

July 31, 2018

**BY HAND DELIVERY AND ELECTRONIC MAIL**

Luly E. Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

**RE: Docket 4676 – National Grid’s Proposal to Bid Capacity of Customer-Owned Distributed Generation Facilities into the Forward Capacity Market 2019 Forward Capacity Market Annual Report**

Dear Ms. Massaro:

In compliance with the Public Utilities Commission’s bench decision issued at its evidentiary hearing on February 17, 2017, I have enclosed ten copies of National Grid’s<sup>1</sup> annual report detailing the performance of the Forward Capacity Market program for the time period of June 1, 2018 through May 31, 2019.

Thank you for your attention to this matter. If you have any questions, please contact me at 781-907-2121.

Very truly yours,



Raquel J. Webster

Enclosures

cc: Docket 4676 Service List  
Leo Wold, Esq.  
Jon Hagopian, Esq.

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<sup>1</sup> The Narragansett Electric Company d/b/a National Grid (National Grid or Company).

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.



\_\_\_\_\_  
Joanne M. Scanlon

July 31, 2019

Date

**Docket No. 4676 National Grid – Forward Capacity Market Proposal  
Service List updated 12/22/16**

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**Forward Capacity Market Annual Report**  
**Docket No. 4676**  
**July 31, 2019**

The Narragansett Electric Company d/b/a National Grid (National Grid or the Company) files this Forward Capacity Market Annual Report (FCM Annual Report) with the Rhode Island Public Utilities Commission (PUC) in compliance with the PUC's bench decision at a hearing on February 17, 2017 in Docket No. 4676. This bench decision requires the Company to file the following annual reports: (1) annual report every March 15 containing the Forward Capacity Market (FCM)<sup>1</sup> auction results; and (2) annual report every July detailing the overall performance of the program for the prior year, including the monthly production from the facilities and the performance of facilities in the event of a Capacity Scarcity Condition (FCM Annual Report).

Pursuant to the PUC's decision in the above-referenced docket, National Grid is providing the following results regarding the Company's performance in the FCM.

1. Calculation of Net FCM Proceeds
2. Incremental Administrative Costs
3. Company Incentive and Customer Share of Net FCM Proceeds

This FCM Annual Report covers the Company's performance in the FCM in the time-period spanning June 1, 2018 through May 31, 2019, aligning with annual FCM Capacity Commitment Period (CCP) 9.

## **I. Calculation of Net FCM Proceeds**

This FCM Annual Report is intended to provide information regarding the Company's performance in the last CCP, which, for the 2019 FCM Performance Report, is CCP 9. Due to the forward-nature of the FCM, and the timing of the Forward Capacity Auction (FCA), the Company-earned revenue for CCP 9 reflects only (a) base revenue from capacity monetized in the Monthly Reconfiguration Auctions and (b) Pay-for-Performance revenue during the September 3, 2018 Capacity Scarcity Condition (CSC). The following subsections provide information on the Company's performance for these two revenue streams during CCP 9. We then present projections for the Company's FCM proceeds for CCP 10.

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<sup>1</sup> A complete list of acronyms is provided as an appendix at the end of this report.

## I.A. Monthly Base Revenue

In 2017, the Company submitted Show of Interest and Qualification proposals<sup>2</sup> for an initial set of solar distributed generation (DG) facilities in FCA-12,<sup>3</sup> which is for the delivery of capacity in the period spanning June 1, 2021 – May 31, 2022. After qualification in FCA-12, the first opportunity to monetize this capacity was in the Monthly Reconfiguration Auctions (MRAs) for the June 2018 – May 2019 CCP. Table 1 summarizes the clearing prices for the June through September 2018 MRAs and the Company’s cumulative Capacity Supply Obligation (CSO) across each of its qualified solar DG assets.

**Table 1: Summary of Monthly Reconfiguration Auction Results for June 2018 through September 2018**

Month	CSO (MW)	MRA Clearing Price (\$/kW-month)
June 2018	7.855	\$3.500
July 2018	7.789	\$4.501
August 2018	7.713	\$3.500
September 2018	7.713	\$3.500

Note: Capacity Supply Obligation (CSO) values reflect the cumulative capacity supply obligation undertaken by the Company, aggregated across each of its qualified and eligible solar DG resources in Rhode Island. CSOs for individual resources are provided in Table 2.

