

138 FERC ¶ 61,174
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
and Cheryl A. LaFleur.

ISO New England Inc.

Docket Nos. ER11-2580-001
ER11-2580-002

ORDER DENYING REHEARING AND ACCEPTING COMPLIANCE FILING

(March 15, 2012)

1. On March 30, 2011, the Long Island Power Authority (LIPA) and Cross-Sound Cable Company, LLC (collectively, Joint Parties) filed a request for rehearing of the Commission's February 28, 2011 order accepting, subject to a compliance filing, ISO New England Inc.'s (ISO-NE) proposed revisions to the tie benefits calculation methodology set forth in its Transmission, Markets and Services (Tariff).¹ On April 6, 2011, ISO-NE submitted its compliance filing to the February 28 Order, to incorporate into section III.12.9.2.4.A of Market Rule 1 of its Tariff the methodology for determining individual interconnection transfer capabilities for the purpose of establishing tie benefits, which was accepted in the February 28 Order. In this order, the Commission denies rehearing and accepts ISO-NE's compliance filing, effective March 1, 2011.

I. Background

2. ISO-NE procures the resources needed to reliably serve the New England control area via its Forward Capacity Market (FCM). The FCM consists of a primary auction, which takes place approximately three and a half years before the start of a Capacity Commitment Period, and three subsequent annual reconfiguration auctions. The Installed Capacity Requirement specifies the quantity of resources to be procured in the FCM. Specifically, the Installed Capacity Requirement is the minimum amount of resources needed to meet the New England control area reliability requirements of disconnecting non-interruptible customers (or, a loss of load expectation of) no more than once every ten years, typically expressed as 0.1 days per year. Assumptions used to determine the Installed Capacity Requirement include load forecast, unit availability, and, most relevant here, tie benefits.

¹ *ISO New England Inc.*, 134 FERC ¶ 61,144 (2011) (February 28 Order).

3. Tie benefits reflect the amount of emergency assistance that is assumed will be available to New England from its neighboring control areas, without jeopardizing reliability in New England or its neighboring control areas, in the event of a capacity shortage in New England. Under ISO-NE's market rules, tie benefits are calculated for New England's interconnections with its three directly interconnected neighboring control areas (i.e., Québec, New Brunswick, and New York). The tie benefits calculation is conducted using a probabilistic methodology to model the expected system conditions of New England and its three directly interconnected control areas. On December 30, 2010, ISO-NE submitted revisions to the tie benefits calculation methodology in order to, among other reasons, expand the tie benefits calculation process to include the calculation of tie benefits for individual interconnections or groups of interconnections.²

4. In the February 28 Order, the Commission accepted ISO-NE's proposals to use a probabilistic methodology for allocating tie benefits to individual interconnections or groups of interconnections, and a deterministic methodology for determining one of the inputs to the tie benefits calculation process, i.e., the transfer capability of an individual interconnection or group of interconnections.³ However, because certain details of the methodology for calculating transfer capability were, as ISO-NE stated, included only in its planning procedures, the Commission directed ISO-NE to submit Tariff revisions that incorporate the proposed methodology into section III.12 of Market Rule 1 of its Tariff. The Commission found that "such details must be explicitly stated in the Tariff" and directed ISO-NE to submit "revised tariff sheets that directly state the methodology for determining transfer capabilities for the purpose of establishing tie benefits in section III.12.1 of Market Rule 1."⁴

² See February 28 Order, 134 FERC ¶ 61,144 at PP 45-47. Other revisions proposed in ISO-NE's December 30, 2010 Filing include: (1) using "at criterion" modeling assumptions, rather than "as is" assumptions, for the third (and final) annual reconfiguration auction; (2) modeling internal transmission constraints in New England and its neighboring control areas in tie benefits calculations; and (3) accounting for capacity imports after the initial tie benefits calculation.

³ Here, the "probabilistic" (versus "deterministic") approach relates to the allocation of tie benefits to individual interconnections. Currently, the proposed tie benefits calculation is conducted using the probabilistic General Electric Multi-Area Reliability Simulation (GE MARS) program to model the expected, or probable, system conditions of New England and its three directly interconnected neighboring control areas based on various assumptions. In comparison, the deterministic approach assigns, or determines, specific tie benefits values to each interconnection, again, based on certain assumptions.

