

NHA draft comments in ER21-1637 – ORTP values

Comments of the National Hydropower Association

The National Hydropower Association (“NHA”) hereby respectfully submits the following comments in support of ISO New England’s (“ISO-NE” or “ISO”) filing as it relates to the calculation for Offer Review Trigger Price (ORTP) for offshore wind.

I. Motion to Intervene

NHA represents more than 240 companies, from Fortune 500 corporations to family-owned small businesses. Our diverse membership includes public and investor-owned utilities, independent power producers, developers, equipment manufacturers and other service providers. As a national association, we have members across the country, including ISO-NE, where our members operate pumped storage, pondage and run of river hydropower projects.

Because the determination in this proceeding will affect our members, NHA has a direct and substantial interest in this proceeding which cannot adequately be represented by any other party. Given its direct interest, NHA’s motion to intervene is in the public interest, and should be granted.

II. Communications

All correspondence, communications, pleadings and other documents related to this proceeding should be addressed to the following individuals:

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III. Comments

NHA supports ISO-NE filed ORTP values

NHA supports the Offer Review Trigger Price (ORTP) values supported by ISO-NE's internal market monitor. ORTP values are merely the threshold price below which the market monitor has the authority to review new supply offers and above which the new capacity seller can stay in the Forward Capacity Auction without any market monitor review. The starkest illustration of the difference between the NEPOOL-filed ORTP values and those supported by the market monitor is the ORTP value for offshore wind. The market monitor supported value permits it to review all new supply offers from off-shore wind projects. This approach requires the new capacity seller to explain and support the competitive economics of entry at lower FCA prices to the market monitor. Upon sufficient justification, the market monitor can find that entry at that lower FCA price is competitive and that resource could clear in the FCA down to the level justified by its bid support. If the project cannot justify such a level, the market monitor can establish a different higher FCA price at which competitive economics would have the new project exit the auction. Indeed, in FCA15, three lithium-ion battery projects succeeded in clearing the auction at prices below the ORTP for batteries.

The NEPOOL-filed ORTP for offshore wind on the other hand permits new off shore wind entry, even at very low FCA prices, with no market monitor review permitted. Despite the market monitor indicating the need to have such a review for any off shore wind bid below the auction starting price, the NEPOOL-filed values would instead block any market monitor inquiry, evaluation or mitigation. Consequently, the NEPOOL-filed ORTP values improperly seek to circumvent the market monitor – creating doubt that future off shore wind offers are competitive.

The ISO-filed ORTP values will ensure those resources whose reasonable costs are far above the auction clearing price will have sufficient review by the IMM thereby making it less likely for capacity market price suppression to occur. Indeed, nothing in the ISO-NE filed values will outright preclude new offshore wind resource from clearing in the FCA unless they cannot (or do not sufficiently) support the competitiveness of such a new supply offer. Instead, this decision simply means that those offers will receive sufficient review. Since ORTP values simply serve as an offer screen and not an offer mitigation tool, there is no economic risk to sellers who can prove their costs to the IMM. However, if even one supplier is able to offer in below its costs (due to a higher than appropriate ORTP value) the entire market can be negatively impacted through price suppression.

Conclusion

NHA agrees that the instant proceeding need not be a referendum on the MOPR. Notwithstanding, NHA echoes the ISO's concerns that ORTP values "play an important role in supporting the competitiveness of the Forward Capacity Auction¹." Until the MOPR is changed, and we agree with ISO-NE CEO Gordon van Welie's comment that more needs to be changed in order to reform MOPR, it is important that resources whose costs are above the auction price receive adequate review to guard against price suppression.² Setting an ORTP value too low would allow for new state sponsored resources to avoid examination and potentially artificially lower capacity market prices, revenue streams other resources rely on to support their continued reliable operation. In addition, a sudden drop in capacity prices due to an entry of thousands of MWs from state subsidized resources could cause many existing resources to submit retirement bids. If some of these retiring resources are deemed by the ISO that are needed for reliability, then the ISO would

¹ ISO-NE Transmittal letter, April 7, 2021 at 8

² ISO-NE CEO statement at the March 23rd Technical Conference (Docket No. AD21-10).

be forced to employ out of market Reliability Must Run Contracts (“RMR”). These RMR contracts create sizable distortion in the wholesale market and they must be avoided wherever possible. Protecting the integrity and viability of the capacity market in New England is important for all resources but it is vital for existing resources whose values and attributes will be critical in the clean energy transition.

NHA’s members in ISO-NE understand that FERC may be revisiting rules around offer mitigation in wholesale capacity markets. NHA believes FERC and the RTOs must assure such changes are accomplished through the package of changes that are needed to support competitive price formation and efficient market exit in light of such a MOPR reform. Ideally, the markets will create the signal for the investment in the public policy resources that are needed. Until then, NHA supports ISO-NE’s approach to ORTP values including those for offshore wind.