

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

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

**PRE-TECHNICAL CONFERENCE STATEMENT OF THOMAS W. KASLOW,
CHAIRMAN OF THE NEW ENGLAND POWER POOL
(April 24, 2017)**

Pursuant to the Supplemental Notice of Technical Conference issued by the Federal Energy Regulatory Commission (the “Commission”) on April 13, 2017 in the above-captioned docket¹, I, Thomas W. Kaslow, Chairman of the New England Power Pool (“NEPOOL”)² Participants Committee,³ hereby submit the following Pre-Technical Conference statement on behalf of NEPOOL. This statement describes the initiation and evolution of discussions in New England over how competitive markets might be adjusted to help advance evolving public policy objectives of the New England States through rather than outside those markets.

I. EVOLVING CHALLENGES TO MARKETS IN NEW ENGLAND

NEPOOL was created over 45 years ago to ensure reliability following the Northeast blackout of 1965, and it has evolved ever since in response to the changing needs of the region. About 20 years ago, NEPOOL helped form and empower ISO New England (“ISO-NE”) as the region’s grid operator, transformed its role to be principally the stakeholder organization for ISO-NE, and adjusted its mission “to create and sustain open, non-discriminatory, competitive,

¹ Supplemental Notice of Technical Conference, State Policies and Wholesale Markets Operated by ISO New England Inc., New York Independent System Operator, Inc., and PJM Interconnection, L.L.C., AD17-11-000 (Apr. 13, 2017).

² Capitalized terms not defined herein have the meanings ascribed thereto in the Second Restated NEPOOL Agreement, Participants Agreement, or the ISO-NE Transmission, Markets and Services Tariff (the “Tariff”).

³ NEPOOL is a voluntary association organized in 1971 pursuant to the New England Power Pool Agreement, and it has grown to include 460 members. The NEPOOL members include all of the electric utilities rendering or receiving services under the ISO-NE Tariff, as well as independent power generators, marketers, load aggregators, brokers, consumer-owned utility systems, demand response providers, developers, end users and a merchant transmission provider. Pursuant to revised governance provisions accepted by the Commission in ISO New England Inc. et al., 109 FERC ¶ 61,147 (2004), NEPOOL acts as an institution through the NEPOOL Participants Committee. The NEPOOL Participants Committee is authorized by Section 6.1 of the Second Restated NEPOOL Agreement and Section 8.1.3(c) of the Participants Agreement to represent NEPOOL in proceedings before the Commission. NEPOOL is the principal stakeholder organization for the New England RTO.

unbundled markets for Energy, capacity and ancillary services” that are “balanced between buyers and sellers.”⁴

The time has come once again for NEPOOL to consider opportunities to address evolving needs of the region. While New England’s competitive wholesale power markets have been meeting the policy objectives of reliable electric service, public policy objectives of the New England States have been evolving. Specifically, New England States have increasingly sought to advance their individual environmental and policy goals through actions outside of the competitive wholesale markets. Each of the six New England States have mandatory renewable portfolio standards (RPS), all of which have required statutory goals that increase year over year.⁵ In addition, to further their public policy objectives, the States increasingly are turning to out-of-market, state-sponsored support for certain generation. Recent examples of these State initiatives include the following:

- Connecticut’s 2-20 MW Clean Energy Solicitation:⁶ In response to Connecticut legislation, 375 MW of nameplate clean energy capacity has been selected for out-of-market contracts that are being negotiated and are yet to be approved.
- New England’s Three-State Clean Energy Solicitation:⁷ Massachusetts, Connecticut and Rhode Island have selected 460 MW of nameplate clean energy capacity for out-of-market contracts that are before state regulators for approval.
- Massachusetts’ 2016 Energy Bill:⁸ Massachusetts has enacted legislation that requires its utilities to solicit and contract outside of the wholesale markets for approximately 1,200 MW of clean energy generation from new Class I RPS-eligible resources (including onshore wind) and/or firm hydro resources, and approximately 1,600 MW of offshore wind, with one solicitation issued on March 31, 2017 and a second to be issued by June 30, 2017.

⁴ Second Restated NEPOOL Agreement, Section 5.1(b), available at http://nepool.com/uploads/Op-2d_RNA.pdf; Participants Agreement, Section 2.3(b), available at <http://nepool.com/uploads/Op-PA.pdf>.

