UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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Modernizing Electricity	)	**Docket No. AD21-10-000**
Market Design: Resource Adequacy	)	
in the Evolving Electricity Sector	)	

POST-TECHNICAL CONFERENCE COMMENTS OF
THE NEW ENGLAND POWER GENERATORS ASSOCIATION, INC.

Pursuant to the Federal Energy Regulatory Commission's ("Commission") June 4, 2021, Notice,[1] the New England Power Generators Association, Inc. ("NEPGA")[2] files these Comments. On May 24, 2021, the Commission held a Technical Conference to discuss resource adequacy, state policies, and ISO New England. Inc.'s ("ISO-NE") wholesale capacity, energy, and ancillary services markets. The Technical Conference discussion focused on the role of capacity markets to support and meet resource adequacy, energy and other system reliability requirements. At the Technical Conference, ISO-NE repeated its prior announcement that it intends to make a Section 205 filing eliminating the Minimum Offer Price Rule ("MOPR"), among other potential associated market design changes. That discussion has now moved from the Technical Conference to the NEPOOL Market Committee ("MC"). With that process underway as context, NEPGA offers these comments to provide an important perspective on the purpose of MOPR and potential consequences of its elimination, including risks to reliability, the design changes necessary to mitigate these outcomes, and the policy and legal risks of eliminating MOPR without additional design changes.

[1] *Notice Inviting Post-Technical Conference Comments*, Docket No. AD21-10-000 (June 4, 2021).
[2] The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of a particular NEPGA Member.

New England faces different circumstances from those existing in other RTOs/ISOs and may require market design changes different from those adopted elsewhere. In considering elimination of the MOPR, ISO-NE and the Commission should give due consideration to ISO-NE's load requirement relative to the large quantities of contracted resources likely to enter the Forward Capacity Auction ("FCA") as price-takers without a MOPR, among other relevant conditions. The Commission recognized these characteristics and conditions in finding the MOPR just and reasonable without an exemption for state-contracted resources,[3] factors that must likewise be considered if the FCA is to effectively provide a blanket MOPR exemption to all New Capacity Resource offers. The many potential risks of eliminating the MOPR must be fully considered and, if need be, avoided or mitigated through further design changes, including risks to system reliability, resource and energy security, market efficiency, capacity accreditation and performance, cost allocation, and legal durability. NEPGA encourages ISO-NE, NEPOOL, and the New England States to take the time necessary to fully consider these various risks before moving forward with design changes putting into effect such a fundamental and consequential change as eliminating the MOPR.

I. INTRODUCTION

NEPGA is a diverse organization of eighteen Member companies that collectively own over 90% of the installed generating capacity in ISO-NE. With that share of the installed capacity, NEPGA represents virtually every type of generation in New England, including the vast majority of the non-carbon emitting, efficient low-carbon emitting, renewable resource, and of the other

[3] *Order Denying Complaint*, 142 FERC P 61,108, at P 35 (2013) (denying NESCOE complaint alleging that the MOPR without an exemption for renewable resources is unjust, unreasonable, and unduly discriminatory).

generating resources necessary to operate a reliable system. Indeed, NEPGA represents more than 7,500 MWs in New England of renewable and carbon-free generation, as well as major energy storage resources.

NEPGA's Members have heavily invested in, and in many cases re-invested in, New England generation based on the competitive market signals sent by ISO-NE's wholesale markets. NEPGA Members have delivered expertise and capital necessary to maintain a reliable generation fleet and are prepared to invest in new and existing New England resources so long as the wholesale markets continue to send the competitive price signals that have driven that investment (and re-investment) to date. By balancing consumer and investor interests in wholesale markets in New England, consumers and investors alike have benefitted from the competition created through the energy markets, a capacity market that has signaled investment when needed and produced low prices in surplus conditions.

II. COMMENTS

A. MOPR ELIMINATION WOULD BE A MAJOR DESIGN CHANGE WITH SEVERAL POTENTIAL RISKS AND ADVERSE CONSEQUENCES

The FCA has at times been a lightning rod for disagreement, but it has achieved much since its start, including shifting the investment risk from captive ratepayers to capital markets, driving the investment in new resources, and re-investment in existing resources necessary to maintain reliability, and creating the competition necessary to do it at least cost. Improvements to the market design are unquestionably called for, but the basic principles of the FCA should not be abandoned, specifically a market that has driven investment decisions through competitive revenue opportunities.

