



NEW ENGLAND POWER POOL

TO: NEPOOL Participants Committee Members and Alternates
CC: NESCOE, NECPUC, and ISO-NE
FROM: Nancy Chafetz, Chair of NEPOOL Participants Committee
DATE: July 23, 2020
RE: Transition to the Future Grid: Discussions on Potential Future Pathways/Market Frameworks

I am writing to inform you of proposed plans for discussions on potential alternative pathways to support New England's transition to a future grid. As I have previously indicated, those discussions began during our summer meeting and will continue at the August 6, 2020 Participants Committee meeting. The alternative pathways discussion will run in parallel to, but separate from, the ongoing future grid study process. This memo provides additional information on the current plans for these parallel "Transition to the Future Grid" efforts.

Last year, the ISO received multiple requests from NESCOE, NEPGA and other stakeholders for the region to dedicate market development and planning resources in 2020 to assess and explore market and reliability issues in light of state energy and environmental laws. NEPOOL's elected officers, working with NESCOE and ISO-NE representatives, responded to those requests first with general consensus to a proposed study process that would commence following the filing of the Energy Security Improvements proposals. As was reflected in a document circulated to and discussed with NEPOOL members, NESCOE and the ISO at the March Participants Committee meeting, this contemplated study process would assess New England's future grid, perform an analysis to determine whether, in the future, the markets will provide what is needed to assure reliable operations of the grid, and then identify potential market approaches to address any anticipated future gaps.

Further, in its July 2019 request, NESCOE had specifically asked that ISO-NE plan to allocate resources in 2020 "to support states and stakeholders in analyzing and discussing potential future market frameworks that contemplate and are compatible with the implementation of state energy and environmental laws." At the March Participants Committee meeting, a commitment was made to begin parallel but separate discussions at the summer meeting of potential future market frameworks in light of expected changes to New England's grid.

FUTURE GRID STUDY PROCESS

Discussions are ongoing, via a joint effort between the NEPOOL Reliability and Markets Committees, to define and assess New England's grid of the future. Currently, NEPOOL members and state officials are working to develop future scenarios and related input assumptions to inform the to-be-conducted study. As noted above, this study process will include a gap analysis to help determine whether, in the future state envisioned, there are projected to be any operational or reliability gaps and to explore thereafter market approaches to address any future gaps identified.

POTENTIAL PATHWAYS TO NEW ENGLAND'S FUTURE GRID

During our virtual summer meeting, as promised at the March Participants Committee meeting, we heard from four informative speakers who shared their thoughts, insights and experiences on the opportunities and challenges associated with transitioning electric grid systems. There is a great deal of interest among many members and state officials in continuing the dialogue so that stakeholders can identify and better understand the various potential future market frameworks for our region.

NEPOOL will provide an opportunity and forum for regional stakeholders to identify, explore and evaluate together potential alternative pathways/market frameworks that may help to support New England's evolving grid. A key goal for these discussions is to broaden the understandings and perspectives of all interests around the NEPOOL stakeholder table. The plan for August and September is to take time during Participants Committee meetings to hear specifics about the fundamental elements, mechanics, and/or design components of potential pathways that could be pursued to help transition New England to its future grid. These sessions are intended to provide sufficient grounding for discussions and evaluation starting in October of the various tradeoffs associated with each identified pathway to inform future decision-making.

We will discuss two of the potential pathways at the August 6 Participants Committee meeting (upon completion of regular business): (i) Forward Clean Energy Market ("FCEM"): Kathleen Spees – Principal, The Brattle Group; and (ii) Carbon Pricing: Joe Cavicchi – Principal, Analysis Group. At the September 3, 2020 Participants Committee meeting, other potential pathways will be discussed.

With the benefit of the education on various alternative pathways, we will then explore together implications and tradeoffs associated with the pathways (i.e., the pros and cons of each pathway). We will be asking later for your written input to help frame those discussions.

We have a successful history in New England of working together to advance the knowledge and understanding of the challenges we confront and the various potential solutions that might help address those challenges. As these planned Future Grid discussions proceed within the NEPOOL stakeholder process, it is my hope that we'll engage with openness and in close collaboration with each other.

I look forward to engaging with you all on potential pathways forward for our region.