⁵ See Conn. Gen. Stat. §§ 16-245a *et seq.*, § 16-243q (Connecticut); 35-A M.R.S. § 3210, § 3600, *et seq.* (Maine); M.G.L. ch. 25A, §§ 11F, 11F½ (Massachusetts); N.H. Rev. Stat. § 362-F (New Hampshire); R.I. Gen. Laws § 39-26 (Rhode Island); 30 V.S.A. §§ 8001, *et seq.* (Vermont).

⁶ See Dep’t of Energy and Env’tl. Prot., 2016 Press Release, CT DEEP Announces Small-Scale Clean Energy Projects to Move Forward in Response to RFP (Nov. 28, 2016) available at <http://www.ct.gov/deep/cwp/view.asp?A=4808&Q=588072>; see also 2015 Conn. Acts 15-107, An Act Concerning Affordable and Reliable Energy, available at <https://www.cga.ct.gov/2015/ACT/pa/pdf/2015PA-00107-R00SB-01078-PA.pdf> (legislation authorizing solicitation).

⁷ See *e.g.*, Dep’t of Energy and Env’tl. Prot., 2016 Press Release, CT DEEP Announces Action on Energy Procurement RFPs: Natural Gas RFP Canceled; Clean Energy Projects Selected to Move to Next Stage (Oct. 25, 2016) available at <http://www.ct.gov/deep/cwp/view.asp?A=4808&Q=587122>; see also 2015 Conn. Acts 15-107, An Act Concerning Affordable and Reliable Energy, available at <https://www.cga.ct.gov/2015/ACT/pa/pdf/2015PA-00107-R00SB-01078-PA.pdf> (legislation authorizing solicitation).

⁸ See An Act to Promote Energy Diversity (*Ch. 188, the Acts of 2016*), available at <https://malegislature.gov/Laws/SessionLaws/Acts/2016/Chapter188>.

Recognizing the potential adverse impact of out-of-market contracts on price formation in the wholesale competitive markets, New England adopted minimum offer prices for new resources bidding into its capacity market (i.e. the “MOPR”). MOPR though could result in state-sponsored resources not clearing the capacity market and not being counted as contributing to meeting the region’s resource adequacy requirements.

These tensions prompted NEPOOL’s and the region’s consideration of how the competitive electric markets might be adjusted. Having been designed for reliability and least-cost dispatch, the competitive markets were not designed for the evolving public policy requirements for New England. From consumers’ perspectives, the MOPR can prevent New England customers from realizing capacity credit for their investments in state-sponsored resources. From the perspectives of competitive sellers/suppliers, out-of-market actions can suppress clearing prices below competitive or sustainable levels and could ultimately threaten the long-term sustainability of the wholesale competitive marketplace.

II. NEPOOL IMAPP INITIATIVE -- EFFORT TO BRIDGE THE GAP

Out of the recognition of the changing public policy requirements and the impact of those requirements on New England’s competitive wholesale markets, NEPOOL’s Integrating Markets and Public Policy (“IMAPP”) initiative was born. Under NEPOOL’s leadership, and with the encouragement of New England State officials and ISO-NE, the IMAPP process was initiated by NEPOOL to provide an opportunity and forum for the region to identify and to explore potential changes to the existing wholesale competitive market design that will not only ensure reliability of the electric system through competitive wholesale markets, but will do so while possibly achieving, and at least accommodating, the public policy goals of the New England States.

From the outset, NEPOOL adopted an aggressive schedule to identify potentially promising market changes that New England’s policymakers could consider and take into account in their ongoing efforts to advance their policy objectives. Beginning with a kickoff “Solution Ideas Day” in August 2016, seven in-person IMAPP meetings have been held to date with high attendance and robust engagement at all of them by regional stakeholders and representatives from all six New England States, ISO-NE, and the FERC.

Those participating in IMAPP have considered and explored potential ways to accomplish state public policies related to clean energy and the environment through New England’s wholesale electricity markets. Over 17 conceptual proposals have been developed and advanced by numerous stakeholders, many of which are intended to “integrate” or help to “achieve” state policy in the wholesale market (referred to as the “long-term proposals”), with a few other proposals intended to “accommodate” state-sponsored resources while also addressing capacity market pricing concerns (referred to as the “near-term proposals”). All of the various conceptual proposals and related background materials presented in IMAPP have been posted to the NEPOOL IMAPP webpage at: <http://www.nepool.com/IMAPP.php>.

To be clear, NEPOOL organizationally has not taken a substantive position on any of these proposals. Rather, its members (including me in my capacity as a member representative

and not as the NEPOOL Chairman) have separately advanced individual proposal(s) in the IMAPP process.

