

## POLICY AND MARKETS: GOAL POSTS

June 2016

At the June 8, 2016 meeting among state officials, ISO-NE and NEPOOL leadership, NEPOOL requested that states articulate any design objectives states seek to accomplish, including identifying to the extent possibly any “goal posts.” The purpose of the request is to provide direction on market design changes that NEPOOL, ISO-NE and the states will explore in the near-term to allow competitive markets to accommodate the requirements of state policies. This document is provided as a supplement to the *Policy and Markets’ Problem Statement* that the states circulated to NEPOOL in early June 2016.

The high-level market design objective associated with potential competitive markets-based solutions is to (i) ensure a sufficient revenue stream to incent the construction and operation of new resources that are able to satisfy some states’ current and future policy requirements as reflected in state laws, and (ii) provide support if and to the extent needed to existing non-carbon emitting resources to enable their continued viability if one or more states conclude their customers should provide support to such existing resources in furtherance of their state(s)’ policy objectives.

Simultaneous with the region exploring potential wholesale market design adjustments, NEPOOL, through an ISO-NE Economic Study, and NESCOE are conducting separate analyses intended to further inform state and stakeholder consideration of related matters and potential solutions. NESCOE’s analysis will assess the economic implications of various hypothetical mechanisms through which states may wish to implement policy requirements. The fact of a study does not, of course, reflect any state preference for any approach or mechanism. At this juncture, the states are interested in exploring and understanding the implications of the full range of potential solutions, through the competitive wholesale markets and other approaches.

“Goal Posts,” or the lens through which states will assess proposed market changes include, but are not limited to, adjustments that:

- A. Enable reaction to different market conditions and changing public policy priorities over time (i.e., not assume that the requirements of state laws are static over time).
- B. Focus on achieving longer-term goals (10-30 years) cost-effectively, with the ability to incorporate needed shorter-term mechanisms to achieve near-term policy requirements.
- C. At a minimum, enable the achievement of the current RPS requirements of each state noted in table 1 below.
- D. In the near-term, consider the need to accomplish current policy objectives under discussion including, for example, up to 2,400 MWs of hydropower and 1,200 MWs of on- or off-shore wind. These numbers are illustrative and could vary according to the outcome of current matters, including but not limited to the three-state Clean Energy RFP.
- E. Consider mechanisms to ensure consumers in any one state do not fund the public policy requirements mandated by another state’s laws.

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- F. Attempt to minimize short-term financial effects to current existing resources.

The design should *not*:

- A. Imprudently increase costs to consumers over the costs that they would incur under the status quo/current market design.
- B. Over the long-term, include out-of-market mechanisms unless those ultimately are determined to be required in order to meet the objective and limit overall costs of the design (i.e., markets are not an objective themselves; they are a means to place risk with shareholders and to serve consumers at the lowest cost).
- C. Produce undue windfall profits for existing non-carbon or carbon emitting resources (i.e., existing resources and particularly existing carbon-emitting resources should not profit from state requirements to increase the amount of non-carbon emitting resources in the region's portfolio).
- D. Compel or assume state legislative action or action from jurisdictions outside New England (e.g. RGGI). Any state may, of course, wish to pursue state legislative action related to this matter, but any potential regional wholesale market adjustment should not presuppose state legislative action(s).

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**Renewable Portfolio Standards in New England, as of April 2016**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
<b>Connecticut</b>											
Class I	14.0%	15.5%	17.0%	19.5%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Class II	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Class III	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Maine</b>											
Class I	9.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Class II	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
<b>Massachusetts</b>											
Class I	11.0%	12.0%	13.0%	14.0%	15.0%	16.0%	17.0%	18.0%	19.0%	20.0%	20.0%
Class IIa	2.5%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
Class IIb	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
<b>New Hampshire</b>											
Class I	6.9%	7.8%	8.7%	9.6%	10.5%	11.4%	12.3%	13.2%	14.1%	15.0%	15.0%
Class II	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Class III	0.5%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Class IV	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
<b>Rhode Island</b>											
Existing	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
New	8.0%	9.5%	11.0%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
<b>Vermont</b>											
Standard	n/a	54.0%	53.4%	52.8%	56.2%	55.6%	55.0%	58.4%	57.8%	57.2%	57.2%
Dist. Gen.	n/a	1.0%	1.6%	2.2%	2.8%	3.4%	4.0%	4.6%	5.2%	5.8%	5.8%

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