



July 15, 2024

**VIA ELECTRONIC FILING**

Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Re: ISO New England Inc. and  
New England Power Pool**

**Docket No. ER07-476-\_\_\_**

**Long-Term Firm Transmission Rights      Docket No. RM06-08-000  
in Organized Electricity Markets**

Dear Secretary Bose:

ISO New England Inc. (the “ISO”) hereby submits its quarterly status report on implementation of a long-term firm transmission rights (“LFTR”)<sup>1</sup> mechanism in New England.<sup>2</sup> The ISO’s commitment to submit quarterly status reports on LFTR implementation was recognized in the Commission’s October 16, 2008 order in this proceeding.<sup>3</sup>

As discussed in numerous previous reports, the ISO and New England stakeholders had been working to develop a mechanism to enable exchange clearing of FTRs (formerly referred to as third-party FTR auction clearing) that would address the financial assurance issues associated with LFTRs, but concluded that they could not resolve various issues associated with such an approach. Therefore, the ISO focused on implementing monthly reconfiguration auctions for FTRs, which began in October, 2019.<sup>4</sup>

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<sup>1</sup> To correlate the LTTR concept with existing New England terminology based on Financial Transmission Rights (“FTRs”), the market rules in New England refer to “Long-Term Financial Transmission Rights” or “LFTRs.”

<sup>2</sup> Capitalized terms used but not defined in this report are intended to have the meaning given to such terms in the ISO New England Inc. Transmission, Markets and Services Tariff (“ISO Tariff”), the Second Restated New England Power Pool Agreement, and the Participants Agreement. Market Rule 1 is Section III of the ISO Tariff.

<sup>3</sup> *ISO New England Inc. and New England Power Pool*, 125 FERC ¶ 61,069 at PP 35, 37 (2008) (“October 16 Order”).

<sup>4</sup> See ISO New England Inc. and New England Power Pool Participants Committee, Revisions to the Financial Assurance Policy for Financial Transmission Rights, Docket No. ER18-2293-000 (accepted by letter order dated October 23, 2018).

As part of the ISO's ongoing evaluation of the FTR market and risk associated with FTRs and LFTRs, the ISO will continue to evaluate its as-filed LFTR design and financial assurance issues, but is currently focused on higher priority market-design initiatives.

## **COMMUNICATIONS**

Correspondence and communications regarding this filing should be addressed to the following person:

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## **PRESENT STATUS AND TIMELINE FOR LFTR IMPLEMENTATION**

### ***Overview and Present Status***

The ISO described the status of LFTR implementation while discussing the effective date of required market rule changes in the compliance filing that the ISO and NEPOOL Participants Committee submitted in this proceeding on May 27, 2008. At that time, and at present, the ISO anticipates that implementation of the LFTR project will require an 18-month process. As previously reported, LFTR implementation will have a substantial impact on the ISO's existing FTR, settlements, billing and financial assurance software applications. Additionally, various database and data bridges that connect different applications need to be modified. The market and financial software system changes will affect virtually every software development and support department of the ISO.

However, the LFTR project implementation is critically dependent on developing and finalizing the specific requirements of the ISO's LFTR financial assurance policies. In other words, the 18-month implementation process can begin once the related financial assurance issues have been resolved. As noted in prior reports, the ISO and its stakeholders have, since mid-2012, been working to address the financial assurance issues associated with the FTR markets, including LFTRs. The ISO identified an approach that would have involved exchanging FTRs for a related position on a clearinghouse, thus eliminating the settlement and clearing risk from the ISO. Prior reports provided details concerning how this clearing approach would work. During the process of developing detailed plans for obtaining requisite regulatory approvals and implementing the clearing approach, issues, including possibly exposing the ISO to risk and issues with its exemption from the jurisdiction of the Commodity Futures Trading Commission, were identified that caused the ISO to abandon the proposed clearing approach.

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More recently, the ISO renewed discussions with the clearinghouse and stakeholders to refine the proposal, including a reevaluation of the identified regulatory concerns. However, those discussions are currently stalled as the clearinghouse has not been able to continue its review with its regulator, the Commodity Futures Trading Commission, which is focused on other regulatory priorities.

