

SALEM HARBOR STATION

PLANNING FOR RETIREMENT IN ISO-NE

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SALEM HARBOR STATION



Description			
Unit	Capacity (MW)	Fuel Source	In-Service Date
1	82	Coal	01/01/1952
2	80	Coal	01/01/1952
3	140	Coal	08/01/1958
4	437	Res. Oil	08/01/1972



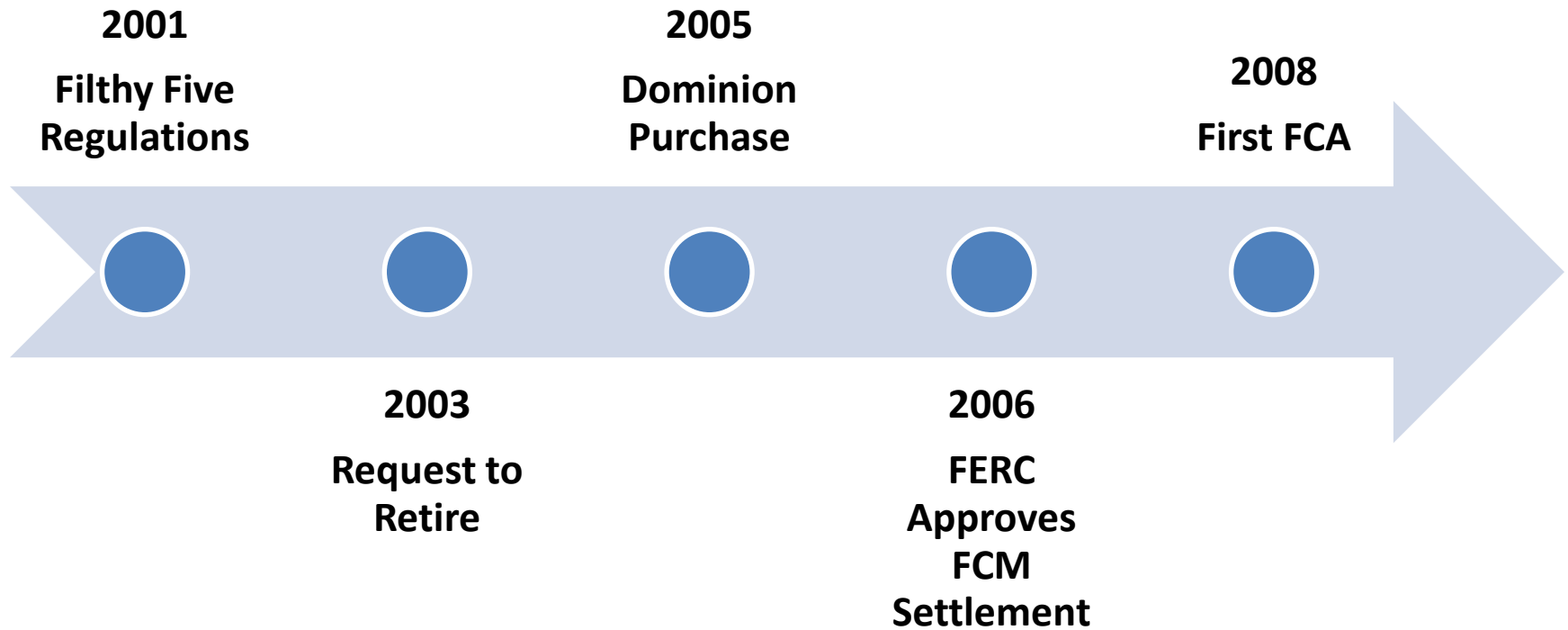
SALEM HARBOR STATION



Recent Capacity Factors				
2009	2008	2007	2006	2005
57%	57%	81%	87%	89%
44%	56%	79%	84%	92%
57%	32%	66%	83%	87%
0.7%	0.7%	1.4%	5.3%	13%



BACKGROUND



TESTING THE WATERS: DOMINION'S FIRST DE-LIST BID

- FCA 3 for 2012-2013 - ER09-1424
 - Dominion Enters Static De-List Bid
 - Seeks accelerated depreciation & common costs

- 128 FERC ¶ 61,266
 - “[W]hile resources are provided the opportunity to recover their costs, they are not guaranteed that they will recover those costs.”

REJECTED FOR RELIABILITY: SURPRISE?

- ISO-NE Rejects Units 3 & 4 for reliability
 - After . . . 5 years and \$235 M in Transmission upgrades
 - Sensitivity vs. Base Case
- FCA 4 for 2013-2014
 - Dominion Enters Static De-List Bid
 - ISO-NE Rejects Units 3 & 4 again
 - CLF Challenges NOT Reliability Determination BUT Failure to Resolve

DECEMBER 16, 2010 ORDER

- Affirms obligation to engage in need-specific planning
- Denies ISO-NE's distinction based on type of de-list bid:
 - “We agree with the Conservation Law Foundation that the implicit distinction ISO-NE draws between the requirements triggered by static and by permanent de-list bids is not present in this tariff language.”*
- Orders Compliance Filing

FCA 5

- Permanent De-List Bid
 - Market Monitor Rejects
- Non-Price Retirement Request
 - Set up for full Cost of Service
- Solution Presentation at RC
 - May 9, 2011
- Retirement Announcement
 - May 11, 2011

KNOW THE TARIFF



- Market Rule 1, Section 13.2.5.2.5(g)

[W]here there is the possibility that the reliability need leading to the rejection of a . . . Static De-List Bid . . . for a Commitment Period may not be resolved before the subsequent Commitment Period, *prior* to the start of the New Capacity qualification period for the FCA for that subsequent Commitment Period, the ISO *shall* review the status of the specific reliability need, identify alternatives to resolve that reliability need and the time to implement those solutions with the Reliability Committee.

KNOW THE PLAYERS

- Who benefits from retirement of coal?
- Who fought for this provision in the tariff?
- Who within the ISO is on your side?



COMMUNICATE THE COSTS



- Above-Market Payments
 - \$18 Million and \$17.5 Million
- Environmental and Health Costs
 - Great studies from EPA, NAS
 - Pending Opacity Suit
- Takes us Back to RMRs

KNOW THE SYSTEM



AUCTION	CAPACITY ACQUIRED (MW)	CAPACITY REQUIRED (MW)	EXCESS CAPACITY (MW)
FCA 1	34,077	32,305	1,772
FCA 2	37,283	32,528	4,755
FCA 3	36,996	31,965	5,031
FCA 4	37,501	32,127	5,374

PLANNING FOR THE FUTURE



- Proposed Tariff Changes
 - Playing Defense
 - ISO-NE has proposed to delete 13.2.5.2.5(g)
- Economic Studies
 - Playing Offense
 - Working with NESCOE and others to change scenario analyses
- Strategic Planning Initiative

QUESTIONS



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