

## **NESCOE Statement**

Over the past several years, NESCOE has supported a number of market rule changes designed to promote market price formation. At the same time, NESCOE—as well as ISO-NE and FERC—identified the need for the wholesale competitive markets to accommodate the requirements of state laws to ensure that consumers do not overpay for resources and to preserve well-functioning markets. We also greatly appreciate NEPOOL’s efforts for putting in place the initial process through which the region could collaborate on markets and public policies.

NESCOE is disappointed that the broader support it set out to accomplish among NESCOE, NEPOOL and ISO-NE could not be achieved on CASPR. This issue involving the intersection of markets and state laws is of central importance to the states and the region. We knew when IMAPP started, as we know today, that New England is at a pivotal cross-roads regarding the future of wholesale markets. How we collectively address this challenge will have influence beyond the four corners of the CASPR proposal.

We thank and appreciate the many NEPOOL members who worked hard to see if, together, we could come up with a design around which a broad cross section of stakeholders could coalesce. NEPOOL worked diligently, with integrity, and in good faith throughout this process. Together, we worked constructively to develop novel approaches and to bridge differences, albeit with tension at times, as happens in any serious negotiation. We believed there was a strong possibility of arriving at a proposal with broader support and one which included a “backstop” mechanism that, like what we have in place today, would accommodate resources developed in furtherance of state laws. If CASPR works as intended, it would never have been needed. Far from any guarantee that all sponsored resources would clear the market, the backstop would have simply mitigated the exposure to excessive costs for those who pay the bills.

We appreciate NEPOOL’s collective effort and especially the extra time Bill, Bruce, Brian, and Brian spent and your efforts in particular, Mr. Chairman, in working through issues to find solutions, especially in the latter part of this process.

We additionally thank ISO-NE technical staff – especially Chris Geissler and Matt White – who, from the outset, worked collaboratively with us on some difficult technical issues. NEPOOL leadership knows as we do that these two were even willing to talk through issues with us during their Thanksgiving vacation. ISO-NE’s Matt Brewster and many others were also very helpful in assisting us translate technical ideas into concrete tariff language. For those of us who are more comfortable with numbers than tariff language, it’s hard to overstate the appreciation for that kind of help.

NESCOE does not have a collective view on ISO-NE’s final CASPR proposal. Some states may address the Committee but we share here, at the highest level, a few perspectives.

The states are of one mind on one thing about CASPR. It is that ISO-NE’s approach at the very end of an otherwise open and collaborative process - and specifically its 11<sup>th</sup> hour changes - was,

to put it mildly, disheartening. These late changes were accompanied by little explanation and provided no time for meaningful dialogue. The states have been clear during the discussion of those amendments throughout the NEPOOL process, all six states oppose those amendments on a stand-alone basis. Those amendments limit the likelihood of CASPR being successful. The late change does not reflect the way, in our experience, that New England has done business in recent years. If we want New England to be the place where groups gather to try figure out complicated issues, there is work to do to restore trust and restart the willingness to participate in the process.

In terms of state positions given where we are, three states continue to support the ISO proposal despite the Firstlight and CLF amendments adopted by ISO-NE. This is primarily due to the fact that CASPR includes a resource required to be procured that is largely not eligible for the current RTR exemption. For some states, their support is primarily based on the view that CASPR is not expected to have an adverse impact on their ratepayers, and they don't have the same requirement of state law to satisfy.

Three states oppose the ISO-NE proposal. This is primarily due to ISO-NE's decision to eliminate the RTR exemption without substituting any mechanism that provides a comparable degree of accommodation of the requirements of state laws and, thereby, mitigation of excessive consumer costs and over supply. Also, ISO-NE's late adoption of the FirstLight amendment and decision to limit the supply eligibility create new liquidity concerns – that is, less likelihood that CASPR will accomplish ISO-NE's design criteria #2 and greater risk that consumers will be exposed to unjust and unreasonable rates. Simply put, the assertion ISO-NE made at the outset - that CASPR is better than what was in-place - has not been proven out to these states.

A final word on ISO-NE's decision on eligibility. Last week, ISO-NE, reversed its previously unwavering position that CASPR would be resource neutral. In fact, from ISO-NE's initial presentation of the CASPR concept back in April to the RTO Council, to its May 2017 Whitepaper, to testimony before FERC, and every Markets Committee meeting we can recall along the way, ISO-NE called resource neutrality a "notable property" of the substitution auction. A "property" through which CASPR would be better than the status quo, because it would accommodate future technologies and future state support to resources such as storage, for example, without requiring a tariff change. Without explaining what new information caused the reversal or an opportunity to discuss, ISO-NE let us all know that its "notable property" – resource neutrality – was wrong all along and that ISO-NE instead prefers a tariff that limits resource eligibility based on an arbitrary statutory date. This means CASPR will by definition be a very short-term mechanism. Should any state adopt a new law this coming legislative session, for example, states and perhaps others will be back where we were at the outset of this process, with a diminished appetite to negotiate and tempered optimism more broadly.

Thanks for listening to our perspective and concerns this morning.