

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

State Policies and Wholesale	)	
Markets Operated by ISO	)	Docket No. AD17-11-000
New England Inc., New York	)	
Independent System Operator, Inc.,	)	
and PJM Interconnection, L.L.C.	)	

**PRE-TECHNICAL CONFERENCE STATEMENT OF  
ANGELA M. O’CONNOR, CHAIRMAN  
MASSACHUSETTS DEPARTMENT OF PUBLIC UTILITIES**

As Chairman of the Massachusetts Department of Public Utilities (“DPU”), I thank the Federal Energy Regulatory Commission (“FERC”) for hosting these discussions on state policies affecting wholesale energy and capacity markets operated by the Eastern Regional Transmission Organizations (“RTOs”) and Independent System Operators (“ISOs”) (“Eastern RTOs/ISOs”). Massachusetts embraced competitive markets when it enacted legislation to restructure its electric industry in 1997.<sup>1</sup> Since that time, Massachusetts has advanced a number of policies designed to reduce greenhouse gas emissions (“GHG”) in the electric sector, primarily through state laws that establish specific GHG reduction targets. We expect that this technical session will expand upon the foundation that New England Power Pool (“NEPOOL”) stakeholders have established through the Integrating Markets and Public Policy (“IMAPP”) initiative. Through the DPU’s ongoing involvement with IMAPP, we appreciate the complexities involved in reconciling competitive market principles with certain state-supported resources procurements, particularly in multi-state RTOs/ISOs like the ISO-New England, Inc. (“ISO-NE”).

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<sup>1</sup> An Act Relative to Restructuring the Electric Utility Industry In The Commonwealth, Regulating The Provision Of Electricity And Other Services, And Promoting Enhanced Consumer Protections Therein, St. 1997, c. 164 (“Restructuring Act”).

Furthermore, the Commonwealth of Massachusetts' aggressive pursuit of clean energy policies is a significant driver of the IMAPP process. In this statement I provide a brief overview of two key elements of the Commonwealth's energy policy and then offer my perspective on the IMAPP process.

## **I. MASSACHUSETTS CLEAN ENERGY LEGISLATION**

### **A. GLOBAL WARMING SOLUTIONS ACT**

In August of 2008, Massachusetts enacted the Global Warming Solutions Act ("GWSA"),<sup>2</sup> which created a comprehensive framework for reducing GHG emissions, making Massachusetts one of the first states in the nation to move forward with a comprehensive regulatory program to address climate change. The GWSA requires that, by 2050, GHG emissions be reduced by at least 80 percent below 1990 levels. To ensure that the Commonwealth remains on track to meet the reduction limit for 2050, the GWSA also includes timelines for achieving specified benchmarks in GHG reductions in 2020, 2030, and 2040.

The GWSA requires the Massachusetts Executive Office of Energy and Environmental Affairs ("EEA") to update its plan for reducing GHG emissions once every five years. Accordingly, EEA issued the 2015 Massachusetts Clean Energy and Climate Plan Update for 2020 ("CECP Update"), which outlines a comprehensive set of GHG reduction policies designed to meet the emission reduction limit for 2020.<sup>3</sup> The CECP Update groups GHG emission reductions policies into the following five sectors: (1) building fuels and energy efficiency; (2) energy generation and distribution; (3) transportation, land use, and smart growth;

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<sup>2</sup> G.L. c. § 21N.

<sup>3</sup> The CECP Update is available at: <http://www.mass.gov/eea/docs/eea/energy/cecp-for-2020.pdf>.

(4) non-energy emissions; and (5) cross-sector policies. Together, these policies provide a comprehensive strategy that addresses nearly all sources of GHG emissions in Massachusetts.

## **B. ENERGY DIVERSITY ACT AND GREEN COMMUNITIES ACT**

In order to maximize Massachusetts' ability to achieve its GWSA goals, in August 2016, Massachusetts Governor Charlie Baker signed into law An Act to Promote Energy Diversity ("Energy Diversity Act"),<sup>4</sup> a comprehensive energy diversity statute designed to reduce energy costs while strengthening and diversifying the state's clean energy economy, progress towards Massachusetts' GHG reduction requirements, and embrace advanced technologies.