⁴ February 28 Order, 134 FERC ¶ 61,144 at P 61.

II. Request for Rehearing and Subsequent Pleadings

5. Joint Parties request rehearing of the February 28 Order, maintaining that ISO-NE failed to support the tie benefits methodology as just and reasonable; that certain material facts remain in dispute; and that the Commission's decision results in rates that are unduly discriminatory.

6. Specifically, Joint Parties request an administrative hearing or technical conference because they contend that ISO-NE failed to meet its burden of proof and that the record is insufficient to support the Commission's findings.⁵ They maintain that the Commission's acceptance of the proposed methodology for calculating the individual transfer capability for each interconnection was premature, because ISO-NE did not provide the actual procedures in its Tariff or supporting testimony.

7. Joint Parties further contend that the Commission failed to consider evidence proffered by Joint Parties relating to the practical effects of ISO-NE's proposed methodology, including the affidavits of Messrs. Rotger and Fishman. According to Joint Parties, "[b]y ruling such evidence as beyond the scope of this proceeding, the Commission disregarded this information for purposes of confirming that the methodology is just and reasonable."⁶

8. Joint Parties also maintain that the use of a deterministic calculation with respect to individual transfer capability is unsupported by the record and is an unexplained departure from Commission precedent.

9. Further, Joint Parties allege that material facts are in dispute, requiring a hearing or technical conference for resolution. Among the disputed facts, they point out disagreement with respect to: (1) whether ISO-NE's proposed methodology will "artificially and improperly depress individual tie benefits calculations" through a deterministically rather than probabilistically derived transfer capability value; (2) whether ISO-NE applies its transfer capability methodology to all interconnections consistently; (3) whether the deterministic methodology appropriately models transfer capabilities; and (4) whether ISO-NE perpetuates unduly discriminatory or preferential treatment among the Cross-Sound Cable, Northport-Norwalk Cable, and other New England interconnections.⁷

10. Joint Parties allege that ISO-NE provides preferential treatment in its recognition of tie benefits over the New England/Hydro Québec Phase II Interconnection (HQ

⁵ See Request for Rehearing at 8-9 (listing ISO-NE's discussion and evidence).

⁶ *Id.* at 13.

⁷ *Id.* at 10.

Interconnection). Joint Parties also contend that ISO-NE is essentially grandfathering approximately 700 MW of import transfer capability for the existing Maine Electric Power Company tie between New Brunswick and New England, without subjecting it to the tie benefits methodology.

III. Compliance Filing

A. ISO-NE Proposal

11. On April 6, 2011, pursuant to the February 28 Order, ISO-NE submitted proposed revisions amending section III.12.9.2.4.A of its Tariff to provide the methodology for determining interconnection transfer capabilities for the purpose of establishing tie benefits. ISO-NE requests that the Commission accept its compliance filing, effective March 1, 2011, the same effective date of the Tariff revisions accepted in the February 28 Order.

12. ISO-NE states that the new Tariff sections incorporate the methodology for determining individual interconnection transfer capabilities used in establishing tie benefits. ISO-NE states that the proposed language is not identical to that which is contained in ISO New England Planning Procedure No. 3, Reliability Standards for the New England Area Bulk Power Supply System (Planning Procedure No. 3), since Planning Procedure No. 3 “contains a generalized description of the procedures for determining interconnection transfer capabilities, which is intended for use in a range of contexts”⁸ ISO-NE states that the proposed language provides details that are relevant specifically for the determination of interconnection transfer capability for use in the tie benefits calculation process. Most significantly, ISO-NE states that the procedure it proposes to incorporate into the Tariff reflects the same procedure as that contemplated in its original December 30, 2010 filing in this case, and utilized when the revised tie benefits calculation methodology was first employed for the 2014/2015 Installed Capacity Requirement determinations.⁹

13. ISO-NE states that a number of assumptions and factors are included in the determination of the transfer capability of an interconnection. For example, ISO-NE explains that, when performing transfer capability studies, the system is modeled to take account of the design of the interconnection. This process includes reviewing the existing design studies that were performed at the time the interconnection was developed or upgraded, obtaining professional engineering judgment, analyzing the evolution of the transmission system in general, and reviewing historical objectives and other aspects of

⁸ Compliance Filing at 3.