As NEPGA stated in its post March 23 tech conference comments at FERC:

"The risk of unilaterally eliminating MOPR without further reforms is significant. As was shown in a NEPGA-sponsored report on the effects of subsidized resources, those resources that currently provide – and are largely expected to provide – critical reliability services, are those that would be most adversely affected. ***For example, 'assuming that existing natural gas-fired resources are the dispatchable resources most likely to see their production reduced to accommodate new additions, as would be expected to occur under the current wholesale market design, the aggregate production from these resources is expected to fall by almost 50% between now and 2027 (declining from 40% to 22%). Absent higher revenue opportunities, this foreshadows increased resource retirements.' The combination of an abrupt removal of MOPR and a sizable entry of subsidized resources in the FCM would likely create a drastic reduction in capacity prices. That in turn may prompt many resources to retire. If any of those resources are needed for reliability, New England may reenter the realm of providing cost-of-service contracts for individual resources***. That is an outcome that should be avoided to the maximum extent possible. With that in mind, NEPGA believes that further analysis of the impacts of a move away from MOPR should be developed on a market-specific basis with solutions to address these issues developed regionally."[4]

Eliminating the MOPR would be a major change to the FCA, indeed its most significant change since the MOPR was first adopted. Since 2010, the MOPR has served as the rule by which the Internal Market Monitor has reviewed any supply offer from a New Capacity Resource below its relevant Offer Review Trigger Price ("ORTP") to confirm that the offer is competitive and, when relevant, not the product of "out-of-market" revenues.[5] Together with the calculation of the ORTPs and the mitigation of Existing Capacity Resource offers, these are the mitigation rules by which the FCA produces competitive clearing prices. As the Commission has explained, the MOPR is intended to prevent "new resources from offering at prices significantly below their true net cost of new entry" thus preventing offers from "lower[ing] the price of capacity significantly below competitive levels."[6] Pricing capacity at competitive levels is critical to reliability because merchant suppliers invest (or not) in the new generating capacity (and reinvest in existing

[4] Post-Technical Conference Comments and Motion to Intervene of the New England Power Generators Association, at 9, *citing* Promoting Competitive Power Markets and Growing Zero Emission Resources in New England, A. Joseph Cavicchi, at 4 (Nov. 7, 2018), *available at: https://nepga.org/2018/11/report-on-new-england-electricity-market-out-to-2027/.* (emphasis added).
[5] ISO-NE Transmission, Markets and Services Tariff ("Tariff") Section III.A.21.2(b)(i).
[6] *Order on Paper Hearing and Order on Rehearing*, 135 FERC P 61,029, at P 166 (2011).

generating capacity) necessary to meet the system reliability needs and demand for energy and reserves (that over time is expected to increase significantly in ISO-NE as the New England States further pursue electrification of the heating and transportation sectors). Given the fundamental design change MOPR elimination would represent, due consideration must be given to the potential consequences and risks of eliminating MOPR and to the accompanying market solution(s) needed to avoid inefficient, unfair or adverse capacity market outcomes.

NEPGA concurs with several Commissioner comments explaining that system reliability is paramount above all other concerns, including those from Commissioner Mark Christie that "[ISO-NE's] job and FERC's job backing [it] up is first and foremost to keep the lights on, and [ISO-NE has] to focus on that,"[7] and from Commissioner Neil Chatterjee that ISO-NE "should proceed carefully, and not forget about the fuel security concerns that have been a constant concern in New England for almost two decades."[8] As Commissioner Chatterjee also remarked, "we simply cannot take for granted the critical role that competitive markets have played in transforming our grid,"[9] and must recognize that well-designed markets are the best vehicles to drive investment in more efficient and cleaner technologies going forward. ISO-NE's External Market Monitor ("EMM") likewise observes, "[t]hese markets have been successful at motivating large amounts of new competitive investment and maintaining existing resources needed to satisfy the RTOs' reliability needs… [and] lowered costs and removed large financial liabilities from ratepayers since the 1990s." NEPGA agrees that recent reliability events in Texas and California "really brought this point home," and that the elimination of MOPR must be done "holistically and