The Energy Diversity Act also amended an existing statute, An Act Relative to Green Communities ("GCA"),<sup>5</sup> by adding Sections 83C and 83D to the GCA. Sections 83C and 83D require that Massachusetts electric distribution companies ("EDCs") jointly and competitively solicit proposals for long-term contracts for offshore wind energy generation and clean energy generation resources, respectively.<sup>6</sup> Section 83C requires that the EDCs jointly and competitively solicit cost-effective long-term contracts for offshore wind generation by June 30, 2017, and, provided that reasonable proposals are received, that they enter into cost-effective long-term contracts not later than June 30, 2027 for 1,600 megawatts ("MW") of aggregate nameplate capacity, subject to review and approval by the DPU. Section 83D requires that the EDCs jointly and competitively solicit cost-effective long-term contracts for clean energy generation resources by April 1, 2017, and provided that reasonable proposals are received, that they enter into such cost-effective long-term contracts not later than December 31, 2022 for

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<sup>4</sup> St. 2016, c. 188, § 12.

<sup>5</sup> St. 2008, c. 169.

<sup>6</sup> Clean Energy Generation means either: (1) firm service hydroelectric generation from hydroelectric generation alone; (2) new Class I RPS eligible resources that are firm up with firm service hydroelectric generation; or (3) new Class I renewable portfolio standard eligible resources.

approximately 9,450,000 megawatt hours (“MWh”) annually, also subject to review and approval by the DPU.<sup>7</sup>

Pursuant to Section 83D, a request for proposals (“RFP”) for clean energy generation was issued on March 31, 2017. The RFP’s timetable anticipates that the EDCs will submit the contracts resulting from the RFP to the DPU by April 25, 2018. The EDCs have also solicited stakeholder feedback for Section 83C’s off-shore wind solicitation, and are finalizing an RFP for approval by the DPU and issuance by June 30, 2017. It is unknown at this time when contracts resulting from the Section 83C solicitation will be final.

## **II. IMAPP**

In August 2016, NEPOOL convened the IMAPP process to address the challenges related to sustaining regional wholesale electricity markets, which are designed to select the lowest-cost resources while maintaining system reliability, but which are not designed to satisfy states’ legal obligations to execute state energy and environmental laws. Through the IMAPP process, stakeholders seek to find a means to execute states’ statutory requirements without reducing the benefits of competitive organized markets or increasing the costs to consumers of implementing those state laws in order to maintain markets. Just as competitive market mechanisms identify the lowest cost means for satisfying New England’s reliability needs, the New England states and other stakeholders, through IMAPP, aim to identify market mechanisms to accommodate or accomplish public policies without unreasonably increasing the costs to consumers.

Massachusetts has consistently supported New England’s competitive wholesale markets since their inception, and remains firmly committed to finding market-based solutions that can not only accommodate our currently effective statutory requirements in the short-term, but that

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<sup>7</sup> The RFP is available at: <https://macleanenergy.files.wordpress.com/2017/03/83d-rfp-and-appendices-final.pdf>.

can also provide market-based frameworks for accomplishing the Commonwealth's goals through the competitive markets on a long-term basis. The IMAPP process is pursuing both short-term "accommodate" market solutions, and long-term "accomplish" approaches. The need for a short-term solution is made timely by the immediacy of the Section 83C and 83D solicitations. Nevertheless, we consider finding a long-term solution that would allow the Commonwealth to pursue its GHG reduction goals within the constructs of the competitive market to be an equally important undertaking. Massachusetts appreciates the short and long-term proposals offered by IMAPP participants thus far. Beyond these proposals, we hope to explore other potential solutions, including a further examination of the Minimum Offer Price Rule, which presents a significant challenge to the participation of state-supported resources in the Forward Capacity Market.

### **III. CONCLUSION**

The Restructuring Act, GWSA, the GCA, and the Energy Diversity Act require that Massachusetts aggressively pursue strategies for integrating wholesale markets and clean energy and climate laws. Accordingly, the Commonwealth looks forward to a continued productive collaboration with the other New England states, NEPOOL, NESCOE, and ISO-NE to find common ground on short-term and long-term solutions to the complexities associated with reconciling state policies with competitive wholesale markets. We would also like to express our appreciation to FERC for facilitating these discussions with stakeholders from the other Eastern RTOs/ISOs. We expect that the exchange of ideas during these panel discussions will be productive for stakeholders from each of the Eastern RTOs/ISOs, and we are grateful for the opportunity to participate.