⁹ *Id.* at 3 and n.12 (referring to 2014/2015 Installed Capacity Requirement Filing, Docket No. ER11-3048-000, at 17-19 (filed Mar. 8, 2011)).

the historical record to determine whether steps were taken to integrate the transfer capability of an interconnection.¹⁰ If an interconnection and any supporting upgrades were designed to provide incremental capacity into New England, simulations of the power system would assume imports up to the level that the interconnection was designed to support. Alternatively, if the interconnection was not designed to provide incremental capacity into New England, the amount of power that can be delivered into New England over the interconnection will be determined through power transfer simulations. ISO-NE posits that treating interconnections based on their design is justified given the differences in the value of these resources in supporting the reliable operation of the bulk power system during times of capacity deficiency when tie benefits are likely to be utilized.

14. ISO-NE also explains that, in determining the transfer capability of an interconnection, it makes assumptions about system conditions that are anticipated during the time for which tie benefits from neighboring control areas are likely to be requested. Specifically, ISO-NE provides the four major modeling assumptions that are used in the transfer capability studies to capture the load, resource, and power flow conditions that are likely to exist at the time New England is relying on neighboring control areas for tie benefits: (1) forecast 90/10 peak load; (2) generating capacity resource treatment; (3) demand resource capacity treatment; and (4) transfers that impact transfer capability. Additionally, ISO-NE makes assumptions about contingencies for which transmission facilities must be tested. ISO-NE notes that transfer capability studies evaluate the impacts of a range of transmission facility and generator contingencies. ISO-NE states that the Northeast Power Coordinating Council Reliability Directory No. 1 specifies the contingencies that must be evaluated in determining the transfer capability of a transmission facility. ISO-NE states that it does not seek to incorporate these contingencies into the Tariff but instead will include categories of contingencies that will be considered in the transfer capability studies.

B. Comments

15. Notice of ISO-NE's April 6, 2011 Compliance Filing was published in the *Federal Register*, 76 Fed. Reg. 21,732 (2011), with interventions and protests due on or before April 27, 2011. Joint Parties submitted timely comments.

16. Joint Parties contend that ISO-NE's compliance filing includes revisions that are beyond the scope of the February 28 Order, inconsistent with Planning Procedure No. 3, and fail to provide comparable and consistent treatment between interconnections. Further, they state that the modeling assumption of 100 percent availability, which ISO-NE proposes for the treatment of generating resources in the calculation of individual transfer capabilities, will not accurately reflect conditions reasonably anticipated during

¹⁰ *Id.* at 5.

the subject capability period. Finally, they aver that ISO-NE fails to detail a material element in the calculation of transfer capabilities, namely, the use of either normal or emergency transfer ratings.

17. Joint Parties state that the purpose of this compliance filing was to “translate into . . . the ISO-NE Tariff the details of [Planning Procedure No. 3],” i.e., “not to establish ‘when’ individual interconnections would have their transfer capabilities calculated, but rather ‘how.’”¹¹ They contend that ISO-NE departs from its compliance obligation by inserting a design of interconnection condition into section III.12.9.2.4(A)(ii) that excludes certain facilities from the calculation methodology. Joint Parties state that under this design of interconnection exclusion, certain individual interconnections will not have their present transfer capability calculated but instead will have “assumed” values assigned.

18. Joint Parties contend that Planning Procedure No. 3 does not provide for this condition or exclusion. According to Joint Parties, “[n]owhere within [Planning Procedure No. 3] is there a distinction raised with respect to tie transfer capabilities between transmission facilities based on whether they are designed to accommodate or provide ‘incremental capacity.’”¹² They dispute ISO-NE’s reasoning that the design of interconnection helps ensure that the external interconnection and New England resources are not competing for the same, limited capabilities of the transmission system to move power to customers. Assailing this reasoning as “false,” Joint Parties argue that the sole purpose of the proposed calculation of individual tie transfer capabilities is to allocate the total tie benefits between interconnections—not a matter of competition between the interconnections and capacity resources.¹³

19. Joint Parties further assert that the design of interconnection provision results in discriminatory treatment of interconnection facilities because it creates a two-class system: one class subject to a set of transfer capability simulations, with specific assumptions, assessments of contingencies, and modeling; and a second class assigned “assumed” values based on ISO-NE’s professional judgment, historical design criteria, and other enumerated factors, and is thus excluded from the calculation of individual transfer capability. Joint Parties assert that each interconnection evaluated for allocation of tie benefits is similarly situated in its treatment as a potential emergency assistance resource under the New York Independent System Operator, Inc. (NYISO)/ISO-NE Coordination Agreement and in its obligation to facilitate transfers of energy required for the interchange of emergency assistance between NYISO and ISO-NE. Therefore, Joint

¹¹ Joint Parties Comments at 3.

