



NEW ENGLAND POWER POOL

NEPOOL PARTICIPANTS COMMITTEE
OCT 1, 2020 MEETING, AGENDA ITEM #13

TO: NEPOOL Participants Committee Members and Alternates

CC: NESCOE, NECPUC, and ISO-NE

FROM: Nancy Chafetz, Chair of NEPOOL Participants Committee

DATE: September 23, 2020

RE: Process Update: Potential Pathways to New England’s Future Grid

I am writing to update you on proposed next steps for exploring potential alternative future pathways for New England in light of state energy and environmental laws. As I have previously explained, this “Pathways” process is intended to provide regional stakeholders the opportunity and forum to identify, explore and evaluate together potential alternative pathways/market frameworks that could be pursued to help transition New England to its future grid. This memorandum provides additional information on the current plans for these discussions between now and the end of the year.

Pathways Presented & Discussed to Date

Pursuant to the proposed process worked out earlier this year among ISO and NESCOE representatives and your elected Chair and Sector Vice-Chairs, at the Participants Committee Summer Meeting, a panel of speakers shared their insights and experiences on the various opportunities and challenges associated with efforts to decarbonize electric grid systems across the country. NEPOOL has continued those discussions at every Participants Committee meeting since then. At this point, the region has received presentations on the following four potential future pathways/market frameworks (listed here in the order that they were presented and discussed): (1) Forward Clean Energy Market (FCEM); (2) Carbon Pricing; (3) Energy-Only Market; and (4) Alternative Reliability Assurance Frameworks. All presentation materials on these potential options/pathways can be accessed at NEPOOL’s dedicated webpage on this subject (http://nepool.com/Fut_Grid_Poten_Pathways.php).

Additional Potential Pathways/Market Frameworks?

If anyone wishes to explore additional potential pathways through this NEPOOL process, please let me or NEPOOL Counsel know as soon as possible and no later than Friday, October 16. At the October 1 Participants Committee meeting, per the request of some NEPOOL members, we will hear about a fifth potential pathway/market framework, which is being referred to as the “Integrated Clean Capacity Market”. Kathleen Spees of The Brattle Group has been exploring the potential mechanics of this alternative pathway with various members and will describe it for regional stakeholders at next week’s meeting. Time will also be set aside at the November 5 Participants Committee meeting in case any other potential pathways/market constructs are identified between now and October 16.

Next Steps: Discussion & Assessment of Tradeoffs

As promised, at the October 1 Participants Committee meeting, we will also begin to explore various questions, implications and tradeoffs associated with each identified pathway (i.e., the pros and cons of each pathway). As I reported at the September Participants Committee meeting, NEPOOL has retained Dr. Frank Felder to assist with that exploration. (Recall that Frank Felder presented at our Summer Meeting on the advantages and disadvantages of various markets around the globe). To be clear, Dr. Felder is **not** being asked to recommend a particular proposal/pathway. He is being asked only to provide his independent observations on the potential impact of those various pathways (1) in helping to advance the State's clean energy policy objectives and (2) on market efficiency. Dr. Felder will begin that discussion at next week's meeting, with a focus on the first two potential market frameworks that were discussed in August (the FCEM and carbon pricing concepts).

In November, we will hear about any other pathways proposed for consideration and Dr. Felder will present his preliminary observations on the remaining pathways described in September and October. Through the remainder of the year, the plan is for Dr. Felder to update his observations and analysis based on further information and stakeholder feedback, to add observations about any new pathways that may be presented in November, and to finalize a written report reflecting his efforts.¹ Hopefully this process will facilitate constructive exchanges among stakeholders on the relative merits of each identified pathway.

To help advance our upcoming discussions and inform Dr. Felder's assessment, we welcome and look forward to your thoughtful feedback, questions and comments during the NPC meetings. We also encourage you to provide any written materials on the identified pathways for consideration by Dr. Felder as well as to inform all those participating in this process. Any such submitted materials will be made publicly available on NEPOOL's website.

Thank you for your engagement to date. I look forward to continuing the open and constructive dialogue as we explore potential future pathways for New England.

¹ Dr. Felder's work product will reflect his independent views and opinions and not necessarily the institutional views of NEPOOL, state officials participating in the discussion, ISO-NE, or any individual NEPOOL Participant or groups of Participants.