



NEW ENGLAND POWER POOL

TO: Members and Alternates of the NEPOOL Participants Committee

FROM: Joel Gordon, Chairman, NEPOOL Participants Committee

DATE: August 9, 2016

RE: Preliminary Information on New England's 2017-18 Work Plan

CC: Tim Brennan – Vice-Chair, Transmission Sector
Brian Forshaw – Vice-Chair, Publicly Owned Entity Sector
Tom Kaslow – Vice-Chair, Generation Sector
John Keene – Vice-Chair, Alternative Resources Sector
Don Sipe – Vice-Chair, End User Sector
Ken Dell Orto – Chair, Budget & Finance Subcommittee
Bill Fowler – Vice-Chair, Markets Committee
José Rotger – Vice-Chair, Transmission Committee
Bob Stein – Vice-Chair, Reliability Committee

In preparation for upcoming discussions and the opportunity to provide input on the region's 2017-18 Work Plan, we wanted to provide you with preliminary information about next year's business plan that ISO-NE senior management has shared with the NEPOOL Officers.

Background

By way of reminder, last year NEPOOL instituted a new approach to business planning efforts that allowed stakeholders to provide earlier input to ISO-NE on the region's 2016-17 Work Plan. We designed that process so that NEPOOL's priorities could be identified in time so that ISO-NE could integrate them into its annual budgeting process in order to allow sufficient resources to meet the related financial and staffing needs for the year.

The objective again this year is to proactively provide input to ISO-NE before the 2017 budgets have been finalized, so that ISO-NE will be in a position to be able to commit the resources necessary to address our collective goals for the year ahead. Those 2017 budgets will be discussed at the NEPOOL Budget and Finance Subcommittee meeting on this Friday, August 12, 2016.

A detailed draft of ISO-NE's work plan for 2017 will be circulated simultaneously to all NEPOOL members for their review prior to the September 9, 2016 Participants Committee meeting, and we will include time on that meeting's agenda for a full discussion of the plan. To prepare for that Participants Committee discussion, the NEPOOL Officers, NESCOE and NECPUC representatives will collect preliminary feedback on the work plan and provide that

feedback to ISO-NE management ahead of the meeting. This process is designed to ensure that the NEPOOL membership receive the information they need to provide input on the 2017-18 Work Plan and have a chance for a fulsome discussion on the priorities for the region before the planned October 14 NEPOOL vote on the ISO-NE 2017 budget.

Preliminary Information on 2017-18 Work Plan

In discussing with ISO-NE management the process for completion and NEPOOL member review of a draft 2017-18 Work Plan, ISO-NE advised of the following:

ISO-NE proposes to make a priority for the remainder of 2016 and 2017 its support of NEPOOL's Integrating Markets and Public Policy (IMAPP) effort. The result of that high priority effort would be a delay in other projects currently on the work plan.

Price formation efforts related to day-ahead energy and reserves co-optimization and multi-hour ramp pricing would be delayed by at least one year, with discussions on the day-ahead energy and reserves co-optimization project beginning at the earliest in late 2017/early 2018 (rather than late 2016/early 2017). Implementation of the results of that project, accordingly, would be delayed by at least a year from the initial target year of 2019. Multi-year ramp pricing would be even further behind. In light of the proposed delay in implementation of day-ahead reserves co-optimization, ISO-NE would like to discuss the implication(s) of this delay on ISO-NE's Internal and External Market Monitors' recommendation to eliminate the Locational Forward Reserve Market (LFRM).

ISO-NE senior management also provided the NEPOOL Officers with updated information regarding the following items:

- a. Descending Clock v. Sealed Bid Forward Capacity Auction (FCA): In its 2016/17 Business Priorities, NEPOOL placed a high priority on considering moving from a descending clock auction to a sealed bid auction design. In response, ISO-NE has held two FCA Descending Clock Auction meetings on that topic in 2016, and is now looking for feedback from NEPOOL on whether switching the auction mechanics from Descending Clock to Sealed Bid is a priority for stakeholders. Without materially changing business priorities, ISO-NE views the move to a sealed bid auction design narrowly to focus on bid collection and not the other FCM- related issues such as qualification and market monitoring related changes that had been discussed at the meetings. NEPOOL needs to communicate whether moving to a sealed bid auction, viewed either narrowly or more broadly, is a NEPOOL priority before ISO-NE is able to begin scoping a project.
- b. NEPOOL Economic Study: ISO-NE continues to make good progress on NEPOOL's Economic Study, with planned discussions on early results of Phase I of study beginning at the August and September Planning Advisory Committee (PAC) meetings. Phase II analysis will begin in 2017.

- c. Order 1000 Implementation: Efforts are underway to implement Order 1000 requirements and will continue in 2017, consistent with ISO-NE's Tariff obligations. These efforts will include updates of planning guides, development of a draft RFP for competitive solicitation and the work to implement FERC's mandated public policy planning.
- d. Major Implementation Milestones in 2017 and 2018:
 - i. **February 2017** – Implementation of the sloped zonal capacity demand curves (in time for FCA 11);
 - ii. **March/April 2017** – Implementation of Fast-Start Resource Pricing, subhourly real-time settlements, and Dispatchable Asset Related Demand (DARD) pump intertemporal parameters; and
 - iii. **May 2018** – Full integration of Price Responsive Demand (PRD) and implementation of FCM Pay-For-Performance (PFP). June 1, 2018 is go-live effective date for PRD and FCM PFP and will require an enormous amount of effort and resources on the IT side of the house.
- e. Potential FERC orders/requests: There remains uncertainty with respect to potential FERC orders/requests related to frequency response, storage, energy market offer caps and other price formation areas, and how any resulting FERC directives might impact the 2017/18 work plan.
- f. Cyber Security: Cyber security will continue to be a major emphasis for the region, including efforts to address recent FERC orders on supply chain cyber controls and risk management standards (Order Nos. 822-A and 829) and other work related to the Critical Infrastructure Protection (CIP) Version 5 standards.

We encourage you as soon as practicable to provide any comments, concerns, questions or feedback relating to the information in this memorandum directly to me, your Sector Vice-Chair, or NEPOOL Secretary/Counsel. Your early input might help to inform the 2017-18 Work Plan that will be provided to stakeholders in advance of, and for discussion at, the September 9, 2016 Participants Committee meeting.