¹² *Id.* at 5; *see also id.* at 8.

¹³ *Id.* at 8-9.

Parties state that ISO-NE's methodology for calculating individual transfer capability should apply to all interconnection facilities in the same way.

20. Joint Parties object to ISO-NE's assumption that capacity resources will be 100 percent available in calculating individual tie transfer capabilities as an unreasonable assumption. Joint Parties note that Planning Procedure No. 3 requires that the calculation of individual transfer capability reflect conditions that are consistent with those expected during the Capacity Commitment Period.¹⁴

21. Additionally, Joint Parties assert that ISO-NE fails to detail whether it will use the normal or emergency transfer rating of a facility for the calculation of the individual transfer capability. According to Joint Parties, the use of a normal versus emergency rating can have a material effect on the overall calculation of an interconnection's transfer capability. Thus, Joint Parties seek further detail as to how ISO-NE incorporates the facility's rating capability in the tie benefits methodology.

C. Answer

22. With respect to the scope of the compliance filing, ISO-NE responds that the Commission did not limit ISO-NE to incorporate Planning Procedure No. 3 verbatim into the Tariff. ISO-NE states that, instead, the Commission "focused on the central objective of the transfer capability analysis," namely, the determination of transfer capability for use in the tie benefits calculations.¹⁵ Maintaining that its proposed Tariff revisions are consistent with Planning Procedure No. 3 and the directives in the February 28 Order, ISO-NE states that its compliance filing merely describes the procedures and process actually employed in calculating tie benefits.¹⁶ Further, ISO-NE states that consideration of the design of interconnection is appropriate in determining transfer capability for use in the tie benefits calculations because this concept captures the incremental benefits that were intended to be provided to system reliability through the development of the interconnection.¹⁷ According to ISO-NE, such treatment is not discriminatory but rather is a reflection of how the interconnections were planned and integrated into the system. ISO-NE explains that the Cross Sound Cable never pursued the necessary upgrades to

¹⁴ *Id.* at 12 (citing Planning Procedure No. 3, § 2 at 3; *id.* § 3 at 4-6).

¹⁵ ISO-NE May 12 Answer at 5-6.

¹⁶ *See id.* at 7.

¹⁷ ISO-NE also notes that the transfer capability for each interconnection is shared and discussed in the stakeholder processes to address the Installed Capacity Requirement calculations, and market participants are given an opportunity to provide input. ISO-NE May 12 Answer at 7.

provide incremental capability to transfer additional capacity into the New England bulk power system; therefore, to provide the Cross Sound Cable capacity-like credit would create a reliability problem.

23. ISO-NE disagrees with Joint Parties' statement that there is no "competition" between the interconnections and capacity resources and, thus, ISO-NE only needs to consider the relative contribution of each interconnection to the total tie benefits value. ISO-NE explains that the calculation of an interconnection's transfer capability impacts the determination of tie benefits at the system-wide level. Accordingly, ISO-NE avers that if an interconnection was not designed to provide incremental capacity, it would not add to the system's ability to import capacity from neighboring control areas, and, therefore, there is a reasonable and consistent expectation that the interconnection may have a low or zero transfer capability as an input into the tie benefits determination.¹⁸

24. ISO-NE also maintains that, in calculating transfer capability, it is appropriate to model capacity resources at their highest level of capacity, i.e., 100 percent availability, because the transmission system must be capable of integrating the highest output of all resources—the total capacity that may be relied upon. ISO-NE explains that operating history is not relevant to the transfer capability determination because it is simply a function of relative economics of resources and a number of other factors unrelated to the maximum operating capability. However, ISO-NE notes that it does consider outage scenarios as part of its deterministic transfer capability analysis. ISO-NE states that using such an approach is appropriate, because in real-time, resources must be capable of operating at full output if needed, while at any given time a few resources may become unavailable. In contrast, to assume that all resources operate at their average availability in establishing the transfer capability of an interconnection would result in a system that is incapable of handling the full output of all resources.