[7] Technical Conference: Modernizing Electricity Market Design, Technical Video Conference Transcript ("Tr.") at 99, lines 7-11. Docket No. AD21-10-000 (May 25, 2021).
[8] Tr. at 11, lines 4-6.
[9] Tr. at 12, lines 16-18.

carefully."[10] To best achieve these reliability requirements means accelerating market design improvements to ensure that resources needed for reliability can be sustained. Many of these design changes should be pursued regardless of the future of MOPR and some probably should have been pursued prior to considering MOPR removal, but they were not. They, however, are even more necessary given that ISO-NE is developing and presenting to NEPOOL stakeholders its proposal to eliminate MOPR (and any additional necessary rule changes) as soon as for effect in FCA 17 (scheduled to be held in February 2023).

In a region that relies on the wholesale markets to meet its reliability needs, designing wholesale markets that achieve reliability is of course a paramount interest and in the interests of all. As the EMM explained at the Technical Session, "[w]e all have a stake in the capacity market serving the purpose of maintaining reliability,"[11] and as stated by former Commission Chair Cheryl LaFleur, "reliability is job one, a fundamental responsibility for FERC and the electric industry."[12] This holds true not only strictly for reliability, but for the interests of promoting and further developing renewable, intermittent, and other resource types desired by the New England States. If MOPR is eliminated in haste, without the necessary design changes to allow the wholesale markets to meet ISO-NE's reliability needs through competitive market operation, and any significant reliability events thereafter occur, it could serve as a setback for, or delay in the further development of those types of resources in the belief that it is in the best interests of reliability. From a market efficiency perspective, the potential for significant reliability events could give rise to further reliability-must-run contracting or new out-of-market programs similar

[10] Tr. at 11, line 10.
[11] Tr. at 145, lines 6-7.
[12] *Testimony of Cheryl A. LaFleur, Acting Chairman, Federal Energy Regulatory Commission,* Hearing on the U.S. Senate Committee on Energy and Natural Resources (April 10, 2014).

to past winter reliability programs. Again, ensuring that the market design can meet ISO-NE's reliability needs is in the interests of all.

NEPGA shares the concerns expressed by several participants at the Technical Conference that without any additional market design changes the FCA may fail to send the necessary price signals to satisfy ISO-NE's resource adequacy needs. The EMM, for example, observes, "the Commission must reconcile the objectives of maintaining just and reasonable rates, achieving the benefits of competitive and efficient markets, and allowing states to shape the characteristics of their generation fleets."[13] The EMM further opines that "[e]stablishing reasonable means for doing so will allow the competitive market to continue to satisfy reliability objectives efficiently as it has for the past two decades while facilitating the environmental objectives of the states."[14] ISO-NE likewise explains that "without taking additional action, the elimination of the MOPR creates risk for investors in unsponsored resources, because increasing numbers of renewable resources will tend to reduce energy prices and – if the MOPR is eliminated – capacity prices as well."[15] It is critical to maintain competitive price signals, according to ISO-NE, because "for many years to come, a reliable power system will continue to be dependent on merchant generation facilities."[16]

Ever more so, particular care must be taken before abruptly eliminating MOPR given that ISO-NE has identified a deficiency in its approach to measuring the contributions of resources under the current FCA design. Specifically, ISO-NE and the EMM have concluded that it is critical for the region to develop an approach to accurately determine the capacity contributions of

[13] *Technical Conference Comments of David B. Patton and Pallas Lee Van Schaick of Potomac Economics, Ltd.,* at 3, Docket No. AD21-10-000 (filed Mar. 22, 2021).
[14] *Id.*
[15] *Pre-Conference Statement of ISO New England Inc.*, at 3, Docket No. AD21-10-000 (filed Mar. 19, 2021).
[16] *Id.*

resources. At the Technical Conference Gordon van Welie opined that how ISO-NE calculates its energy and resource needs, as well as how it accredits the capacity contribution of a resource, are necessary "companion piece[s] to the elimination of [MOPR]."[17] Both ISO-NE and the EMM have further explained that the elimination of MOPR increases the reliability risk posed by the current capacity accreditation methodology, a risk that must be further understood and developed. For this reason, ISO-NE has committed to developing a capacity accreditation model through an Effective Load Carrying Capability ("ELCC") structure. But, notwithstanding van Welie's correct conclusion that ELCC is a "necessary companion piece" to the elimination of MOPR, ISO-NE is not currently planning for ELCC to be implemented concurrently with MOPR elimination.