Table 2 summarizes the total FCM capacity base monthly revenue earned by the Company for each resource in CCP 9. Capacity base monthly revenue for each resource is calculated by multiplying the CSO by the MRA price, and is then adjusted slightly by ISO-NE based on the Monthly Peak Energy Rent.<sup>4</sup>

**Table 2: FCM Capacity Base Revenue Earned for Capacity Commitment Period 9**

Resource ID	Program	June 2018		July 2018		August 2018		September 2018		Total Capacity Base Revenue (\$)
		CSO (MW)	Capacity Base Payment (\$)	CSO (MW)	Capacity Base Payment (\$)	CSO (MW)	Capacity Base Payment (\$)	CSO (MW)	Capacity Base Payment (\$)	
38833	DGSC	0.184	\$642	0.184	\$826	0	\$0	0	\$0	\$1,469

<sup>2</sup> Prior to bidding in a FCA, a project must submit documentation to ISO-NE in the Show of Interest and Qualification filings, which are due in April and June, respectively. The FCA then occurs in February of the following calendar year and is for delivery of capacity three years in the future. Once a facility has qualified for the Forward Capacity Auction, the first opportunity to monetize capacity following qualification is in the June Reconfiguration Auctions of the following calendar year.

<sup>3</sup> FCA-12 covers the time period spanning June 1, 2021 – May 31, 2022.

<sup>4</sup> ISO-NE applies a deduction known as the Average Monthly Peak Energy Rent (PER) to the Capacity Base Payments of the solar facilities. Peak Energy Rent is meant to provide a hedge for load against high energy prices and is calculated when there is an hourly Real-Time energy price that is higher than a pre-determined strike price. For a more detailed description of ISO-NE’s implementation of PER, please refer to Section III of ISO New England Inc. Transmission, Markets, and Services Tariff, Market Rule 1, III.13.7.1.2, at [https://www.iso-ne.com/static-assets/documents/2014/12/mr1\\_sec\\_1\\_12.pdf](https://www.iso-ne.com/static-assets/documents/2014/12/mr1_sec_1_12.pdf).

38834	DGSC	0.855	\$2,984	0.855	\$3,840	0.855	\$2,984	0.855	\$2,984	\$12,792
38842	DGSC	1.484	\$5,179	1.484	\$6,665	1.484	\$5,179	1.484	\$5,179	\$22,202
38843	DGSC	0.850	\$2,967	0.850	\$3,817	0.850	\$2,967	0.850	\$2,967	\$12,717
38853	DGSC	0.211	\$736	0.211	\$948	0.211	\$736	0.211	\$736	\$3,157
38855	DGSC	0	\$0	0.042	\$189	0.042	\$147	0.042	\$147	\$482
38858	DGSC	0.552	\$1,926	0.552	\$2,479	0.552	\$1,926	0.552	\$1,926	\$8,258
38860	DGSC	0.187	\$653	0.187	\$840	0.187	\$653	0.187	\$653	\$2,798
38861	DGSC	0.125	\$436	0.125	\$561	0.125	\$436	0.125	\$436	\$1,870
38862	DGSC	0.199	\$695	0.199	\$894	0.199	\$695	0.199	\$695	\$2,977
38864	DGSC	0.108	\$377	0	\$0	0.108	\$377	0.108	\$377	\$1,131
38865	DGSC	0.412	\$1,438	0.412	\$1,850	0.412	\$1,438	0.412	\$1,438	\$6,164
38867	DGSC	0.134	\$468	0.134	\$602	0.134	\$468	0.134	\$468	\$2,005
38868	DGSC	0.459	\$1,602	0.459	\$2,061	0.459	\$1,602	0.459	\$1,602	\$6,867
38869	DGSC	0.200	\$698	0.200	\$898	0.200	\$698	0.200	\$698	\$2,992
38881	DGSC	0.202	\$705	0.202	\$907	0.202	\$705	0.202	\$705	\$3,022
38883	DGSC	0.475	\$1,658	0.475	\$2,133	0.475	\$1,658	0.475	\$1,658	\$7,106
38884	DGSC	0.466	\$1,626	0.466	\$2,093	0.466	\$1,626	0.466	\$1,626	\$6,972
38885	DGSC	0.471	\$1,644	0.471	\$2,115	0.471	\$1,644	0.471	\$1,644	\$7,047
38925	RE Growth	0.085	\$297	0.085	\$382	0.085	\$297	0.085	\$297	\$1,272
38949	RE Growth	0.099	\$346	0.099	\$445	0.099	\$346	0.099	\$346	\$1,481
38950	RE Growth	0.097	\$339	0.097	\$436	0.097	\$339	0.097	\$339	\$1,451
<b>Total</b>		<b>7.855</b>	<b>\$27,414</b>	<b>7.789</b>	<b>\$34,980</b>	<b>7.713</b>	<b>\$26,918</b>	<b>7.713</b>	<b>\$26,918</b>	<b>\$116,231</b>
<b>MRA Clearing Price (\$/kW-month)</b>		<b>\$3.500</b>		<b>\$4.501</b>		<b>\$3.500</b>		<b>\$3.500</b>		