While continuing to work toward LFTR implementation, the ISO and stakeholders also have worked on several other improvements to the FTR market over the past several years. During 2010-2011, the ISO and stakeholders developed enhancements to the existing FTR market to provide for multiple annual auction rounds and monthly reconfiguration auctions. These enhancements originally were filed with the Commission in May 2011 in Docket No. ER11-3568 and were accepted on June 30, 2011. Both the multiple annual auction rounds and the monthly reconfiguration auction enhancements initially were expected to become effective at the same time. However, it later became clear that it would be better to separate the two enhancements for implementation purposes since the multiple annual auction round change could become effective earlier. On June 28, 2012, the ISO and NEPOOL jointly submitted tariff changes in Docket No. ER12-2122 to separate and implement the enhancements in two phases. The Commission accepted the June 28 filing by letter order dated August 23, 2012 and the multiple annual auction round rules became effective on October 1, 2012. The rules for the monthly reconfiguration auctions became effective on September 17, 2019 (for the monthly reconfiguration auctions beginning October, 2019).<sup>5</sup>

As part of the ISO's ongoing evaluation of the FTR market and risk associated with FTRs and LFTRs, the ISO will continue to evaluate its as-filed LFTR design and financial assurance issues, but is currently focused on higher priority market-design initiatives. The remainder of this report describes the details of the 18-month implementation process that is required once the LFTR financial assurance issues are resolved.

### ***Explanation of Implementation Timeline***

The effort to implement LFTRs continues to depend on the development of appropriate financial assurance rules. After stakeholder review and Commission acceptance of financial assurance policy revisions is completed, the ISO can initiate the estimated eighteen-month LFTR implementation process. The implementation process will start with an internal business and software development phase, which will take a minimum of twelve months to complete due to the resource constraints. The primary vendor for the LFTR software package also will require between twelve and thirteen months from contract execution to complete its portion of the project.

The ISO expects to require an additional six months to complete testing, prepare for cutover and "go-live" with the first LFTR auction following delivery of the software necessary to

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<sup>5</sup> See Notice of Effective Date for Monthly "Balance of Planning Period" FTR Auctions and Change to Financial Transmission Right Provisions to Accommodate Those Auctions, FERC Docket No. ER19-2327-000 (submitted July 1, 2019).

support the LFTR market rule changes. The testing requirements for LFTR implementation are considerable. Extensive data and testing is required to ensure the integrity and quality of the FTR allocation and auction software. The testing phase for the LFTR market design must support the conversion and integration of the Allocated LFTRs and Auctioned LFTRs into the FTR Auction process and the settlement of those transactions. Furthermore, testing environments, which are critical to ensure the validity and quality of the software modifications, are limited and must be shared by various other projects at the ISO. These requirements and dependencies mean that the testing phase for the LFTR project needs to span several months. Because of the resource constraints, the testing cannot overlap the internal ISO or vendor development phase.

From a timing perspective, it is important to note that an additional three months are needed for the ISO to administer the initial LFTR allocations and auctions, so the effective date for the LFTRs issued in the first long-term auction/allocation must be a minimum of three months after the “go-live” date. The current long-term auction period is from January 1 to December 31. Therefore, a “go-live” date of any time other than during the fourth quarter of a calendar year would require changes to the annual auction period.

## CONCLUSION

The ISO hereby submits this status report in compliance with its prior commitment to New England’s wholesale electricity market stakeholders and as recognized in the Commission’s October 16, 2008 Order. Electronic copies of this report are being served on all persons on the Commission’s official service list in the captioned proceeding, as well as on the governors and electric utility regulatory agencies for the six New England states that comprise the New England Control Area. All NEPOOL Participants Committee members are being furnished with an electronic copy of this report. In accordance with the Commission’s rules and practice, there is no need for these entities to be included on the Commission’s official service list in this proceeding unless such entities already are or become intervenors in this proceeding.

Respectfully submitted,

/s/ Jennifer M. Recht

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## **CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in these proceedings.

Dated at Holyoke, Massachusetts this 15th day of July, 2024.

/s/ Julie Horgan  
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