I am appearing at the May 1-2 technical conference solely in my capacity as the elected Chairman of the NEPOOL Participants Committee in order to explain, as needed, NEPOOL's past and planned processes for addressing the challenges the region now faces. Other panelists selected from New England for the technical conference will provide details and advocacy for one or more of the IMAPP-related proposals, which fall into the following broad categories:

- ***Carbon Pricing in the Energy Market*** – Carbon adder would be included in energy offers and energy clearing prices. Adder would be collected back from carbon emitters (revenue allocation from these collections TBD).
- ***Carbon-Integrated Forward Capacity Market (FCM-C)*** – New Zero Emission Credit (ZEC) market would be integrated with the Forward Capacity Market (“FCM”) and would incorporate a forward signal for renewable or clean energy into the FCM.
- ***Forward Clean Energy Market (FCEM)*** – Intended to support new resource investment and/or existing clean energy resources, FCEM would establish a new forward market for commitments to deliver clean energy.
- ***FCM Adjustments***
 - Two-Tiered Pricing Construct: The Forward Capacity Market would clear at one price for existing and competitive new resources and a lower price for state-supported resources offered into the capacity auction below competitive prices.
 - Paired Retirement Election Concept: Intended to accommodate entry of state-supported resource by requiring such resource to be paired with early retirement of existing resource(s).

III. STATUS OF IMAPP & FUTURE DISCUSSIONS

While IMAPP has not produced a consensus proposal for the region and NEPOOL has no organizational position on any of the proposals, the process is universally recognized as having advanced the knowledge and understanding of ISO-NE, the States and stakeholders about the challenges we confront and the various solutions that might help to address those challenges. Currently, the region awaits further details on ISO-NE proposed market changes that could be implemented in time for the thirteenth Forward Capacity Auction (FCA 13) (scheduled to be held in February 2019) to address the immediate challenges in the region. An additional IMAPP meeting has been scheduled for May 17, 2017.

There has been considerable ongoing activity while the region awaits ISO-NE's near-term proposal. The market participants have continued in their efforts to identify, refine, discuss, and consolidate their various proposals. The States continue to consider and analyze those proposals. On April 7, the New England States Committee on Electricity (“NESCOE”) issued a

memorandum⁹ explaining that the States will require additional time to further study proposed mechanisms to advance state policy objectives and to work through the implications of differing approaches. On April 24, ISO-NE issued its discussion paper, entitled “Competitive Auctions with Subsidized Policy Resources,”¹⁰ in which it described a near-term proposal for addressing the region’s current challenges.

Subsequent to NEPOOL’s May 17 IMAPP meeting, dialogue will continue on multiple fronts. The New England Conference of Public Utilities Commissioners (“NECPUC”) is holding its annual symposium on June 4-7 and has scheduled discussions on these issues. Regional discussions will continue at the NEPOOL Participants Committee annual summer meeting on June 27-29. Further, NEPOOL will consider the ISO-NE’s near-term proposal through its usual Participant Processes, beginning with the June Markets Committee meeting. The goal, as set forth in ISO-NE’s April 24 discussion paper, is for NEPOOL’s consideration and input on that ISO-NE proposal to be complete with supporting market reforms voted by NEPOOL and filed with the Commission in time for approval and implementation for FCA 13.

The process for considering longer-term “achieve”-style proposals (as described by NESCOE) requires further consideration. NEPOOL will work closely with the New England States and ISO-NE before deciding on next steps for the region.

IV. CONCLUSION

Through IMAPP, NEPOOL has positioned itself at the forefront nationally in working through the challenging issues that arise when state public policies and federally regulated competitive wholesale power markets are not adequately aligned. NEPOOL is working to address these challenging issues head on with an objective of identifying meaningful solutions to advance state public policy through competitive markets. Working collaboratively with ISO-NE and with the New England States, NEPOOL remains committed to competitive wholesale power markets that strike an appropriate balance between buyers and sellers.

Recognizing that every area of the country is unique, I urge on NEPOOL’s behalf that the Commission respect those regional differences and priorities, and provide flexibility for each region to satisfy its unique needs in a timeframe that is compatible with other regional priorities.

Respectfully submitted,

/s/

Thomas W. Kaslow
Chairman,
NEPOOL Participants Committee

⁹ NESCOE’s April 7, 2017 memorandum is available here:
http://nepool.com/uploads/IMAPP_20170517_NESCOE_Memo_20170407.pdf.

¹⁰ ISO-NE Discussion Paper, *Competitive Auctions with Subsidized Policy Resources* (Apr. 24, 2017), available at https://www.iso-ne.com/static-assets/documents/2017/04/caspr_discussion_paper_april_14_2017.pdf.