Note: Reported capacity base payment values include the application of the Monthly Peak Energy Rent which is a market adjustment mechanism applied by ISO-NE.

## I.B. Pay-For-Performance Revenue during Capacity Scarcity Conditions

In addition to revenue received through the MRAs, some of the Company's solar DG resources were eligible to receive revenue through Pay-For-Performance (PFP) if a CSC were to occur. During CCP 9 (i.e., June 1, 2018 through May 31, 2019) there was one CSC event, which occurred on September 3, 2018 from the time interval beginning 15:40 to the interval beginning 18:15, resulting in thirty-two, five-minute intervals.

All resources that the Company had qualified in 2017 as part of FCA-12 were eligible to receive PFP payments in CCP 9 even if they did not obtain a CSO through the September 2018 MRA. In addition, resources that had not been qualified in the FCM, but that were commercially operational and registered as assets in the Energy Market were eligible for PFP payments if they provided capacity during the CSC event.

Table 3 below summarizes the PFP payment or penalty for each of the relevant solar facilities during the CSC event. As noted, the list includes (a) resources that had been qualified in 2017 as part of FCA-12, and (b) other

commercially operational solar DG assets that had been registered in the Energy Market and received PFP payment.

**Table 3: FCM Capacity Base Revenue and PFP Revenue for Capacity Commitment Period 9**

Resource ID	Program	Total Capacity Base Revenue (\$)	Pay for Performance (\$)	Total CCP9 Revenue (\$)
38833	DGSC	\$1,469	\$0	\$1,469
38834	DGSC	\$12,792	-\$49	\$12,742
38842	DGSC	\$22,202	-\$1,973	\$20,229
38843	DGSC	\$12,717	-\$274	\$12,442
38853	DGSC	\$3,157	-\$44	\$3,113
38855	DGSC	\$482	\$686	\$1,168
38858	DGSC	\$8,258	-\$155	\$8,104
38860	DGSC	\$2,798	-\$52	\$2,746
38861	DGSC	\$1,870	-\$14	\$1,856
38862	DGSC	\$2,977	-\$75	\$2,902
38864	DGSC	\$1,131	\$34	\$1,165
38865	DGSC	\$6,164	\$114	\$6,278
38867	DGSC	\$2,005	-\$359	\$1,646
38868	DGSC	\$6,867	-\$501	\$6,366
38869	DGSC	\$2,992	-\$16	\$2,976
38881	DGSC	\$3,022	-\$16	\$3,006
38883	DGSC	\$7,106	-\$281	\$6,825
38884	DGSC	\$6,972	-\$374	\$6,598
38885	DGSC	\$7,047	\$76	\$7,122
38925	RE Growth	\$1,272	-\$46	\$1,226
38949	RE Growth	\$1,481	-\$1	\$1,481
38950	RE Growth	\$1,451	-\$19	\$1,432
40632	RE Growth	\$0	\$1,548	\$1,548
40640	RE Growth	\$0	\$253	\$253
40641	RE Growth	\$0	\$499	\$499
40642	RE Growth	\$0	\$375	\$375
40644	RE Growth	\$0	\$303	\$303
40647	RE Growth	\$0	\$473	\$473
40654	RE Growth	\$0	\$724	\$724
40655	RE Growth	\$0	\$1,196	\$1,196
40656	RE Growth	\$0	\$3,463	\$3,463
<b>Total</b>		<b>\$116,231</b>	<b>\$5,493</b>	<b>\$121,724</b>