Other potential consequences would come anew from the elimination of the MOPR, including risk to the financial viability of resources that can efficiently provide needed capacity value to the system. Merchant generators rely on the FCA to provide sufficient revenue opportunities together with the energy and ancillary services markets, *i.e.*, the revenues necessary to support the cash flow needed for a resource to be economically viable. The EMM, however, observes, that "allowing states unlimited flexibility into long-term contracts will eventually devolve into the centralized planning paradigm as subsidized entrants push down wholesale prices to the point where no resource is financially viable without a bilateral contract."[18] And as NEPGA's affiant in the recent Net CONE proceeding explained, if the FCA does not price capacity competitively, it can cause inefficient retirements, defined as a resource that retires even though its net cost of remaining in-service is lower than the value to consumers of the resource remaining

[17] Tr. at 58, lines 14-15.
[18] *Technical Conference Comments of David B. Patton and Pallas Lee Van Schaick of Potomac Economics, Ltd.*, at 3, Docket No. AD21-10-000 (filed Mar. 22, 2021).

in service.[19] These may include resources that efficiently provide reliability value to the system based on competitive clearing prices, but which are no longer economically viable when capacity revenues are not based on competitive market outcomes. At the May 25 Technical Conference, van Welie summarized this risk as the need to "ensure that in eliminating the MOPR we do not jeopardize reliability by reducing capacity market prices to uncompetitive levels."[20] It would be entirely inefficient to cause retirements by draining the markets of revenue opportunities for existing resources only to find the need to attract new generation necessary to provide the same reliability needs in the future at a higher cost, or that the reliability of the fleet not supported by state contracts degrades as cash flow for needed resources drops to levels below the cash needs to meet expenses and further resource reinvestment needs.

The elimination of the MOPR presents other important issues unique to New England. For example, New England is "already energy constrained, and NERC has recognized our vulnerability to extreme weather events, particularly in the winter."[21] This reliability vulnerability led ISO-NE to implement a series of out-of-market, winter reliability programs beginning in 2012 and running through the winter of 2024. ISO-NE has declined to continue these programs beyond 2024, but in the past has signaled no need for winter reliability program only to change course closer in time to the delivery period. If the elimination of the MOPR is not met with the associated rule changes necessary to meet ISO-NE's reliability needs, the region risks the possibility of continuing out-of-market actions to meet reliability needs. Similarly, a changing resource mix leads to new contingency patterns and reliability vulnerabilities. Careful consideration must be

[19] *Protest of the New England Power Generators Association, Inc.*, Attachment B, Testimony of Matthew W. Tanner on Behalf of NEPGA, at P 32, Docket No. ER21-787-000 (filed Jan. 21, 2021).
[20] Tr. at 18, lines 11-12.
[21] Tr. at 18, lines 7-9.

given to the impact elimination of the MOPR, and the displacement of competitive supply offers in the FCA supply stack, will have on a system with continuing resource mix changes.

B. MARKET IMPACTS OF STATE CONTRACTED RESOURCES

As is widely understood, eliminating the MOPR will cause the FCA to clear at a lower price when a subsidized resource is selected in the FCA with an offer below its competitive market price. As noted above, ISO-NE and the EMM explain that suppressing prices below competitive levels creates reliability and efficiency risks. Some New England States maintain that this price suppression is excused because they do not direct contracts for resources with capacity price suppression as its purpose, and that any reliability risk is mitigated by a system that is long. Neither of these positions are compelling, and the latter fails to consider second order effects.