25. Regarding whether ISO-NE uses normal or emergency transfer ratings in calculating an interconnection's transfer capability, ISO-NE states that the Joint Parties ignore distinctions between emergency and normal "conditions" and emergency and normal "ratings." ISO-NE states that the transfer capability calculations for use in determining tie benefits utilize the procedures that apply for normal operating conditions, since such calculations are made at the pre-load shedding stage. ISO-NE explains that this is relatively self-evident given the timing of the reliance on tie benefits. With respect to emergency versus normal ratings, ISO-NE states that all lines have short term emergency ratings that are used during post-contingency conditions during the time when a contingency is being addressed, and thus both emergency and normal ratings are used as part of the studies to determine the impact of contingencies during periods of capacity deficiency. ISO-NE further states that this is typical in any transmission system analysis,

¹⁸ *Id.* at 10.

and it is not necessary to specify this requirement for purposes of the transfer capability analysis.

IV. Informational Request

26. On November 15, 2011, Commission staff issued an informational request (Informational Request) seeking additional information regarding the design of interconnection condition included in ISO-NE's compliance filing. On December 15, 2011, ISO-NE submitted its response.

27. Notice of the December 15, 2011 filing was published in the *Federal Register*, 76 Fed. Reg. 82,291-92 (2011), with interventions and protests due on or before January 5, 2012. None was filed.

28. In its response to the Informational Request, ISO-NE explains that the design of interconnection condition is not new. According to ISO-NE, the design of the interconnection was a factor in previous calculations of tie benefits, although the design of any individual interconnection was not highlighted since the tie benefits analysis was performed at the control area level. ISO-NE also explains that the design of interconnection condition is used in all transfer capability assessments. ISO-NE states that a determination that an interconnection was not designed to provide incremental capacity to New England does not mean that there will be a zero transfer capability determined for the interconnection. Instead, ISO-NE explains, further simulations and analyses are performed to determine the transfer capability of such an interconnection. Further, for each interconnection, ISO-NE provides and explains the documentation demonstrating how the design of the interconnection led to a conclusion that the interconnection was or was not designed to provide incremental capacity to New England.

V. Discussion

A. Procedural Matters

29. Rule 713 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(d)(1) (2011), prohibits answers to requests for rehearing. Accordingly, we will reject ISO-NE's April 14, 2011 Answer to Joint Parties' request for rehearing.

30. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2011), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept ISO-NE's May 12, 2011 Answer to Joint Parties' comments on the compliance filing because it has provided information that assisted us in the decision-making process.

B. Commission Determination

1. Rehearing Request

31. In the February 28 Order, the Commission accepted ISO-NE's proposed methodology for calculating tie benefits for individual interconnections, including its proposal to determine transfer capability for the purpose of establishing tie benefits in accordance with Planning Procedure No. 3, subject to ISO-NE directly stating the methodology for determining transfer capability in section III.12 of Market Rule 1. Joint Parties' rehearing request is largely based on the assertion that the methodology for calculating tie benefits for individual interconnections, and in particular the transfer capability calculation, is not supported by substantial record evidence.

32. We reject Joint Parties' argument, and, as such, we deny Joint Parties' rehearing request seeking an evidentiary hearing or technical conference.¹⁹ As noted by Joint Parties,²⁰ ISO-NE has submitted several pleadings in this proceeding confirming that its proposed methodology for calculating tie benefits for individual interconnections is a direct extension of the Commission-approved methodology that ISO-NE has used to this point for calculating tie benefits at the system-wide and control area levels. ISO-NE explained in its initial filing that tie benefits are calculated using the GE MARS program and the modeling assumptions contained in section III.12.9.2 of Market Rule 1. Moreover, ISO-NE stated that the expected tie benefits contribution from each interconnection or group of interconnections is calculated by averaging together the results of various probabilistic simulations that represent the contribution of the targeted interconnection or group of interconnections under different modeling states.²¹

33. Regarding the methodology for determining transfer capability, which is one input into the tie benefits calculation, ISO-NE stated in its initial filing that transfer capability would be determined in accordance with Planning Procedure No. 3 and that this determination would consider the load, resource, and other electrical system conditions that are expected to exist during the period for which the tie benefits calculation is being

