



memo

**To:** NEPOOL Participants Committee  
**From:** Vamsi Chadalavada, Executive Vice President and Chief Operating Officer  
**Date:** April 3, 2018  
**Subject:** Discussions of Near-Term Fuel Security Concerns

This memorandum addresses the ISO's planned action in response to the recent announcement of Exelon Generation that it has submitted resource retirement bids for the 13<sup>th</sup> Forward Capacity Auction (FCA 13) for Mystic units 7, 8, 9, and the Jet unit, totaling ~2000 MW. Exelon has indicated that, in order to meet its existing capacity supply obligations through FCA 12, it is acquiring the Distrigas facility, which is the only fuel supply source available to Mystic units 8 and 9.

In FCA 12, the ISO rejected the dynamic delist bids for Mystic units 7 and 8 for Capacity Commitment Period 2021-2022 due to reliability issues focused on transmission security. Now, Exelon's FCA 13 retirement bids create significant additional reliability concerns as they signal the potential permanent exit of Mystic station – specifically units 8 and 9, which operate at ~1600 MW in the winter months – and implicate the Distrigas facility. These retirements pose an unacceptable fuel security risk to the region during the winter months. Our recent operational experiences during the cold spell, the projected state of the power system in 2022 through 2024, and the future trends identified in our Operational Fuel Security Analysis, highlight the critical importance of this facility to the region's fuel security.

Since the ISO received Exelon's retirement bids, it has been analyzing the potential impacts of losing the Mystic and Distrigas facilities from a fuel security perspective. Given the reliability impacts identified in this analysis and the limited time to address this issue, the ISO will ask FERC to waive the requirements of the ISO's Tariff to allow the ISO to retain Mystic 8 and 9 to maintain fuel security on the system – an option not currently contained in the ISO Tariff. The ISO has previously observed that it may need to seek such authority for resources required for regional fuel security while it continues to work on future solutions.

We believe that it is important to notify stakeholders of our intention to file a waiver later this month in response to Exelon's submitted retirement bids. In order to be transparent and provide as much information as feasible to stakeholders, prior to filing its waiver request, the ISO will discuss this approach at the upcoming April Participants Committee meeting. Additionally, immediately following the April 10 Markets Committee meeting, the ISO will meet with its stakeholders to provide an explanation of its reliability analysis of these retirement bids.

The ISO believes it has limited options and needs to take this initial action in response to the Exelon retirement bids in FCA13. However, the ISO commits to work with stakeholders to develop a Tariff-based approach for retaining retiring resources needed for fuel security on a short-term, going-forward basis. We plan to commence discussions with stakeholders, beginning at the April 25 Reliability Committee

meeting, on the necessary reliability criteria for retaining resources needed for fuel security in the Forward Capacity Market. The ISO would like to file associated Tariff language by November 2018, to be in effect for retirement bids in FCA 14. Stakeholder discussions will also be scheduled for the Markets Committee to address compensation and cost-allocation mechanisms.

Discussions with stakeholders regarding problem definition and associated market-based solutions to fuel-security risks in the longer term (related to its Operational Fuel Security Analysis) will continue as planned. The ISO recently finished its simulations of ~150 additional scenarios requested by stakeholders, which were discussed at the March 28 Reliability Committee. Next, the ISO and NEPOOL will start the planned stakeholder process from Q2 2018 – Q2 2019 to evaluate possible approaches to address the future risk trends. The ISO believes that this parallel approach allows the region to take appropriate reliability actions in the near-term, while continuing work on future measures related to fuel security.

I look forward to discussing these issues with you on Friday.