States have, in fact, acknowledged that price suppression will occur and in some cases that they are relying on that price suppression to justify the cost and financial risk of out-of-market contracts to their consumers and legislatures. Several state regulatory authorities cite to the expected capacity price suppression in approving out-of-market contracts, and some rely in part on a forecast of capacity suppression to determine that a contract satisfied the required statutory standard. For example, the Maine Public Utilities Commission ("PUC") granted a Certificate of Public Convenience and Necessity to the New England Clean Energy Connect transmission (and associated generation) project, in part on a finding that NECEC will cause Maine to realize at least $19 Million per year in reduced capacity payments over the first ten years of NECEC operation.[22] In Connecticut, the Public Utilities Regulatory Authority approved a contract between the local

[22] State of Maine PUC Order Granting Certificate of Public Convenience and Necessity and Approving Stipulation, at 36-7 (Docket No. 2017-00232) (2019). It should be noted that this value is approximately 10% of the total ISO-NE market-wide price suppressive impact. "Maine and the other New England states will benefit from the subsequent price suppression in electrical rates and the reduction in greenhouse gas emissions from this new source of renewable power." *See* NECEC Website: https://www.necleanenergyconnect.org/project-benefits.

electric distribution company and Vineyard Wind, LLC, explaining in part that with respect to the statutory requirement that the PPA price be just and reasonable, PURA considered as material the "additional savings attributed to … capacity market price reductions."[23]

That the system has cleared resources in excess of the Net Installed Capacity Requirement (*i.e.,* "long") does not give any reason to overlook the potential reliability consequence of eliminating MOPR. As an initial matter, past cleared quantities do not predict those that will clear in the future. Thus, if the argument is that the system has sufficient capacity to withstand inefficient retirements because FCA 15 cleared long, that is of little consequence to FCA 17 or any other future auction. Indeed, reliance on a persistent surplus (and continually declining FCA prices) would be evidence of the inability of the market to rationalize surplus created by price-taker state policy entry in a no-MOPR market, the absence of a sufficient retirement signal, or workable rules facilitating exit. It would be short-sighted to design the FCA with only potential short-term supply conditions in mind, when all agree, as put at the Technical Conference, ISO-NE should avoid incremental changes and instead look for "comprehensive and durable solutions."[24]

ISO-NE and the EMM have expressed the serious concern that the elimination of MOPR could cause inefficient retirements and thus reliability risk (or reliability contracts). That appears to be driven in large part by the significant impact allowing GWs of contracted resources into the FCA will have on clearing prices versus the revenue opportunities necessary to maintain a reliable generating fleet and to attract new merchant entry when needed. The new Net Cost of New Entry ("Net CONE") value, based in part on the highly material and potentially obsolete assumption that

[23] Connecticut PURA decision approving EDC contract with Vineyard Wind, LLC, at 9 (Docket No. 19-12-18) (2018)
[24] Maine PUC Chairman Phil Bartlett, Tr. 25 lines 7-8.

the MOPR is in effect, shows a Net CONE of $7.468/kW-month,[25] and a 2018 study on behalf of NEPGA shows an expected wholesale market revenue decline early in the next decade "where many existing units approach 20 years of continued operation and are likely to require significant investments to maintain reliability operations."[26] There is real risk that the FCA will not provide the revenue opportunities to maintain reliability if the MOPR is eliminated, and what must be thoroughly considered (and remedied if need be) is not whether the FCA cleared at low prices in the past, but whether the FCA as currently designed can provide the necessary revenue opportunities and price signals following the price-suppression caused in the both the capacity and energy markets by increasing quantities of renewable and intermittent generation.

C. TIMING OF PROPOSED MOPR ELIMINATION

With these various reliability, market efficiency and other risks in mind, the elimination of the MOPR must coincide with the market design changes necessary to avoid adverse outcomes and preserve competitive outcomes. Reliability takes on an even more heightened importance as the focus rightfully shifts to electrification of the heating and transportation sectors to drive economy-wide decarbonization. With growing electricity demand from those sectors, electric reliability's importance to a functioning society and healthy economy becomes exponentially more important, and wholesale markets are unquestionably the most efficient way by which to achieve system reliability. Work is ongoing to prepare for this future world, including expanding wholesale market ancillary services and reserves, better operational planning, and refining

[25] *See ISO New England Inc*., Compliance Filing (Updates to CONE, Net CONE, and Capacity Performance Payment Rate), Transmittal Letter at 2, Docket No. ER21-787-001 (filed June 1, 2021).
[26] *Promoting Competitive Power Markets and Growing Zero Emission Resources in New England*, A. Joseph Cavicchi, at 4 (Nov. 7, 2018), *available at*: https://nepga.org/2018/11/report-on-new-england-electricity-market-out-to-2027/; *see also* Note 5, *supra*.