¹⁹ Whether to grant an evidentiary hearing is a matter within the Commission's discretion. *See Woolen Mill Assoc. v. FERC*, 917 F.2d 589, 592 (D.C. Cir. 1990); *Cerro Wire & Cable Co. v. FERC*, 677 F.2d 124, 128 (D.C. Cir. 1982); *Braintree Elec. Light Dep't v. ISO New England Inc.*, 132 FERC ¶ 61,248, at P 73 n.83 (2010); *see also ISO New England Inc.*, 130 FERC ¶ 61,236, at P 12 n.9 (2010) (reviewing cases discussing agencies' discretion with respect to their procedures).

²⁰ *See* Request for Rehearing at 8-9; *see also* ISO-NE December 30, 2010 Filing at 22 and nn.67, 68.

²¹ ISO-NE December 30, 2010 Filing at 22.

performed.²² ISO-NE's proposed Tariff sheets provided that, "The transfer capability of all external interconnections with New England will be determined using the ISO's more recent transmission transfer capability analysis as calculated pursuant to the current ISO New England Operating and Planning Procedures."²³ At that time, Planning Procedure No. 3 set forth the substance of the transfer capability methodology in as follows:

The New England bulk power supply system shall be designed with adequate inter-Area and intra-Area transmission transfer capability to minimize system reserve requirements, facilitate transfers, provide emergency backup of supply resources, permit economic interchange of power, and to assure that the conditions specified in Sections 3.1 and 3.2 [Stability Assessment and Steady State Assessment, respectively] can be sustained without adversely affecting the New England system or other Areas and without violating the [Nuclear Plant Interface Requirements]. Anticipated transfers of power from one area to another, as well as within areas, should be considered in the design of inter-Area and intra-Area transmission facilities. Therefore, design studies will assume applicable transfers and the most severe load and resource conditions that can be reasonably expected.^[24]

While ISO-NE subsequently reduced and formatted these somewhat general terms to specific Tariff language, as directed by the Commission in the February 28 Order, ISO-NE had provided in its initial filing sufficient details concerning the guidelines for calculating tie benefits for individual interconnections, including the calculation of transfer capability.²⁵ In other words, the Commission found at the time of the February

²² With the exception of the elaborated details of Planning Procedure No. 3, the methodology for calculating tie benefits for individual interconnections was set forth in ISO-NE's proposed Tariff sections.

²³ Tariff § III.12.9.2.4.A.

²⁴ Planning Procedure No. 3 § 4 (Transmission Transfer Capability). For convenient review of this provision, *see* Joint Parties Comments on Compliance Filing, Exhibit A.

²⁵ Regarding Joint Parties' claims that certain interconnections receive preferential treatment, we note that ISO-NE's proposed methodology does not result in discriminatory treatment. The methodology simply reflects how the interconnections are situated. We discuss this issue further below, in our discussion of ISO-NE's compliance filing.

28 Order that ISO-NE had adequately supported its proposed tie benefits methodology as just and reasonable. As further discussed below, ISO-NE's compliance filing here does not alter or extend beyond the methodology accepted in the February 28 Order, but, instead, appropriately implements it.

34. Further, although Joint Parties attempt in their rehearing request to show that the Commission has previously criticized the use of a deterministic methodology for calculating transfer capability (which the Commission now approves),²⁶ their arguments are based on an erroneous interpretation of Commission precedent. The *ISO-NE* proceeding they cite is inapposite. There, the Commission determined that the overall megawatt value of tie benefits could not be calculated using a deterministic methodology.²⁷ Here, the issue is whether one input to the tie benefits calculation, i.e., transfer capability, can be calculated using a deterministic methodology. These are two distinct considerations that do not require the same treatment. As stated in the February 28 Order, we maintain that it is reasonable to set the inputs used in calculating the megawatt value of tie benefits, such as transfer capability, to a level that represents practical operational limits.²⁸

35. We further reject as beyond the scope of this proceeding Joint Parties' evidence regarding the results of the methodology as applied to the Cross Sound Cable and Northport-Norwalk Cable. Issues concerning specific tie benefits results address application of the methodology rather than the methodology itself and are more appropriately raised in proceedings regarding ISO-NE's annual Installed Capacity Requirement values filings.²⁹

2. Compliance Filing

36. We will accept ISO-NE's compliance filing for filing, effective March 1, 2011, as requested. We find that ISO-NE has complied with the Commission's directive to place its transfer capability methodology, which was previously captured in Planning

²⁶ Request for Rehearing at 17 (citing *ISO New England Inc.*, 121 FERC ¶ 61,250 (2007) (*ISO-NE*)).