Note: A zero value for “Total Capacity Base Revenue” indicates that a resource did not take on a CSO for the June 2018 through September 2018 time periods but received PFP revenue based on performance during the September 3, 2018 CSC.

As indicated in Table 3, on aggregate, the Company’s portfolio of solar DG projects earned a net-positive payment during the September 3, 2018 event. For resources that had a September obligation, some over-performed relative to their CSO (i.e., received revenues) and others underperformed relative to their CSO (i.e., received penalties). PFP payments and penalties were proportional to a resource’s over- or under-performance relative to their September CSO. However, for each resource that obtained a September 2018 CSO and underperformed during the timeframe of the CSC event, the capacity base payment received for the month of September exceeded the performance penalty. That is, each resource with a September CSO earned a net-positive payment for September 2018, even if it incurred a penalty during the CSC. The remaining assets that did not obtain a CSO for September CSO earned a performance incentive based on their performance during the CSC.

### I.C. Forecast of Net FCM Proceeds - Capacity Commitment Period 10 (June 1, 2019- May 31, 2020)

Table 4 below provides a forecast of the revenue for the period of June 1, 2019 – May 31, 2020.<sup>5</sup> The MRAs for June, July, August, and September 2019 have already occurred and the forecast of Net FCM Proceeds is based on a known CSOs obtained (MW values) and monthly MRA clearing price. This does not include the Monthly Peak Energy Rent, which ISO-NE applies to the resource payments based on overall market performance.

Not all solar facilities obtain a CSO every month. For instance, if a facility appears to be underperforming relative to its qualified capacity or displaying evidence of sustained outages, the Company may choose to forego acquiring a CSO in a given month. To date, the Company has forgone the opportunity to obtain a CSO in CCP 10 for one resource due to underperformance as to avoid exposing the project to PFP penalties in the event of a CSC.

**Table 4: Estimated FCM Capacity Base Revenue for Capacity Commitment Period 10**

Resource ID	Program	June 2019		July 2019		August 2019		September 2019		Total Revenue
		CSO (MW)	Capacity Base Payment (\$)	CSO (MW)	Capacity Base Payment (\$)	CSO (MW)	Capacity Base Payment (\$)	CSO (MW)	Capacity Base Payment (\$)	
38833	DGSC	0.019	\$38	0.019	\$40	0.019	\$42	0.019	\$36	\$156
38834	DGSC	0.800	\$1,616	0.800	\$1,664	0.800	\$1,776	0.800	\$1,528	\$6,584

<sup>5</sup> The solar facilities are qualified as summer-only Intermittent Settlement Only Resources and can only obtain a Capacity Supply Obligation in the summer performance months of June – September.

