



NEW ENGLAND POWER POOL

# Connecting the Dots in New England: NEPOOL's IMAPP Initiative

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September 30, 2016

# NEPOOL in New England

- NEPOOL is:
  - THE stakeholder voting organization to advise on all matters relating to the competitive wholesale market rules and transmission tariff design.
- NEPOOL was:
  - Formed in 1971 to address reliability and coordinated dispatch.
  - Restructured in late 1990's to conform with industry's restructuring away from a vertically integrated cost-based rate design.
- NEPOOL's Mission:
  - “To create and sustain open, non-discriminatory, competitive, unbundled markets for energy, capacity and ancillary services that are balanced between buyers and sellers.”



# Genesis of IMAPP

- Growing recognition of states' needs to achieve mandated public policy objectives.
- Growing concern that states' actions to achieve those objective were becoming large enough to interfere with competitive wholesale markets.
- Acknowledgement that current market was not designed to decarbonize the generating fleet over time.



# IMAPP Integrating Markets and Public Policy

A NEPOOL initiative to consider changes to the existing wholesale competitive market design that will not only ensure reliability of the electric system through competitive wholesale markets, but will do so while at the same time achieving the public policy goals of the New England states.



# IMAPP Challenge: I

- Defining “Public Policy”
  - Achieve state’s renewable portfolio standards?
  - Achieve state’s carbon reduction goals?
  - Support energy efficiency programs?
  - Support long term contracting by states?
  - Support existing nuclear fleet?
  - Support behind the meter renewables?
- Other public policy objectives?
- New England’s markets would work best if the product is precisely defined



# IMAPP Challenge: II

- Defining how much “Public Policy” the markets will procure?
  - Each state sets its own policy
  - Each state sets its own targets.
- State’s determination become the procurement target for the market design.
- New England’s markets could create the mechanism to support the states’ target objective through a centralized competitive procurement.



# IMAPP Challenge: III

- Defining who pays.
  - Public Policy attributes are not necessarily valued equally across the states.
  - Extent of need is different across the states.
  - Impacts of various state program cross state lines.
- New England's markets could provide the efficiency benefits of a centralized regional market combined with cost allocation methodologies to provide a net benefit to the region.



# IMAPP Proposals

- 15 companies offered a range of proposals to address “public policy” objectives.
- Proposals center around three primary constructs:
  - Pricing carbon in the energy market.
  - Procurement of clean energy in MWh.
  - Moderating the impacts of State sponsored procurements in the current capacity market.
- A new clean energy proposal integrated with the current capacity market proposed at the last meeting.



# Carbon Adder

- Integrating with the Energy Market
  - Technology Neutral
  - Signals both supply and demand
  - Internalizes goals into transparent price.
- Carbon adder included in energy offers.
  - Adjusted by states to achieve targeted objective.
- Adder collected from carbon emitters.
  - Allocation of revenues TBD.



# Forward Clean Energy

- A new forward energy market for clean energy.
- Intended to procure new resources while supporting existing clean energy resources.
  - Can be vintage neutral – Open to new and existing.
- Procurement on similar timeline as current FCM.
- Quantities determined by states to meet targets.
  - Can be applied against a demand curve.
- Payment for product paid upon delivery.
- Cost allocated based upon requirement.



# Two-Tiered Capacity Market

- Design enables states to pursue policies independent of markets.
- Protects price formation in the Forward Capacity Market.
- Manages the potential of over-procurement of capacity.
- Establishes a “but-for” price for existing resources.
- Incorporates participation of state sponsored projects as capacity resources.



# NEPOOL IMAPP Process

- Public Policy interaction with market design has been percolating...
- NEPOOL officially took up the challenge June 2016.
- NEPOOL summer meeting focused issues.
- Three meetings to-date beginning August 11.
  
- Goal: Vote a framework document that would be the foundation for future market rule and tariff changes to be developed in 2017.



# Next Steps

- IMAPP Meeting Schedule
  - October 6, 2016
  - October 21, 2016
  - November 10, 2016
  - December 2, 2016 NEPOOL Participants Committee
- Materials for all meetings at:  
<http://www.nepool.com/IMAPP.php>