²⁷ See *ISO-NE*, 121 FERC ¶ 61,250 at PP 89-90.

²⁸ February 28 Order, 134 FERC ¶ 61,144 at P 59.

²⁹ See, e.g., *ISO New England, Inc.*, 135 FERC ¶ 61,135 (2011) (order addressing ISO-NE's Installed Capacity Requirement values filing for the 2014/2015 Capability Year). We note that, on January 3, 2012, ISO-NE submitted its Installed Capacity Requirement values filing for the 2015/2016 Capability Year. *ISO New England, Inc.*, Docket No. ER12-756-000 (Feb. 23, 2012) (unpublished delegated letter order).

Procedure No. 3, into its Tariff. We expected, as ISO-NE explains it has done, that such translation would entail somewhat more specific detail that is typical of tariff language.

37. The Informational Request noted that a particular aspect of the methodology for calculating transfer capability set forth in ISO-NE's compliance filing—the design of interconnection condition—had not been as detailed in ISO-NE's manuals within Planning Procedure No. 3. However, ISO-NE's response to the Informational Request, together with the information contained in its compliance filing and subsequent answer to Joint Parties' comments, confirms that this same, specific design of interconnection condition derives from the more general structure outlined in Planning Procedure No. 3. ISO-NE explains why the general language that was in Planning Procedure No. 3 sufficed prior to ISO-NE's December 30, 2010 Filing. ISO-NE states that while the design of interconnection was a factor in previous calculations of tie benefits for the Installed Capacity Requirement determination, prior to the implementation of the revisions accepted in the February 28 Order the tie benefits analysis was performed at the control area level, thus there was no need to highlight the design of any individual interconnection.³⁰

38. ISO-NE further explains that the inclusion of the design of interconnection condition is now necessary to address competition between the external interconnections and New England resources for “the same, limited capabilities of the transmission system to move power to customers.”³¹ This calculation of an interconnection's transfer capability is not used solely to allocate tie benefits to individual interconnections; as ISO-NE explains, it also impacts the determination of tie benefits at the aggregate or system-wide level.³² Thus, ISO-NE appropriately includes in its compliance filing specific details of how transfer capability is calculated for the purpose of determining tie benefits. Moreover, we disagree with Joint Parties that the calculation of transfer capability is used simply to determine relative contributions to the overall tie benefits value. Because this calculation impacts the determination of tie benefits at the aggregate or system-wide level, it must be accurate in order to represent the level of tie benefits that will be available when needed.

39. We therefore reject Joint Parties' arguments that the methodology for calculating transfer capability set forth in ISO-NE's compliance filing goes beyond what the Commission required in the February 28 Order. The February 28 Order did not require ISO-NE to restate Planning Procedure No. 3 in its Tariff verbatim. As ISO-NE's witness explains, “Planning Procedure No. 3 provides a fairly general description of the

³⁰ ISO-NE Response to Informational Request at 4.

³¹ Compliance Filing at 6 and n.23.

³² ISO-NE May 12 Answer at 10.

procedures used to determine interconnection transfer capabilities, because it is intended for use in a range of contexts relating to reliable and efficient operation of the bulk power system.”³³ The additional details provided by ISO-NE enable the ISO to put in writing ISO-NE’s existing practices and provide additional granularity in its Tariff. Thus, ISO-NE’s detail here is appropriate for its Tariff and consistent with its operating practice and the February 28 Order.³⁴

40. Regarding Joint Parties’ assertions that the use of the design of interconnection condition will result in discriminatory treatment of certain interconnections, we note that ISO-NE does not apply different methodologies to different interconnections; rather, “the design of the interconnection is used in *all* transfer capability assessments.”³⁵ If it is determined that an interconnection was not designed to provide incremental capacity to New England, further simulations and analyses are performed to determine the transfer capability of the interconnection. Likewise, even if an interconnection was designed to provide incremental capacity, ISO-NE will consider conditions that may degrade the transfer capability over a specific interconnection.³⁶ Therefore, it is not the methodology that results in different treatment, but the fact that not all interconnections are similarly situated.