reliability designations of resources. But change is upon us, including on-going changes to the energy load profile as a result of increased distributed generation, large clean resources moving through the development process, and now the prospect of the elimination of the MOPR. It is incumbent on industry and policymakers to move quickly to ensure that reliability is preserved at competitive prices for consumers, through comprehensive, durable solutions, and *not* "another round of incremental fixes."[27]

To meet the self-imposed deadline set by ISO-NE for a MOPR elimination package filing, an extraordinarily fast NEPOOL stakeholder schedule has been laid out. NEPGA is concerned that the timeline established may not allow ISO-NE and stakeholders the opportunity to properly consider the potential consequences to reliability and competitive market outcomes prior to the elimination of the MOPR. To date, ISO-NE has provided no detail on its proposal, only having discussed "concepts" and potential consequences of eliminating MOPR (inefficient retirements and reliability concerns among them). ISO-NE will introduce part of its proposal at the July 26 NEPOOL MC meeting and its full initial proposal at the August MC meeting, and will ask for a vote on its proposal at the December 7-8, 2021, MC meeting, leaving only four months from the introduction of the proposal until NEPOOL stakeholders are asked to vote on it at the MC.

To be sure, it is not the relatively short period of time, *per se*, that is the concern, but that it does not appear to allow for the breadth of consideration and analysis called for under a proposal to eliminate the MOPR. NEPGA Members have immediately and actively engaged in this process, with six of the seven NEPOOL stakeholder concepts and proposals presented at the July 9

[27] Tr. 25, lines 7-8.

NEPOOL Markets Committee meeting coming from NEPGA and its Members.[28] Collectively, NEPGA Members have introduced design changes or proposals to address issues raised by the elimination of the MOPR, or that would improve the markets assuming the elimination of the MOPR, including those addressing retirement signals, rules governing offers to retire or mothball, the Net CONE value under an FCA with no MOPR, market power mitigation, and others.[29] But the current stakeholder schedule simply may not provide sufficient time to properly consider potential adverse consequences and solutions for those potential outcomes for what is the biggest change to the FCA in a decade.

Compared to other major market design changes, four months is the equivalent of a passing consideration. For example, when ISO-NE moved forward with its Pay for Performance proposal it first issued a whitepaper in October 2012, and then deliberated the design changes in the NEPOOL process through December 2013.[30] ISO-NE likewise began its Energy Security Improvements proposal by issuing a white paper in April 2019, and proceeding to discuss the proposal (and NEPOOL stakeholder proposals) for "more than a year of discussions over the course of 24 meetings."[31] Another example is when ISO-NE moved to develop its "fast-start pricing rules," where it explained relevant background and underlying information and concepts

[28] *See* FirstLight Conceptual Approach – *Discussion of conceptual approach to improve retirement signal to avoid disorderly exit of resources;* Sigma Consultants Conceptual Approach - *Discussion of conceptual ideas to streamline and reform unit retirement rules, to facilitate orderly exit and improve market dynamics with entry of state-supported resources;* Vistra Conceptual Approach – *Discussion of conceptual approach on MOPR replacement;* NEPGA Conceptual Approach – *Discussion of the need to address buyer-side market power in the Forward Capacity Auction;* Calpine Conceptual Approach – *Discussion of reforming the Capacity Supply Obligation to reflect reliability needs;* Jericho Power Conceptual Approach– *Core Principles Review in a Forward Capacity Market without a MOPR* (July 7, 2021), *available at*: https://www.iso-ne.com/event-details?eventId=143990.

[29] *Id.*

[30] *See ISO New England Inc. and New England Power Pool,* Attachment N-1a, NEPOOL Transmittal Letter at 5-6, Docket No. ER14-1050-000 (filed Jan. 17, 2014).

[31] *ISO New England, Inc.*, Compliance Filing of Energy Security Improvements Addressing New England's Energy Security Problems, Transmittal Letter at 74, Docket Nos. EL18-182-000, and ER20-1567-000 (filed Apr. 15, 2020).

through eight technical seminars over as many months beginning in February 2014,[32] and then vetted its proposal through a NEPOOL stakeholder process that concluded in June 2015.[33] The same measure of deliberation and consideration should be given to the proposal to eliminate the MOPR.