The Narragansett Electric Company  
d/b/a National Grid  
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38842	DGSC	1.428	\$2,885	1.428	\$2,970	1.428	\$3,170	1.428	\$2,727	\$11,752
38843	DGSC	0.907	\$1,832	0.907	\$1,887	0.907	\$2,014	0.907	\$1,732	\$7,465
38853	DGSC	0.207	\$418	0.207	\$431	0.207	\$460	0.207	\$395	\$1,704
38855	DGSC	0.162	\$327	0.162	\$337	0.162	\$360	0.162	\$309	\$1,333
38858	DGSC	0.550	\$1,111	0.550	\$1,144	0.550	\$1,221	0.000	\$0	\$3,476
38860	DGSC	0.191	\$386	0.191	\$397	0.191	\$424	0.191	\$365	\$1,572
38861	DGSC	0.121	\$244	0.121	\$252	0.121	\$269	0.121	\$231	\$996
38862	DGSC	0.196	\$396	0.196	\$408	0.196	\$435	0.196	\$374	\$1,613
38864	DGSC	0.131	\$265	0.131	\$272	0.131	\$291	0.131	\$250	\$1,078
38865	DGSC	0.000	\$0	0.000	\$0	0.411	\$912	0.411	\$785	\$1,697
38867	DGSC	0.047	\$95	0.047	\$98	0.047	\$104	0.047	\$90	\$387
38868	DGSC	0.425	\$859	0.425	\$884	0.425	\$944	0.425	\$812	\$3,498
38869	DGSC	0.193	\$390	0.193	\$401	0.193	\$428	0.193	\$369	\$1,588
38881	DGSC	0.199	\$402	0.199	\$414	0.199	\$442	0.199	\$380	\$1,638
38883	DGSC	0.448	\$905	0.448	\$932	0.448	\$995	0.448	\$856	\$3,687
38884	DGSC	0.436	\$881	0.436	\$907	0.436	\$968	0.436	\$833	\$3,588
38885	DGSC	0.474	\$957	0.474	\$986	0.474	\$1,052	0.474	\$905	\$3,901
38925	RE Growth	0.086	\$174	0.086	\$179	0.086	\$191	0.086	\$164	\$708
38949	RE Growth	0.091	\$184	0.091	\$189	0.091	\$202	0.091	\$174	\$749
38950	RE Growth	0.095	\$192	0.095	\$198	0.095	\$211	0.095	\$181	\$782
40632	RE Growth	0.474	\$957	0.474	\$986	0.474	\$1,052	0.474	\$905	\$3,901
40640	RE Growth	0.073	\$147	0.073	\$152	0.073	\$162	0.073	\$139	\$601
40641	RE Growth	0.142	\$287	0.142	\$295	0.142	\$315	0.142	\$271	\$1,169
40642	RE Growth	0.093	\$188	0.093	\$193	0.093	\$206	0.093	\$178	\$765
40644	RE Growth	0.081	\$164	0.081	\$168	0.081	\$180	0.081	\$155	\$667
40647	RE Growth	0.103	\$208	0.103	\$214	0.103	\$229	0.103	\$197	\$848
40654	RE Growth	0.186	\$376	0.186	\$387	0.186	\$413	0.186	\$355	\$1,531
40718	RE Growth	0.100	\$202	0.100	\$208	0.100	\$222	0.100	\$191	\$823
40695	RE Growth	0.101	\$204	0.101	\$210	0.101	\$224	0.101	\$193	\$831
40696	RE Growth	0.100	\$202	0.100	\$208	0.100	\$222	0.100	\$191	\$823
40655	RE Growth	0.360	\$727	0.360	\$749	0.360	\$799	0.360	\$688	\$2,963
40656	RE Growth	1.002	\$2,024	1.002	\$2,084	1.002	\$2,224	1.002	\$1,914	\$8,246
40744	RE Growth	0.326	\$659	0.326	\$678	0.326	\$724	0.326	\$623	\$2,683
40681	RE Growth	0.096	\$194	0.096	\$200	0.096	\$213	0.096	\$183	\$790
40684	RE Growth	0.096	\$194	0.096	\$200	0.096	\$213	0.096	\$183	\$790
<b>Total</b>		<b>10.539</b>	<b>\$21,289</b>	<b>10.539</b>	<b>\$21,921</b>	<b>10.950</b>	<b>\$24,309</b>	<b>10.400</b>	<b>\$19,864</b>	<b>\$87,383</b>
<b>MRA Price (\$/KW-month)</b>		<b>\$2.02</b>		<b>\$2.08</b>		<b>\$2.22</b>		<b>\$1.91</b>		

Note: The MRAs for June, July, August, and September 2019 have already occurred and the forecast of Net FCM Proceeds is based on a known CSOs obtained (MW values) and monthly MRA clearing price.

The above represents monthly FCM Capacity Base Payments (which is the CSO MW multiplied by the MRA clearing price).<sup>6</sup> Additionally, all capacity resources are eligible to earn performance payments or penalties under the FCM Pay-For-Performance rule,<sup>7</sup> which is determined by the solar facility’s performance during a CSC, if any occur during the relevant CCP. <sup>8</sup> To date, there have been no known CSC events during CCP 10.