41. To that end, the Commission has long recognized the differences between the Cross Sound Cable interconnection and the HQ Interconnection.³⁷ In fact, the Cross Sound Cable can be distinguished from many of the interconnections between New England and its neighboring control areas. Most of these interconnections “were

³³ Compliance Filing, Attachment at 6:17-20 (Test. Richard V. Kowalski and Brent K. Oberlin).

³⁴ See ISO-NE May 12 Answer at 7.

³⁵ ISO-NE Response to Informational Request at 8.

³⁶ ISO-NE Response to Informational Request at 5-7. ISO-NE explains that, although the HQ Interconnection was designed to provide 2,000 MW of incremental capacity to New England, because of a large source limitation, transfer capability for the HQ Interconnection is currently set at 1,400 MW.

³⁷ See, e.g., *ISO New England Inc.*, 125 FERC ¶ 61,154, at P 57 (2008) (“While the Commission notes [Long Island Power Authority’s] assertion that it is methodologically possible to calculate the individual tie benefits of the Cross Sound Cable and 1385/Northport Norwalk Cable facilities on a comparable probabilistic basis similar to the Hydro Québec interconnection, we also reiterate our findings that there are key distinctions between the Cross Sound Cable interconnection and the Hydro Québec interconnection.”).

integrated into the system so that they can deliver power while not adversely impacting the ability to deliver power from other resources on the system.”³⁸ The Cross Sound Cable, however, “never pursued the necessary upgrades to provide incremental capability to transfer additional capacity into the New England bulk power system.”³⁹ Thus, we reject Joint Parties’ argument that ISO-NE’s proposed methodology is unduly discriminatory; these and other interconnections are not necessarily similarly situated.

42. Joint Parties also object to ISO-NE’s assumption that capacity resources will be modeled at 100 percent availability in evaluating individual transfer capability, regardless of actual operating history, availability factors, and forced outage rates. ISO-NE explains that using a deterministic, instead of probabilistic, approach for the purpose of evaluating transfer capability is appropriate because resources must be capable of operating at full output in real-time if needed, while at any given time some resources may become unavailable. ISO-NE explains that a transmission system built under the assumption that all resources operate at their average (rather than full) availability all the time would be under-built; such a system would be incapable of handling the full output of all of the resources that need to be concurrently operated. We agree with ISO-NE that the transmission system must be capable of integrating the output of all resources when operating at their Capacity Network Resource Capability.⁴⁰ We therefore reject Joint Parties’ assertion that ISO-NE has used inappropriate assumptions in determining transfer capability.

43. Finally, Joint Parties state that ISO-NE’s compliance filing fails to specify whether it will use the normal or emergency transfer rating of a facility in calculating individual transfer capability. In its May 12, 2011 Answer, ISO-NE clarifies that it considers normal operating conditions in calculating transfer capability, since emergency transfer conditions are only employed after the point at which ISO-NE has called for emergency assistance from its neighboring control areas. However, ISO-NE states that it considers both emergency and normal ratings to determine the impact of contingencies during periods of capacity deficiency. We find that ISO-NE’s answer sufficiently addresses Joint Parties’ argument on this point.

³⁸ Compliance Filing, Attachment at 13:20-21 (Test. Richard V. Kowalski and Brent K. Oberlin).

³⁹ ISO-NE May 12 Answer at 11.

⁴⁰ Capacity Network Resource Capability represents the highest level of capacity that a resource can provide based on the interconnection status of that resource. A resource is entitled to pursue a Capacity Supply Obligation within the Forward Capacity Market construct up to this level. Compliance Filing, Attachment at 10:21-11:14 (Test. Richard V. Kowalski and Brent K. Oberlin).

44. Based upon the foregoing, we will accept ISO-NE's compliance filing effective March 1, 2011, as discussed in the body of this order.

The Commission orders:

(A) Joint Parties' request for rehearing is hereby denied, as discussed in the body of this order.

(B) ISO-NE's compliance filing is hereby accepted, effective March 1, 2011, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.