Eliminating MOPR is a major pivot in the FCA design that, at the very least, should not at the same time mute or eliminate competitive price signals. Any elimination of MOPR must comprehensively take into account its effect on the wholesale markets and revenue opportunities with a sufficiently broad view of the ISO-NE wholesale capacity market to put the markets and region on a sustainable path for consumers and investors alike. Failing to allow adequate time for necessary complementary changes simply sets New England up for failure, forcing the region to proceed with only half (or less) a solution. ISO-NE and the region must take the necessary time to adopt the market design changes that are either made necessary by elimination of the MOPR, or that are needed to produce just and reasonable rates and execute sound policies in a new non-MOPR world. Some argue that pre-existing capacity market deficiencies (*e.g.*, concerns with retirement signals and rules governing market exit) should be overlooked or addressed in the future because MOPR-removal did not cause them; however, that would be irresponsible. Elimination of the MOPR will put greater stress on the operation of the FCA and changes are needed to assure that the market is prepared to address that stress test.

NEPGA understands the urgency with which some would like ISO-NE to proceed with eliminating MOPR. But eliminating MOPR in haste and then waiting to "see what happens" only

[32] *See ISO-NE Training Materials*, Real-Time Pricing Technical Seminar 1-8, *available at*: https://www.iso-ne.com/participate/training/materials/?document-type=Real-Time%20Pricing%20Seminar.
[33] *ISO New England Inc. and New England Power Pool, Revisions to Fast-Start Resource Pricing and Dispatch*, Transmittal Letter at 19, Docket No. ER15-2617-000 (filed Sept. 24, 2015).

sets up the markets for failure. At the May 25 Technical Conference, the New England States strongly encouraged ISO-NE and NEPOOL stakeholders to proceed urgently but to allow ample time and deliberation to develop long-term, durable market design changes rather than to proceed piecemeal.[34] Maine PUC Chairman Phil Bartlett perhaps summarized this perspective best, opining that "too often we have seen changes resulting from a virtual crisis to crisis," and that "it's worth it to take a little extra time if needed to evaluate the types of changes that are going to be needed to recover [sic] the policies that facilitate the energy trade long-term, rather than simply perching from one change to another, because I think that instability is not good for any of the market participants, and certainly not for the states in issuing their policy goals."[35] NEPGA agrees, and asks that ISO-NE, NEPOOL stakeholders, and the New England States afford due consideration to the necessary durable and long-term design change in light of ISO-NE's pending proposal to eliminate the MOPR

D. ADDRESSING ENERGY ADEQUACY BECOMES EVEN MORE URGENT IF MOPR IS ELIMINATED

ISO-NE has recently focused on "energy adequacy," including at the Technical Conference – a concept that is poised to become even more important with the changing generation portfolio. New England has been "long" on capacity for several FCAs. Concerns have existed for several years about the ability to convert qualified capacity to energy or reserves when it is needed most; or what ISO-NE has termed "energy adequacy." It is critical that the region ensure that ISO-NE has the resources needed to provide energy and reserves to meet the region's reliability needs, including during extreme weather events.

[34] Comments of Commissioner Katie S. Dykes, Connecticut Department of Energy & Environmental Protection, Tr. 25, lines 5-8 (calling for "comprehensive and durable solutions.").
[35] Tr. at 27, lines 5-18.

This concept of "energy adequacy" has driven design changes in the ISO markets, such as the Pay for Performance design. It has been an underlying element of the various iterations and band-aids used to address Winter reliability (i.e. Winter Reliability Program, Inventoried Energy Program, etc.). The Commission has long recognized the tenuous Winter situation in the region and has been perhaps too patient in waiting through numerous out-of-market winter programs to get a competitive market solution.[36] With the pace of behind-the-meter generation installations that ISO can neither see nor control and the approaching volume of new state policy (procured) resources that rely on intermittent energy sources (e.g., wind, solar), energy adequacy is now a year round matter.

