

Chairman's Opening Remarks  
NEPOOL IMAPP Initiative  
August 11, 2016

Now that the formalities are behind us, I would like to take the opportunity to welcome you all here today and to thank you for participating in what we are calling the NEPOOL IMAPP Initiative – Integrating Markets and Public Policy.

Allow me to take a few minutes at the beginning of this meeting to set the stage on the NEPOOL process that we envision, and to help manage our collective expectations for this meeting and beyond.

NEPOOL, as THE participant voting organization on all wholesale electricity market matters across New England, recognizes the important role it must play in helping to advance the public policy directives of our six New England States. Over our 45 year history we have been the technicians who executed on the public policy of the day and implemented the mechanisms to get the job done. And we typically go about our work in a collaborative way, inviting informed participation by all of our members and state officials.

It was the response to public policy demands that drove the creation of NEPOOL in 1971, following the Great 1965 Northeast Blackout. Our mission then was to

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capture the reliability, economic and efficiency benefits of coordinated transmission planning and least-cost regional dispatch of the generating fleet.

And it was the public policy directives to move to competitive wholesale electricity markets in the late 1990s that has been our mission, and that of ISO-NE, these last 20 years: “to create and sustain open, non-discriminatory, competitive, unbundled markets for energy and capacity that are balanced between buyers and sellers.”

And today, as NEPOOL, we are about to embark on yet a new mission and a new evolution of our industry. To integrate into our wholesale markets new criteria that will move us beyond “reliability through markets”. Our goal is to achieve and maintain our high standards for reliability that our constituents demand, and to do so using the discipline of competition, while incorporating the states’ goals of decarbonizing our industry over time.

No other RTO has done this before. Keeping the lights on has always been our mission. We get it. Doing so in the most cost effective manner is nothing new either. Although that has been a continuous effort these past 20 years. But our competitive wholesale electric markets were not designed to transition us to a

low carbon generating fleet. In fact, they are designed to be fuel and technology neutral, and to find the most economically efficient set of resources to meet our reliability needs. Delivering a reliable electric system at a reasonable cost has been the public policy objective for our entire history. And we have done a very good job at that. Our electric system in New England is at the leading edge of fully functioning, highly efficient competitive electricity markets. And we have the results to prove it.

But state policy objectives are changing to encourage the decarbonization of the generating fleet, and so too must our markets. And to truly make this work, so too our way of thinking.

This meeting today is the first to engage our stakeholders in our NEPOOL process. And let me re-emphasize, this is a process. Today we will hear from twelve representatives of diverse business interests with various proposals to integrate public policy into our wholesale markets. Each presenter will be given 20 minutes to present with a hard stop, followed by 10 minutes of clarifying questions. We are at the stage of hearing and understanding the various proposals—NOT to debate them or narrow them down-- so at this meeting we ask this large

gathering to focus on the ideas and suggestions, seeking clarifications and asking follow up questions when there is an opportunity to do so. We have asked NEPOOL counsel to keep track of the questions where answers have not been provided today. And recognizing the limited time we have today, we invite folks to provide input and feedback through NEPOOL counsel, so that when we come back for the next meeting on August 30, we can spend additional time digging deeper into the various proposals.

I don't expect we will hear the one silver bullet proposal today that all us will agree will solve the challenge before us. But we will begin the important process of better understanding the various perspectives of our stakeholders and better defining our collective objectives for evolving our markets or possibly creating new ones. And that is the core strength and value of NEPOOL – as the organization that brings together our six different governance sectors, representing over 440 members, each bringing to the table the experience and wisdom of the many... and providing a forum to integrate and balance the needs of all the stakeholders of New England. Working together.

I hope we all begin this process appreciating just how fortunate we are here in New England. NEPOOL members have all demonstrated already their commitment to working together to try to create an efficient competitive market design that incorporates the public policy objectives of the six New England states. That is a bold and remarkable step in and of itself.

Perhaps equally, if not more bold and remarkable, though, is the willingness of New England state policy makers to allow competitive markets to find the solutions they deem important politically.

Our prospects for success in this unprecedented endeavor are substantially larger because of our common recognition that an efficient competitive market that appropriately defines societal objectives will find the lowest cost set of resources to satisfy those objectives. That in doing so will encourage innovation, and will improve efficiency among all market participants.

Between today and the December 2 Participants Committee we have scheduled five full day meetings to engage in this process. There is a lot of work ahead of us. So please keep an open mind on the alternatives you hear today. Test them out

from different perspectives, get creative, roll up your sleeves, fasten your seat belts, and let's make history together.