

February 9, 2018

VIA ELECTRONIC MAIL

RE: Comments to ISO New England on Items to Address in its Response to the Federal Energy Regulatory Commission's Request for Information in AD18-7 Grid Resilience in RTOs and ISOs

Dear Mr. Runge,

On January 8, 2018, the Federal Energy Regulatory Commission ("Commission") issued an order terminating the rulemaking proceeding in RM18-1 Grid Reliability and Resilience Pricing and initiating a new proceeding, AD18-7 Grid Resilience in Regional Transmission Organizations ("RTOs") and Independent System Operators ("ISOs"), to evaluate the resilience of the bulk power system in the regions operated by RTOs and ISOs ("Grid Resilience Order").¹ The Commission directed each ISO and RTO to submit information to the Commission on certain resilience issues and concerns identified in the Grid Resilience Order to enable the Commission to examine the resilience of the bulk power system. ISO New England ("ISO-NE") invited New England Power Pool ("NEPOOL") participants to comment on issues that ISO-NE should address in its response to the Commission. The undersigned parties recommend that in its comments to the Commission, ISO-NE should:

- Refrain from making any substantive recommendations or conclusions that get ahead of the stakeholder process or rely on the Operational Fuel-Security Analysis study ("Preliminary Study");
- Not rely on the Preliminary Study in responding to questions regarding the likelihood of resilience risks;
- Make clear that the Preliminary Study does not assess the likelihood of occurrence of any of the scenarios;

¹ *Grid Resilience in Regional Transmission Organizations and Independent System Operators*, 162 FERC ¶ 61,012, (2018).

- Recommend to the Commission that it (a) await the completion of the Preliminary Study and the ISO-NE stakeholder process before taking any action to address bulk power system “resilience” in New England; and, at a minimum, (b) allow stakeholders a meaningful opportunity to provide the Commission with their own comments on the Preliminary Study before the Commission takes any actions based on the Preliminary Study; and
- Request that if the Commission identifies inadequacies to any aspect of the “resilience” of New England’s bulk power system (including, but not limited to, fuel security), the Commission permit New England to develop specific solutions through its tested and proven stakeholder process.

Each of these recommendations is addressed further below.

I. ISO-NE Should Not Rely on the Preliminary Study to Support Any Recommendations or Conclusion in ISO-NE’s Comments to the Commission.

ISO-NE recently initiated a year-long stakeholder process to consider regional fuel security. As a first step, ISO-NE is currently seeking stakeholder feedback on the Preliminary Study released on January 17, 2018.² The Preliminary Study assesses “whether possible future resource combinations would have enough fuel to ensure bulk power system reliability throughout an entire winter.”³ Importantly, this effort is limited to “fuel security” and does not purport to address the full range and implications of potential challenges and solutions to bulk power system “resilience,” as defined by the Grid Resilience Order.

Stakeholder response to the Preliminary Study demonstrates that additional analysis is essential. ISO-NE has committed to running at least two rounds of stakeholder resource combination scenarios as well as follow-up discussions in NEPOOL committee(s). Because the assumptions underlying ISO-NE’s analyses do not yet address any stakeholder feedback and the stakeholder group is diverse, it is certain that additional proposed scenarios and outcomes will be very different from the scenarios and outcomes currently outlined in the Preliminary Study.

² *Operational Fuel-Security Analysis*, ISO New England (January 2018).

³ Press Release, ISO New England, ISO New England Publishes Operational Fuel-Security Analysis (Jan. 17, 2018).

With the benefit of further analysis and evaluation, the final version of the Preliminary Study may look quite different than it looks today. Until further analysis is complete, the Preliminary Study cannot form the basis of any ISO-NE conclusions or recommendations to the Commission.

a. ISO-NE Should Not Rely on the Preliminary Study to Respond to Questions on Probability.

Certain questions in the Grid Resilience Order request that ISO-NE comment on the likelihood of resilience risks and to characterize risks as low or high probability.⁴ However, the Preliminary Study does not assess either the likelihood of resilience risks or whether a risk constitutes a low or high probability. The failure to address the probability of occurrence of any of the scenarios is one of the Preliminary Study's principal shortcomings and serves to diminish its value in the discussion of grid resilience. Thus, it is improper and inaccurate for ISO-NE to respond to these questions using the Preliminary Study. In any of its responses to the Commission that rely on the Preliminary Study, ISO-NE should make clear that the Preliminary Study does not assess the likelihood of occurrence of any of the scenarios.

b. It Would Be Premature for the Commission to Rely on ISO-NE's Preliminary Study Before the Stakeholder Process is Complete.

ISO-NE has committed to significant stakeholder engagement before finalizing its Preliminary Study and has stated that it anticipates that the stakeholder process on fuel security will continue through 2018. At the same time, ISO-NE's response to the Grid Resilience Order is due by March 9, 2018. Subsequent stakeholder comments to the Commission are due by April 9, 2018. Thus, both ISO-NE and stakeholders must submit their comments to the Commission before ISO-NE finalizes its Preliminary Study and well before the completion of the overarching fuel security stakeholder process.

⁴ *Supra* note 1, at 13-14.

At present, neither ISO-NE nor stakeholders are in a position to adequately characterize the potential risk to the bulk power system, and to understand what, if any, changes to market rules are desirable or warranted. Under these circumstances, it would be premature for the Commission to rely on ISO-NE's Preliminary Study as it appears today. As such, any steps taken or directives issued by the Commission must take into account the stakeholder process timeline adopted by ISO-NE and allow for its conclusion as well as the finalization of the Preliminary Study. Thus, ISO-NE should request in its response to the Grid Resilience Order that the Commission await the outcome of the New England stakeholder process before proceeding with additional Commission action addressing the bulk power system resilience that would affect ISO-NE.

II. If Inadequacies in the “Resilience” of New England’s Bulk Power System Are Identified, New England Should Be Permitted to Design Solutions Through its Stakeholder Process.

Solutions to regional concerns should be regional in nature and developed through the NEPOOL stakeholder process. ISO-NE and regional stakeholders including, regulators, policymakers, and market participants continue to successfully develop and design market rules specific to the unique characteristics of New England’s power system. To date, the market’s successful operation is largely a result of NEPOOL’s open, transparent, and inclusive market design process. Notwithstanding the Preliminary Study (which as discussed above cannot at this time legitimately form the basis of any ISO-NE recommendations, market rule changes, or other Commission action), ISO-NE has not presented to stakeholders any evidence of “resilience” risks that require Commission action at this time or into the future. Addressing “resilience” is a complex question requiring consideration of a much wider range of challenges and solutions than just fuel security.

Should the Commission identify inadequacies in the “resilience” of New England’s bulk power system, the Commission should permit New England to develop specific solutions through its tested and proven stakeholder process, and ISO-NE should request that any future Commission action in connection with the Grid Resilience Order, allow for, respect, and incorporate the results of that process.

Thank you for the opportunity to provide these recommendations.

Sincerely,

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