

New England States Committee on Electricity

To: ISO-NE
From: NESCOE
Date: August 31, 2015
Subject: Preliminary Comments on Draft 2016 Work Plan

The New England States Committee on Electricity (NESCOE) appreciates the opportunity to provide preliminary reaction to ISO-New England's (ISO-NE) 2016 *draft Work Plan*, released on August 25, 2015. NESCOE prepared this early feedback based on a quick review of the *draft Work Plan* in advance of the September 1, 2015 ISO-NE/NEPOOL officer/state conversation. NESCOE may provide additional input as the 2016 *draft Work Plan* moves forward for discussion at the September 11, 2015 NEPOOL Participants Committee meeting.

NESCOE also appreciates NEPOOL's first-time effort to advance its business priorities on a timeframe that allows consideration of them concurrent with ISO-NE's *draft Work Plan*. NEPOOL's timing and the resulting work product are valuable.

Directionally, NESCOE concurs with NEPOOL placing a high priority on continuing work on price formation in the energy markets, forward capacity market modifications, and related capacity zones, including the timing and processes around associated decisions. Proper price formation is an important element to ensure well functioning markets and resource performance; those benefits must, of course, be balanced with the associated costs to consumers. NESCOE supports ISO-NE's continued priority on developing capacity market modifications and process changes to ensure robust competitive markets.

Retirements, Fuel Diversity and Reliability: An issue not specifically identified for discussion in the 2016 *draft Work Plan* is fuel diversity in the region's generation fleet. NESCOE highlights this important issue in light of the relatively near-term potential for generator retirements. The expected natural gas-fired replacements of retiring units, especially if current base-load resources retire, will have implications on the current level of fuel diversity in New England. It would be prudent to plan discussions about whether, at what point and to what extent system operation and/or reliability implications will arise if the current resource-neutral market drives New England's resource mix toward greater homogeneity.

2016 Economic Study in Connection with State Policy Requirements and Objectives (Slide 15): NEPOOL stated that it placed a priority on ISO-NE performing analysis in 2016 that reviews more completely the potential impacts of policy implications and risks

on the future functioning of the existing and planned markets, following an opportunity for meaningful input from market participants on such a study. (See, *NEPOOL Business Priorities: 2016-17 ISO-NE Work Plan* dated August 3, 2015 at page 2.)

In the *draft Work Plan*, ISO-NE indicated that it will, reflecting NEPOOL's priorities, "consider requirements for an economic study in 2016 to review potential impacts of emerging public policy on performance of the power system and markets in New England." (Slide 15). State officials are generally obligated as a matter of law to implement state energy and environmental policies. Any study about New England markets and public policy should therefore include an assessment of the viability of markets over the long-term if those markets do not include mechanisms that accommodate state laws. Such a study would help inform continuing discussions about mechanisms to ensure that state laws and regional markets can continue to coexist fruitfully. NESCOE looks forward to continuing dialogue and progress with NEPOOL and ISO-NE on this matter in 2016.

Additionally, ISO-NE notes that such "[s]tudy definition efforts will need to be completed before the end of Q1 2016." (Slide 15). Given that the tariff requires Economic Study requests to be submitted by April 1, 2016, it is not clear why ISO-NE notes that the 2016 Economic Study definition must be complete by the end of Quarter 1.

FCM Auction Format Evaluation (Slide 41): ISO-NE indicates that as requested by NEPOOL, ISO-NE plans to evaluate the FCA's descending clock auction format and alternatives (impacts to the format, timing, and review of de-list bids and supply offers). As set out by NEPOOL, stakeholder discussion would not occur until 2017. It would be helpful if ISO-NE explained the rationale for deferring discussion until 2017.

Generator Interconnection Queue (Slide 24): ISO-NE identifies as a goal to reduce time to complete system impact studies for new inverter-based generators and address the Interconnection Queue backlog, which has particular implications in northern and western Maine given system limitations. NESCOE strongly supports ISO-NE's commitment to make progress on interconnection queue timing and costs. This is especially important given the expected retirements and fuel diversity issues noted above. It would also be helpful to understand developers' detailed, priority recommendations based on experience in New England and other regions on specific means to accelerate interconnection times here in New England. ISO-NE notes that based on discussions with NEPOOL, ISO-NE intends to make a presentation on generator interconnection issues in December 2015. ISO-NE has been presenting on interconnection issues at recent NEPOOL technical committee meetings. It would be useful for ISO-NE to explain, at least directionally, if what it intends in December 2015 differs from current discussions.

Base Case Formation (Slide 11): In relation to Transmission Planning Studies, NESCOE requests that ISO-NE add a sub-bullet to Slide 11 as follows: "Develop methods for improving consistency in base case formation."

This is in furtherance of the states' interest in greater consistency and transparency in

planning assumptions as NESCOE first set forth in a memo to ISO-NE and PAC entitled “*Enhancing Consistency in Regional System Planning*” dated April 19, 2013 and restated in another entitled “*Transmission Planning Assumptions*” dated May 15, 2015.

In short, the states’ interest in enhancing consistency and transparency in planning assumptions grew from PAC discussions regarding the development of the transmission planning technical guide. In that discussion several years ago, the states raised a concern about a lack of a consistent standard in ISO-NE’s formation of base cases. Increasing transparency and consistency in planning assumptions could increase state and stakeholder confidence in ISO-NE’s planning assumptions and the output of the planning process, and result in more efficient planning and siting processes.

Regional System Plan (RSP) 2016 (Slide 26): ISO-NE plans to discuss stakeholder interest in changing the RSP cycle to be biennial, rather than annual, and pursuing such a tariff change with FERC if there is general support. ISO-NE set out a schedule for a 2016 RSP if this change does not happen. NESCOE suggests that should ISO-NE need to prepare an RSP for 2016, it should consider achieving some efficiency by preparing a streamlined version of an RSP that reflects the specific RSP elements required by tariff (*e.g.*, forego in even years a review of essentially all developments and issues in New England over the calendar year.)