## II. Incremental Administrative Costs

The administrative costs reported in Table 5 cover FCA-13 qualification activities in the time period of June 1, 2018 – May 31, 2019. An external contractor was hired to assist with FCA qualification tasks and internal administrative costs are attributed to the preparation of qualification materials as well as the ongoing monitoring of facilities and portfolio management activities.

**Table 5: Incremental Administrative Costs (June 1, 2018 to May 31, 2019)**

Category	DG Standard Contract Program	RE Growth Program	Total
Internal Labor	\$2,126	\$7,571	\$9,698
Internal Overhead	\$1,126	\$4,920	\$6,046
External Contractor Services	\$37,103	\$0	\$37,103
<b>Total Incremental Labor Resource Expense</b>	<b>\$40,355</b>	<b>\$12,491</b>	<b>\$52,846</b>

<sup>6</sup> ISO-NE applies a deduction known as the Average Monthly Peak Energy Rent (PER) to the Capacity Base Payments of the solar facilities. Peak Energy Rent is meant to provide a hedge for load against high energy prices and is calculated when there is an hourly Real-Time energy price that is higher than a pre-determined strike price. For a more detailed description of ISO-NE’s implementation of PER, please refer to Section III of ISO New England Inc. Transmission, Markets, and Services Tariff, Market Rule 1, III.13.7.1.2, at [https://www.iso-ne.com/static-assets/documents/2014/12/mr1\\_sec\\_1\\_12.pdf](https://www.iso-ne.com/static-assets/documents/2014/12/mr1_sec_1_12.pdf). The values estimated in Table 4 exclude the PER adjustment.

<sup>7</sup> The Pay for Performance rule went into effect on June 1, 2018. For a detailed description of ISO-NE’s implementation of the new rules, please refer to ISO-NE’s compliance filing on the rule change, “ISO New England Inc., Docket Nos. ER14-2419-002, EL14-52-000; 30-Day Compliance Filing to Revise Tariff section III.13.7,” at [https://www.iso-ne.com/static-assets/documents/2014/11/er14-2419-002\\_11-3-14\\_two-settlement\\_market\\_compliance\\_filing.pdf](https://www.iso-ne.com/static-assets/documents/2014/11/er14-2419-002_11-3-14_two-settlement_market_compliance_filing.pdf).

<sup>8</sup> Solar DG resources with a CSO can only earn penalties if a Capacity Scarcity Condition occurs during the summer performance months of June – September in which they have a CSO. In all other months, the solar DG resources are eligible to earn Performance Incentive payments if a Capacity Scarcity Condition occurs coincident with solar production, but cannot earn penalties, as the resources do not have a CSO in those months.

### III. Company Incentive and Customer Share of Net FCM Proceeds

The Company is approved to retain 10% of Net FCM Proceeds of the Company's solar portfolio. Customers recover the remaining 90% of Net FCM Proceeds, net of any administrative costs. As reflected in Table 6, the net FCM performance (i.e., revenue minus administrative costs) for CCP 9 is positive. This result is consistent with the projection that the portfolio of solar DG assets would earn positive revenue in excess of the net costs (i.e., administrative costs) beginning in 2018, as the Company described in Docket 4676.<sup>9]</sup>

**Table 6: Customer Share of Net FCM Proceeds (June 1, 2018 to May 31, 2019)**

<b>Category</b>	<b>Proceeds</b>
Net FCM Proceeds	\$121,724
10% Company Incentive	-\$12,172
Administrative Costs	-\$52,846
<b>Customer Share of Net FCM Proceeds</b>	<b>\$56,705</b>

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<sup>9</sup> See Docket No. 4676 Hearing transcript at 63-64.

### Appendix - List of Acronyms

<b>Acronym</b>	<b>Definition</b>
CCP	Capacity Commitment Period
CSO	Capacity Supply Obligation
CSC	Capacity Scarcity Condition
DG	Distributed Generation
FCA	Forward Capacity Auction
FCM	Forward Capacity Market
ISO-NE	ISO New England
MRA	Monthly Reconfiguration Auction
PFP	Pay-For-Performance