are defined in the ISO-NE OATT as “... the entities that pay for and hold exclusive Use Rights to the transmission capacity of the Phase I/II HVDCTF, as granted under the Support Agreements and as further provided for under the Restated Use Agreement, either (i) directly, by virtue of being parties to the Support Agreements, or (ii) indirectly (“Indirect IRH(s)”), through a Transfer Agreement. ISO-NE OATT, Schedule 20A.

existing methodology undervalues the New Brunswick and New York tie benefits. In the October 11, 2007 filing in this docket, ISO-NE explained that the 1,860 MW of tie benefits is reduced by 1,400 MW of HQICCs and the remainder, 460 MW, is allocated to New Brunswick and New York on a proportional basis. The resulting tie benefit value allocations were 360 MW to the New Brunswick tie and 100 MW to the New York tie.<sup>4</sup> ISO-NE explained in the October 11 Filing that if the tie reliability contributions from the neighboring control areas were based on the results of the probabilistic calculation without using the deterministically-calculated HQICCs, the tie benefits assumption would be approximately 715 MW from New Brunswick.<sup>5</sup> Thus, even though 715 MW of capacity are available from New Brunswick as determined using the probabilistic analysis, ISO-NE used a deflated assumption of 360 MW as the tie benefits that are assumed to be available from New Brunswick for the purpose of determining, as discussed below, the amount of capacity that can be procured from Maine.

### **C. Relationship of Tie Benefits to the Forward Capacity Market**

#### **1. Maximum Capacity Limit**

The July 31 filing describes the relationship between HQICCS and the Maximum Capacity Limit (“MCL”) used to determine how much capacity can be exported from an export constrained zone:

Under the Forward Capacity Market construct, in contrast to the pre-Forward Capacity Market period, the use of the deterministic methodology for calculating HQICCs and the approach to allocating tie benefits with HQICCs can affect the allocation of total tie benefit contributions among the various interconnections. Under the Forward Capacity Market construct, the tie benefit contribution allocations also factor into the calculation of LSRs and MCLs for import-constrained and export-constrained Load Zones, respectively, within New

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<sup>4</sup> October 11 filing at 22.

<sup>5</sup> *Id.*

England. LSR and MCL values are the locational components of the Forward Capacity Market. As a result, the use of the deterministic methodology for calculating HQICCs and the approach to allocating tie benefits with HQICCs has had a direct impact on the locational capacity values in the Forward Capacity Market.<sup>6</sup>

The Maximum Capacity Limit is “the maximum amount of capacity that can be procured in an export-constrained Load Zone to meet the Installed Capacity Requirement.”<sup>7</sup> This provision relates to the zonal provisions of the FCM settlement approved by the Commission.<sup>8</sup> Specifically, the FCM orders require “export constraints to be modeled in the auction.”<sup>9</sup> Because prior to the first FCA, there was no zonal capacity market, the reduction in tie benefits attributed to the New Brunswick AC tie to Maine and the New York AC ties due to the treatment of HQICCs did not arise as an issue affecting both Maine consumers and the integrity of the market process.

## II. COMMENTS

### A. **The ISO’s Proposed Methodology Change Eliminates the Distortion Inherent in the Current Methodology.**

The filing parties describe the proposed changes to the tie benefits methodology:

Under the filed proposal: (1) The tie benefit value for Quebec would be established using the results of the probabilistic calculation of tie benefits with Quebec rather than using a deterministic calculation methodology. (2) The ISO would continue using the existing probabilistic methodology and a multi-area reliability model (*i.e.*, GE MARs) for calculating total tie benefits from the Quebec, New Brunswick and New York Control Areas.<sup>73</sup> (3) New England’s directly interconnected neighboring Control Areas would continue to be modeled using “At Criteria” modeling assumptions.<sup>74</sup> Under the proposed approach, however, tie benefits from individual Control Areas would be determined using an allocation approach based on the results of individual probabilistic calculations performed for each of the three neighboring Control Areas, obviating the need for

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<sup>6</sup> July 31 filing at 12.

