

**Commonwealth of Massachusetts
Joint Committee on Environment, Natural Resources and Agriculture**

**Testimony on H.4318, An Act Promoting Climate Change Adaptation,
Environmental and Natural Resource Protection, and Investment in
Recreational Assets and Opportunity**

The New England Power Generators Association (NEPGA)¹ appreciates the opportunity to provide testimony on H.4318, *An Act Promoting Climate Change Adaptation, Environmental and Natural Resource Protection, and Investment in Recreational Assets and Opportunity*. NEPGA takes no position on the primary focus of the legislation – bonding authority for climate change adaptation. NEPGA does wish to comment on the bill's proposed Clean Peak Standard and the best means for achieving the bill's objective to address peak usage while reducing carbon dioxide (CO₂) emissions. NEPGA looks forward to working with the Committee to address these issues, including the role that the region's competitive wholesale electricity markets can play to help achieve important policy objectives.

NEPGA's member companies represent approximately 25,000 megawatts (MW) of generating capacity throughout New England, including nearly 10,000 MW of generation in Massachusetts providing over 1,400 highly skilled jobs in the state. These totals represent 80% of the electric generating capacity in the region and over 90% in the Commonwealth. NEPGA's Massachusetts companies provide electricity for consumers from a portfolio of plants. These companies pay over \$100 million annually in state and local taxes. NEPGA's mission is to support competitive wholesale electricity markets in New England. We believe that open markets guided by stable public policies are the best means to provide reliable and competitively-priced electricity for consumers. A sensible, market-based approach furthers economic development, jobs and balanced environmental policy for the region.

The Historic Winter 2017-2018 Cold Snap

The region's wholesale electricity markets are designed to ensure that facilities have the right incentives to produce energy when and where they need it, including those periods when demand is greatest. In late December 2017 and early January 2018, Massachusetts experienced the coldest stretch of temperatures since at least 2000.² In Metro Boston, and much of Southern New England, a persistent Arctic air-mass produced the most persistent period of frigid temperatures in 100 years, including seven consecutive days of high temperatures that fell below the normal low for that time of

¹ The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.

² https://www.iso-ne.com/static-assets/documents/2018/01/20180112_cold_weather_ops_npc.pdf

year. These extreme conditions posed a real-life stress-test of the region's power system. Despite these challenges, the system worked as designed, efficiently dispatching the lowest-cost resources to provide critically-needed electricity to homes and businesses when it was needed most; preserving reliability. During this period, the region relied heavily on oil-based generation. Those plants responded just as they're expected, and paid, to do. They, along with hundreds of other plants on the New England-wide system, performed and performed well providing competitive pricing and reliable supply during harsh conditions.

The diversity in the electric generation mix that helped preserve reliability during this cold snap does come at a higher emissions rate than normally occurs in the region. The snapshot in time over those two weeks appropriately calls for a thoughtful consideration of what worked, what didn't work and what can be improved? Such a lookback is occurring right now through the NEPOOL stakeholder process, representing all wholesale electricity market participants, in conjunction with ISO New England, the region's electric grid operator, to determine what changes and improvements may be necessary moving forward. For states like Massachusetts, some of that review will be based on the emissions profile and how that fits into long-term emissions mandates.

NEPGA urges this Committee and the Commonwealth to view this winter experience in the context of the long-term. CO₂ emissions from Massachusetts power plants have decreased 60% since 1990, and now represent roughly 20% of economy-wide emissions. For comparison, the transportation sector accounts for about 40% of CO₂ emissions in Massachusetts and is the only sector of the economy that has not seen any material decrease in emissions since 1990.

NEPGA and its members are committed to doing our part to meet the aggressive emissions targets laid out in the Global Warming Solutions Act as part of an economy-wide push. There are many productive policies to foster a low-carbon power generation supply mix that have been implemented, such as the Regional Greenhouse Gas Initiative (RGGI), as well as others that NEPGA members have proposed in the NEPOOL Integrating Markets and Public Policies initiative. NEPGA, however, cautions against making any dramatic policy changes following the historic weather events of this winter.

In January, ISO New England released its Fuel Security Analysis in which it modeled several potential scenarios focused on the 2024-2025 winter season. Market participants are reviewing ISO-NE's analysis, as well as developing additional scenarios that the ISO has not yet considered. As part of this, the NEPOOL stakeholder process will also be considering potential market solutions as necessary to address any concerns about fuel adequacy, including ensuring sufficient access to fuels to meet peak demand. A thorough review and solutions development process is underway.

The Proposed Clean Peak Standard

On the heels of this winter, Governor Charlie Baker's administration proposed H.4318, including a high-level concept of a Clean Peak Standard. While the details of the proposal are unclear, it appears that at least part of the goal of the Clean Peak Standard is to support the use of energy storage resources. If so, NEPGA cautions against further subsidizing or providing out-of-market support for these technologies. This position rests on NEPGA's belief that the competitive electricity markets offer the best way to innovate, attract investment, lower barriers for all eligible participants and yield the most efficient outcome for consumers. In fact, the wholesale electricity markets are in the midst of a major evolution to integrate and better compensate faster, more flexible resources that are valued for their unique services. For example, ISO New England recently developed fast-start pricing rules to incentivize a quick response from resources when they are needed most. This type of market-based reform was specifically targeted at flexible technologies, including existing and new energy storage.

NEPGA members today offer considerable amounts of existing electric storage located in Massachusetts through over 12,000 megawatt-hours of storage with the ability to deliver approximately 1,800 megawatt-hours at a time. Opportunity exists for additional energy storage resources to enter and participate in the wholesale capacity, energy and operating reserve markets and provide voltage support, regulation and other essential grid reliability services through competitive wholesale markets run by ISO New England. The Federal Energy Regulatory Commission has also directed regional transmission organizations, including ISO New England, to review their market rules to ensure that participation by storage in the electricity markets is facilitated. NEPGA encourages the Commonwealth to consider the value of similar market-based investments which avoid the need to place the risk of capital investments on consumers.

At this point, NEPGA has insufficient information as to what the Clean Peak Standard would be designed to do, what implications it would have for the broader electricity marketplace and even the fundamental goal of the program. For example, if a Clean Peak Standard is intended to focus clean energy resources on addressing peak demand periods and would such an objective include the use of existing resources to achieve that goal? How would ISO New England account for any installed clean peak resources and ensure their efficient dispatch during peak periods, as intended by the legislation? Are there lessons Massachusetts could learn from states that have examined a Clean Peak Standard, such as Arizona and California? Nonetheless, if such a concept is to move forward, NEPGA proposes that any such program should permit participation by new and existing storage. NEPGA appreciates the opportunity to engage at this early stage of consideration and would welcome the chance participate in further dialogue on these key issues.

NEPGA recognizes and appreciates H.4318's objectives regarding peak demand. NEPGA believes that New England's competitive electricity markets are the appropriate means for meeting reliability and broader electricity supply goals. NEPGA thanks the Committee for this opportunity to provide input and remains available to work with members on this important topic.