Studies have analyzed what the New England electricity system will need over the coming decades with integration of large-scale clean energy resources. As stated in NEPGA's post March 23 technical conference comments at FERC:

> "Numerous recent studies highlight this need for firm or dispatchable electricity. As stated in the recent Massachusetts Decarbonization Roadmap 2050 report: 'Because of the need for firm capacity on a handful of days, thermal generating capacity without carbon capture is the other essential component of low-cost electricity balancing. There was no significant change in the size of the gas turbine fleet in the region by 2030 in most pathways. Thermal power plants are difficult to replace economically because of the occurrence of lengthy periods with low wind output (72+ hours).' A separate report informed by a broad cross-section of stakeholders similarly found that to meet the deep decarbonization requirements across the New England economy will require 'the addition of large amounts of wind, solar, and battery storage resources, complemented by firm capacity to provide generation during extended periods of low wind and solar availability. Firm

[36] *See. e.g., ISO New England Inc.*, 171 FERC ¶ 61,235 (2020), *Commissioner Glick Dissenting*, at P 2 ("I agree that New England has a fuel security issue. During a handful of especially cold winter days, the region's natural gas transportation capacity can become constrained, creating a risk that there may not be enough natural gas available to supply the natural gas-fired power plants that would otherwise help power the grid. On these days, the region tends to substitute oil and natural gas delivered via liquefied natural gas (LNG) terminals for gas that would otherwise be shipped through the constrained pipelines. But because oil and LNG are expensive and rarely relied upon during normal conditions, there is a concern that resources may not always have enough of these fuels on hand to sustain the grid over a long period of time. Although the number of these cold winter days has historically been low—and the region has never actually run out of oil and natural gas—the consequences of not being able to generate enough electricity could be catastrophic, making the region's fuel security an issue we must take seriously.").

> capacity includes natural gas power plants, nuclear, hydrogen generation, or other yet-to-be commercialized options such as long-duration storage.' These services are further supplemented by hydropower, pumped storage, and other existing technologies."

The need for the marriage of resource adequacy and energy adequacy will likely only increase as the New England states make broader necessary changes to meet economy-wide decarbonization mandates. As noted above, the region faces a massive amount of existing behind-the-meter generation installations that ISO can neither see nor control and a large volume of new state policy (procured) resources that rely on intermittent energy sources (e.g., wind, solar), factors that drive the need for greater focus on energy security. Further, the increased reliance on electricity in the transportation and heating sectors will cause overall electricity demand to rise as petroleum molecules are replaced with MWh, and the potential consequences of failing to avoid extended, multi-day electricity outages will only grow.

New England has for years dealt with issues relating to fuel supply and limited delivery infrastructure that creates an "island effect." The region has avoided load shedding and other dangerous reliability events in part because of the investments made to sustain reliable operations at a variety of fuel and technology diverse power plants, expansion and maintenance of dual fuel capabilities, and other fuel supply arrangements. Financial support for these investments relies heavily on revenues recovered through the competitive Forward Capacity Market. The Forward Capacity Market is central to preserving resource adequacy – as it is designed to do– but it is also critical to ensuring revenue adequacy for resources that provide broader reliability services.

This evolving concept linking resource adequacy and energy security shines a brighter spotlight on what outcomes the market is driving and improvements that need to be made. ISO-NE has identified that the Forward Capacity Market is not appropriately valuing this objective,

which is why there is planned process to shift to an ELCC model. In the meantime, however, New England has already seen the consequences of misaligned market signals causing financial distress for resources. This has driven major out-of-market actions with concerns of this nature, yet those very out-of-market actions only worsen FCA outcomes for the other needed resources. These actions underscore a clear and present danger in New England. Absent additional reforms this spiral of cost-of-service contracts will be necessary for a growing segment of the generation resource mix. That will be costly for consumers and is an inefficient way to preserve reliability.

III. CONCLUSION

NEPGA thanks the Commission for the opportunity to provide these Comments. The many potential risks of eliminating the MOPR must be fully considered and, if need be, avoided or mitigated through further design changes, including risks to system reliability, resource and energy security, market efficiency, capacity accreditation and performance, cost allocation, and legal durability. NEPGA encourages ISO-NE, NEPOOL, and the New England States to take the time necessary to fully consider these various risks before moving forward with design changes putting into effect such a fundamental and consequential change as eliminating the MOPR.

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CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the comments via email upon each person designated on the official service list compiled by the Secretary in this proceeding. Dated at Westborough, Massachusetts, July 19, 2021.

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