



August 13, 2019

ISO New England:

The New England Power Generators Association (NEPGA) offers its support for a recent request from the New England States Committee on Electricity (NESCOE), by letter dated July 16, 2019, that ISO New England (ISO-NE) dedicate market development and planning resources in 2020 to support analysis and discussion, within the NEPOOL stakeholder process, of potential future competitive market frameworks that might be warranted in light of current state energy and environmental policies.

NEPGA made a similar request in our December 7, 2018 letter to the ISO-NE Board of Directors with the additional caveat that the process must be committed to the competitive wholesale markets and provide long term price signals to support investment and meet reliability requirements. NEPGA strongly supports the NESCOE request for such discussions in the region and highlights the need to ensure that the future wholesale electricity market design preserves electric reliability, resource adequacy and other needed services in a robust competitive, market-based manner.

NEPGA and its members strongly support the value of competition and the benefits it provides New England consumers. Utilizing a competitive electricity market has driven lower prices, reduced carbon dioxide emissions and moved financial risks to those making the investment decisions, and away from captive customers. Resource and policy decisions that move away from these competitive structures will undermine the continuation of these benefits and expose the region to challenges similar to those faced more than two decades ago.

NEPGA believes, as more fully described in our December letter, that New England's wholesale electricity markets are fast approaching just such a tipping point as increasing levels of state policy resources come into service and participate in the markets supported by significant amounts of out-of-market revenue. Simply put, the wholesale markets as currently designed today do not provide sufficient revenue opportunities to maintain adequate investments in merchant power supply necessary to maintain reliability in New England in the face of the coming wave of contracted resources. In this environment, competitive generation resources needed to deliver electric reliability services may seek premature retirements. NEPGA is concerned that these potential retirements could lead ISO-NE to take additional out-of-market action to maintain reliability, further damaging the competitive marketplace.

In response to NEPGA's December letter, the ISO Board indicated that ISO-NE was aware of the future market challenges, but stated their belief that the issues would be addressed through the ongoing Energy Security Improvements (known as Chapter 2B and Chapter 3). With the benefit of several months review of the ISO proposals and in light of the intention that such revenues would be considered a reduction to de-list bid offers, NEPGA remains unconvinced that Chapter 2B or Chapter 3 address the fundamental concerns of a lack of future competitive revenue opportunities for resources that provide reliability services. That is why NEPGA greatly appreciates and echoes NESCOE's request for a review of the wholesale market and that ISO-NE devote its resources to this effort in an urgent and expeditious manner.

NEPGA suggests that discussions on this critical issue take place within the NEPOOL committee process. This recommendation is made bearing in mind the series of IMAPP meetings held in 2017. Although IMAPP helped lay critical groundwork that the region has since built upon, that initiative suffered from the lack of structure, process and drive-to-results inherent in the NEPOOL committee process. In contrast, the NEPOOL committee meeting structure would provide an important measure of structure and diligence to these efforts which, given their likely complexity, will require deliberate and long-term discussions and consideration in order to be fruitful. Using the NEPOOL process would help capitalize on the momentum created by NESCOE, NEPGA and other interested stakeholders calling for meaningful engagement on the paramount question of how to preserve and reinforce competitively produced reliability services in the region.

NEPGA agrees with NESCOE that initial discussions should be devoted to certain threshold questions, including most immediately an agreement as to the scope of future efforts related to potential improvement to existing markets or even consideration of new competitive market designs. NEPGA believes that a problem statement should be developed centering on ISO-NE's core function of preserving reliability and resource adequacy through competitive markets, with agreement by stakeholders and policymakers that competitive markets administered by ISO-NE should continue to be used to maintain critical electricity services. Articulation of this "problem statement" is critical to the commitment to priority use of ISO-NE and stakeholder resources for these purposes. NEPGA offers that this should be completed prior to embarking on the deliberative process to analyze and discuss potential market design enhancements.

NEPGA therefore requests that ISO-NE work with NEPOOL and NESCOE to set a NEPOOL committee meeting date in early 2020, with a request that the NEPOOL sectors and states come to that meeting with their own written problem statements. An agenda with key milestones and deadlines should also be set in advance to help ensure that momentum is carried through the stakeholder process. NEPGA would welcome the opportunity to work with other NEPOOL stakeholders and the states on a joint proposal with respect to this NEPOOL process.

NEPGA thanks NESCOE for providing NEPOOL stakeholders with its July 16 letter to ISO-NE, which strongly supports our own call for a rigorous review of the New England wholesale electricity markets and their ability to continue to support the resources needed to preserve system reliability. NEPGA looks forward to working with ISO-NE, NEPOOL stakeholders and the states on this timely and critical matter and believes it is vital to assuring the continued performance of competitive wholesale markets.

Sincerely,



Dan Dolan
President

CC: ISO-NE Board of Directors
Nancy Chafetz, NEPOOL Chair
Heather Hunt, NESCOE Executive Director