



# **Integrating Markets and Public Policy (IMAPP): Solution Ideas Day**

August 11, 2016





# About RENEW

An association of the renewable energy industry and environmental advocates united to promote renewable energy in New England and New York.



# Disclaimer

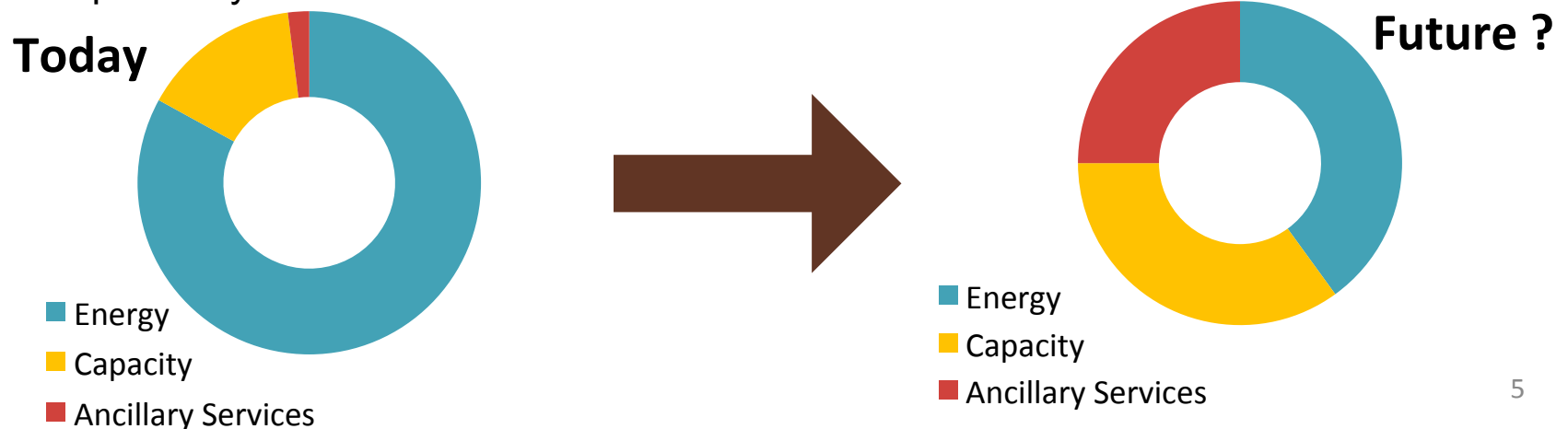
- RENEW does not yet endorse any specific ideas or approaches to integrating the New England wholesale electricity markets with public policy
- RENEW offers this presentation of principles and concepts that it believes are important in the consideration of any ideas considered as part of this IMAPP process
- The members of RENEW are still developing their own views and perspectives on this important topic and the views and perspectives expressed in this presentation should not be attributed to them

# RENEW Principles

- Short term markets are not the only markets; historically, long-term contracts were standard feature of electricity markets
- Deregulated markets, while they have many benefits, have not created an environment conducive to the vigorous, competitive, long-term bilateral contracting that can provide great benefits to consumers and financial certainty to suppliers
- New renewable energy projects need long-term commitment for project finance; short-term energy markets simply do not create sufficient certainty of long-term capital cost recovery
  - With no fuel cost, economics of CapEx v. OpEx are very different
- Long term commitments must have low regulatory risk to be financeable. This has historically meant contracts rather than tariff rates.
- To achieve the greatest efficiency and productivity, any long-term commitment mechanism should incorporate production incentives

# RENEW Principles

- Market mechanisms should not fight state policies. States have legitimate desire to foster clean energy resources and reduce emissions.
- Today, states favor long-term PPAs to get new renewable resources built.
  - An ISO-administered market mechanism to provide stable long-term revenue for new clean energy generation could work alongside state-mandated PPAs – even reducing PPA prices.
- Legacy and off-contract clean energy generation needs to have adequate revenue to stay economic
- Sufficient balancing resources (including fossil) need to have adequate revenue to stay economic to maintain system operability
  - This may not necessarily come from the energy market as capacity factors diminish and energy prices are reduced as a result of robust non-fossil supply. The capacity and ancillary services markets will need to provide enough revenue to maintain system operability in that environment.



# RENEW Principles

- Ongoing efforts to address interconnection and transmission issues must proceed apace either as part of IMAPP or separate, but in no event should they be interrupted by consideration of market rule changes



# Potential Reforms to Existing Markets

- Competitive centralized market for long-term commitments to renewable resources (whether capacity or energy based), with resulting contract between ISO and winning resources, similar to an Interconnection Agreement.
- Long term commitment to cover minimum annual revenue requirements (if availability/production standards are met), with a portion of the revenue from production returned to load. Ensures sufficient revenue to service debt and fixed operating costs, provides appropriate incentive to maximize highest-value production, alleviates risk of stranded costs.
- These concepts work for both new and legacy resources