<sup>7</sup> *Id.*, n.43.

<sup>8</sup> *See, e.g., Devon Power, LLC*, 115 FERC ¶61,340 (2006); *Devon Power, LLC*, 117 FERC ¶ 61,113 (2006).

<sup>9</sup> *Id.*

a deterministic calculation of HQICCs or to reduce the tie benefit values from the New Brunswick and New York Control Areas to account for the deterministically calculated HQICCs.<sup>10</sup>

The Filing Parties state that the proposed methodology for allocating tie benefits from each neighboring Control area:

entails a consistent approach to ensuring that the allocation of the sum of the tie benefits from the three neighboring Control Areas equals the total tie benefits calculated using the multi-area reliability model. Under the proposed approach, the tie benefits from each Control Area are adjusted in a *pro rata* manner based on a ratio of the individual tie benefits from each Control Area to the sum of the tie benefits from all Control Areas. Unlike the current methodology, which arbitrarily sets aside the tie benefits from Quebec allocated based on the deterministically calculated HQICCs and directs the remainder solely to tie benefits from New Brunswick and New York, the proposed approach preserves the relative contributions of tie benefits from each Control Area on a non-discriminatory basis.

July 31 filing at 28.

The July 31 filing also states that the proposed methodology “is consistent with the locational aspect of the forward capacity market.”<sup>11</sup> Because the Maximum Capacity Limit (MCL) for an export constrained zone “takes into account” tie benefits from neighboring control areas, the Maximum Control Limit may be overstated by the understatement of tie benefits from that adjacent control area. “The result therefore, is distortion in the LSR and MCL values.”<sup>12</sup> Given the locational purpose for calculating LSR and MCL values, this *distortion* has a direct impact on the locational aspects of the Forward Capacity Market. Because the proposed changes eliminate the distortion that exists in the current methodology, and thus allow the locational features of the Forward Capacity Market to function properly, the MPUC supports the proposed changes.

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<sup>10</sup> *Id.* at (citations omitted).

<sup>11</sup> July 31 Filing at 28.

<sup>12</sup> *Id.*

**B. Further Consideration of Whether the Current “At Criteria” Methodology is Overly Conservative Is Warranted.**

By deducting surplus capacity to bring each adjacent control area to the one-day in ten year level, the ISO may be using an overly conservative metric in calculating tie benefits. Although the Filing Parties state that this “at criteria” method avoids relying on “assumptions about system conditions in neighboring Control Areas, of which the ISO can only obtain limited and imperfect knowledge,”<sup>13</sup> the Filing Parties have not fully explored or explained whether there are approaches that might address this concern. While the MPUC does not suggest that this is a matter that is capable of an immediate answer or alternative, it does believe that this issue warrants further discussion and exploration.

**III. CONCLUSION**

For the reasons stated hereinabove, the MPUC supports the ISO-NE filing with regard to allocation of tie benefits. However, as noted above, a further focus on whether “at” or “as is” modeling (or other types of approaches) best maintain the balance between maintaining reliability and not imposing overly conservative requirements is a subject that would benefit from further discussion.

Dated: August 21, 2008

Respectfully Submitted,

/s/ Lisa Fink  
Lisa Fink

/s/ Benjamin Smith  
Benjamin J. Smith  
Counsel for State of Maine,  
Public Utilities Commission  
242 State Street

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<sup>13</sup> July 31 filing at 29.

18 State House Station  
Augusta, ME 04333-0018  
(207) 287-1389 (telephone)  
(207) 287-6343 (telephone)

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each person designated on the service list compiled by the Secretary in this proceeding either by U.S. Mail or electronic service, as appropriate.

Dated at Augusta Maine this 21<sup>st</sup> day of August, 2008.

/s/ Benjamin J. Smith  
Benjamin J. Smith  
State of Maine,  
Public Utilities Commission  
242 State Street  
18 State House Station  
Augusta, ME 04333-0018  
(207) 287-6343 (telephone)