

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

ISO New England, Inc.

Docket Nos. EL18-182-000
ER20-1567-000

COMMENTS OF THE NATURAL GAS SUPPLY ASSOCIATION

On April 15, 2020, ISO New England, Inc. (“ISO-NE”) submitted revisions to its Transmission, Markets and Services Tariff incorporating comprehensive, long-term market enhancements, referred to as “Energy Security Improvements.”¹ NGSA commends ISO-NE for its efforts to work with stakeholders to develop a long-term market-based approach to ensuring sufficient resources are available year-round.

Over the past six years, NGSA has encouraged ISO-NE to seek market-based approaches to ensure regional energy security in a manner that allows all resources the opportunity to compete and to be appropriately compensated for the services they provide. As such, we support ISO-NE’s proposal and see this as a significant first step toward accomplishing its goal of permanently eliminating out-of-market solutions to ensure energy security reliability.

Founded in 1965, NGSA represents integrated and independent energy companies that produce and market domestic natural gas and is the only national trade association that solely focuses on producer-marketer issues related to the downstream natural gas industry. NGSA encourages the use of natural gas within a balanced national energy policy and supports the benefits of competitive markets. NGSA is dedicated to achieving a cleaner future through strong

¹ See *ISO New England, Inc.*, Docket No. ER19-1428-000; Inventoried Energy Program (“Transmittal Letter”). ISO New England Inc., Compliance Filing of Energy Security Improvements Addressing New England’s Energy Security Problems; Docket Nos. EL18-182-000 and ER20-1567-000, April 15, 2020.

partnerships with renewables and supporting innovative technologies and market solutions that reduce emissions. NGSAs advocates for competitive wholesale power markets that provide the appropriate price signals that encourage natural gas-fired power generators to make investments needed to reliably meet consumer demand as well as to provide ramping capabilities that will assist in the grid's ability to accommodate greater levels of intermittent resources. NGSAs members could be significantly impacted by the outcome of this proceeding. Accordingly, NGSAs respectfully moves to intervene and requests that it be granted full rights as a party to this proceeding.

I. *NGSAs Supports ISO-NE's Market-based Approach to Address its Energy Security Concerns.*

In its submission, ISO-NE explains that because power producers in New England are increasingly relying on 'just-in-time' fuel, and saddled with the consequences of insufficient incentives for the services they provide, it is not economical for the current fleet to invest in the energy supply arrangements required to reliably operate. Therefore, to ensure units are adequately compensated for their operational capabilities, ISO-NE proposed three new products including: (1) a day-ahead energy imbalance reserve (EIR) to pay all generators that satisfy the ISO's load forecast; (2) a day-ahead generation contingency reserve (GCR) to parallel the existing real-time operating reserves; and (3) a day-ahead replacement energy reserve (RER) to restore depleting operating reserves within required timeframes and to address load-forecast errors realized during the operating day. Once these new products are in place, ISO-NE proposes to no longer rely on out-of-market programs to meet its energy security needs.²

² NEPOOL's supported alternative amends the ISO's proposed RER provisions by calculating the RER quantity and resulting costs only for the three winter months of December through February and removing from the RER requirements that would authorize the ISO to increase the RER amount in case its load forecast is in error. Recognizing that all parties generally support the new market-based approaches and are only taking issue with specific mechanics, NGSAs has opted not to weigh in on these more specific areas of disagreement.

NGSA has been a strong proponent of market-driven approaches to obtain secure fuel and ensure reliable performance in ISO-NE's market, such as the implementation of its pay-for-performance program. Furthermore, NGSA has cautioned against the use of regulatory intervention, which should only be used as a last resort. Instead of regulatory intervention, the new products proposed in this proceeding will create a market-driven structure that provides the proper price signals and gives generators an enhanced ability to make arrangements that allow them to perform reliably year-round. These proposed market products, if structured appropriately, will provide incentives that enable generators to devise the most cost-efficient means to ensure they can provide the most reliable power or "energy-secure" resources. For example, generators could secure long-term contractual agreements that best meet their needs; relying on liquefied natural gas ("LNG"), pipeline capacity, dual fuel or storage to bolster performance for gas generation. Given the benefits that these new services will provide, we ask the Commission to expeditiously approve ISO-NE's proposal.

II. *Natural Gas is an Essential and Reliable Part of New England's Energy Mix.*

NGSA is encouraged that ISO-NE recognizes in this filing that natural gas should not be the sole focus of its reliability concerns by referring to the issues it is addressing here as "energy security" rather than "fuel security," which encompasses a broader range of energy resources, such as wind and solar. However, as acknowledged by the North American Electric Reliability Corporation ("NERC") in its March 2020 Reliability Guidelines,³ all forms of energy have vulnerabilities. Therefore, we encourage ISO-NE to also acknowledge this fact and to focus on the full panoply of resources when looking at potential vulnerabilities rather than singling out natural gas and other "just in time" resources. With advance arrangements in place, natural gas

³ See, NERC Reliability Guideline Fuel Assurance and Fuel-Related Reliability Risk Analysis for the Bulk Power System March 2020.

has a proven track record, which demonstrates that natural gas as a “just in time” resource is a distinction without a difference, particularly when long-term arrangements are in place.

