

# *Analytical Framework - Grid Transformation Analysis*

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# Overview

- *ISO-NE Objectives*
- *Overarching Assumption/Focus of Presentation*
- *Proposed Analytical Framework*
- *Analytical Tools*
- *Questions & Comments*



# ISO-NE Objectives

- *The current ISO objectives were initially developed in the late 1990s when we were transitioning from a cost-based construct to an offer-based construct.*
- *What has been missing is consideration of how these objectives have led to the situation we are in today.*
- *We need to consider whether new objectives might be necessary to achieve the outcomes anticipated desired by consumers and state policymakers.*



# *Focus & Overarching Assumption*

- *Our focus is on developing an analytical framework that can be applied no matter what assumptions and resource mix scenarios are assumed.*
- *Overarching assumption is that resources to meet regional energy and environmental policies will be developed irrespective of how they participate in the wholesale markets.*
- *Leave it to the the Committees figure out how to identify the mix of resources & other assumptions to meet these objectives.*



# *Proposed Analytical Framework*

- *Under the current Market Rules there are 2 ways that resources can interconnect and participate in the wholesale markets.*
  - *Resources with capacity network interconnections (CNRIS) can participate in the Capacity, Energy & Ancillary Service markets.*
  - *Resources with minimum interconnection service (NRIS) can only participate in the Energy & Ancillary Service markets*



# *Proposed Analytical Framework (cont.)*

- *The Grid Transition Analysis should consider the two options that policy resources have for interconnecting and participating in the wholesale markets across all scenarios and cases*
  - *All policy resources would be CNRIS and participate in Capacity, Energy, and Ancillary Service markets.*
  - *All policy resources would be NRIS and only participate in the Energy & Ancillary Service markets.*



# *Proposed Analytical Framework (cont.)*

- If the policy resource cannot get a CSO through the FCA (either due to the MOPR or the CASPR test price) or if the cost of a CNRIS is too high, NRIS may well become the preferred outcome.*
- Resources participating as CNRIS and NRIS can have different implications for consumer costs, payments to resources, system operations, resource adequacy, and other metrics.*



# *Proposed Analytical Framework (cont.)*

- It appears that most have assumed all resources would be CNRIS and participate in all wholesale markets.*
- While NRIS resources may need additional non-wholesale market support, understanding the broader implications will be helpful in evaluating potential “gaps” in the market.*
- This approach is consistent with the ESI Condition Cases (Frequently, Infrequently, and Extended Stress Cases).*





# *Analytical Tools*

- *ISO does not currently have a tool to develop estimated Forward Capacity Market prices in its planning studies.*
  - *This has been an issue in interpreting the results from previous Economic Studies.*
- *To help evaluate the implications of various resource mixes, a capacity “optimization” tool should be developed to help evaluate both competitive entry and exit from the markets under the future policy resource scenarios.*



# Questions?

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