III. *ISO-NE Should Remain Open to the Possibility that Market Price Signals May Result in Additional Opportunities for Generators to Support New Pipeline Capacity.*

NGSA encourages ISO-NE to recognize a broad range of products may be relied upon by natural gas-fired generators to increase their ability to perform, including increased interstate gas pipeline capacity. In its filing, ISO-NE provides some examples of products that natural gas-fired generation may decide to procure once these proposed new day-ahead products are in place, including short-term arrangements to procure and maintain LNG and fuel oil supplies. The filing also provides longer-term examples such as greater price-sensitive demand participation in the wholesale markets, local “satellite” LNG storage facilities near generation stations, and innovative electricity storage technologies (like grid-scale batteries) that can smooth out the intermittency of renewable energy resources.⁴

We understand that after years of failed attempts to acquire more pipeline capacity in New England to address existing capacity constraints, ISO-NE has decided to move away from viewing added pipeline capacity as a realistic option to address its concerns. Yet, those attempts took place in an environment that did not provide the price signals needed for generators to invest in new pipeline projects. However, once the newly developed products proposed in this proceeding are in place and are providing better price signals to the market, it is possible that some generators may begin to see pipeline capacity commitments as a more realistic option. While ISO-NE has not limited the actions that generators can pursue from revenues associated

⁴ ISO New England Inc., Compliance Filing of Energy Security Improvements Addressing New England’s Energy Security Problems; Docket Nos. EL18-182-000 and ER20-1567-000, April 15, 2020, footnote 39.

with these enhanced products, we encourage ISO-NE to not automatically assume that increased pipeline capacity options are completely off the table.

IV. *Natural Gas Makes Other Clean Energy Resources More Reliable.*

Natural gas generation has had and will continue to have an essential role in helping New England meet its climate goals. Natural gas plays an essential role in meeting nearly half of New England's energy needs, while being a primary driving force for nearly 34% in carbon emissions reductions in New England from 2001 to 2017.⁵ Partnering with renewables, natural gas generation will help empower increased reliance on lower carbon energy resources. Last year, the Energy Futures Initiative's study, 'Pathways for Deep Decarbonization in California,' found that:

*Natural gas generation will continue to play a key role in providing California's electric grid with operational flexibility and system reliability, while enabling the growth and integration of intermittent renewables. Natural gas-fired generation provides key load-following services. It has short- and long-duration applications, including the management of seasonal shifts in demand.*⁶

V. *ISO-NE Should Encourage New England States to Embrace Meaningful Carbon Pricing*

While not directly tied to this proceeding, as steps are taken to implement the products proposed in the proceeding, NGSAs encourages states in New England to work with ISO-NE to develop a means to incorporate a meaningful price on carbon. Competitive markets have proven that they provide significant savings for consumers and should continue to be used as a tool to advance the state's carbon reduction goals. Incorporating a price on carbon in the wholesale competitive market will allow New England to take advantage of all resources and technologies

⁵ "Air Emissions, Key Grid and Market Stats." ISO New England, April 2019, <https://www.iso-ne.com/about/key-stats/air-emissions/>.

⁶ "Pathways for Deep Decarbonization in California." Energy Futures Initiative, May 2019, pp. xvii, https://static1.squarespace.com/static/58ec123cb3db2bd94e057628/t/5ced7013ee6eb03a466f546d/1559064604282/EFI_CA_Decarbonization_SFPM.pdf.

that can aid in the reduction of carbon emissions and will do so in the most efficient and cost-effective way possible; while not exposing consumers to risk that should be borne by the market. Additionally, carbon pricing provides an incentive to develop new technologies that are essential to reaching carbon emissions targets such as carbon capture, utilization, and storage (CCUS).

ISO-NE's President, Gordon van Welie, in reference to growing tension between resources that are dependent on market revenues and those that are not, stated that carbon pricing is the simplest, easiest, and most efficient way to ease this tension and reduce greenhouse gas emissions.⁷ On March 10, the Attorney General of Massachusetts issued a white paper calling for the creation of a task force in New England to explore the expanded use of carbon pricing in the regional electricity market.⁸ With ever-growing support for carbon pricing as a key market solution, NGSAs believe that doing this in tandem with ISO-NE's proposed market solutions in this proceeding would be conducive to moving the region to a market-driven structure that is capable of achieving its future energy objectives while delivering benefits for consumers and the environment.

New England states have already embraced carbon pricing through the Regional Greenhouse Gas Initiative ("RGGI"), which is a helpful step in the right direction. However, if carbon emission reductions achieved through RGGI are insufficient, then NGSAs believe a more meaningful price may be required. Therefore, we urge the New England states and ISO-NE to coordinate with stakeholders in a serious exploration of ways that they can implement a more

⁷ Gordon van Welie. "State of the Grid 2020." ISO New England, March 6, 2020, https://www.iso-ne.com/static-assets/documents/2020/03/20200306_stateofthegrid2020.pdf.

⁸ "Wholesale Electric Market Design for a Low/No-Carbon Future." *Massachusetts Attorney General's Office*, Commonwealth of Massachusetts, March 2020, <https://www.mass.gov/doc/wholesale-electric-market-design-for-a-lowno-carbon-future>.

meaningful price on carbon – whether that is through RGGI or through a separate mechanism that is incorporated into ISO-NE’s tariff.

VI. Conclusion.

NGSA supports the market-based approaches proposed by ISO-NE to address its future energy security concerns and asks the Commission to expeditiously approve these proposals to allow for swift implementation.

Dated: May 15, 2020

Respectfully submitted,



Patricia W. Jagtiani
Executive Vice President
Natural Gas Supply Association
1620 Eye Street, NW, Suite 700
Washington, DC 20006
(202) 326-9311
pjagtiani@ngsa.org