



Wholesale Market Design State Technical Forum

January 13, 2021

Dave Cavanaugh

Elected Chair,
NEPOOL Participants Committee

Overview

- Introductions
- Who/what is NEPOOL?
 - NEPOOL History & Background
 - Relationships
 - NEPOOL Stakeholder Processes
- NEPOOL's Future Grid Initiative
 - Future Grid Reliability Study
 - Pathways to the Future



NEPOOL History and Background

From its original formation nearly 50 years ago NEPOOL has evolved in response to the changing needs of the region.

- In 1971, in response to the great Northeast blackout of 1965, the New England Power Pool (“NEPOOL”) was formed to coordinate transmission planning and to achieve economic and reliability benefits through coordinated regional dispatch of power.

Evolution of NEPOOL

- In 1997, NEPOOL contracted with ISO-NE to support the formation, operation and administration of the regional tariff and market rules.
- In 1999, New England's competitive wholesale markets went live.
- In 2005, following negotiations among NEPOOL members, state officials and ISO-NE to form RTO arrangements for New England, NEPOOL turned over control of the regional tariff and market rules to ISO-NE.

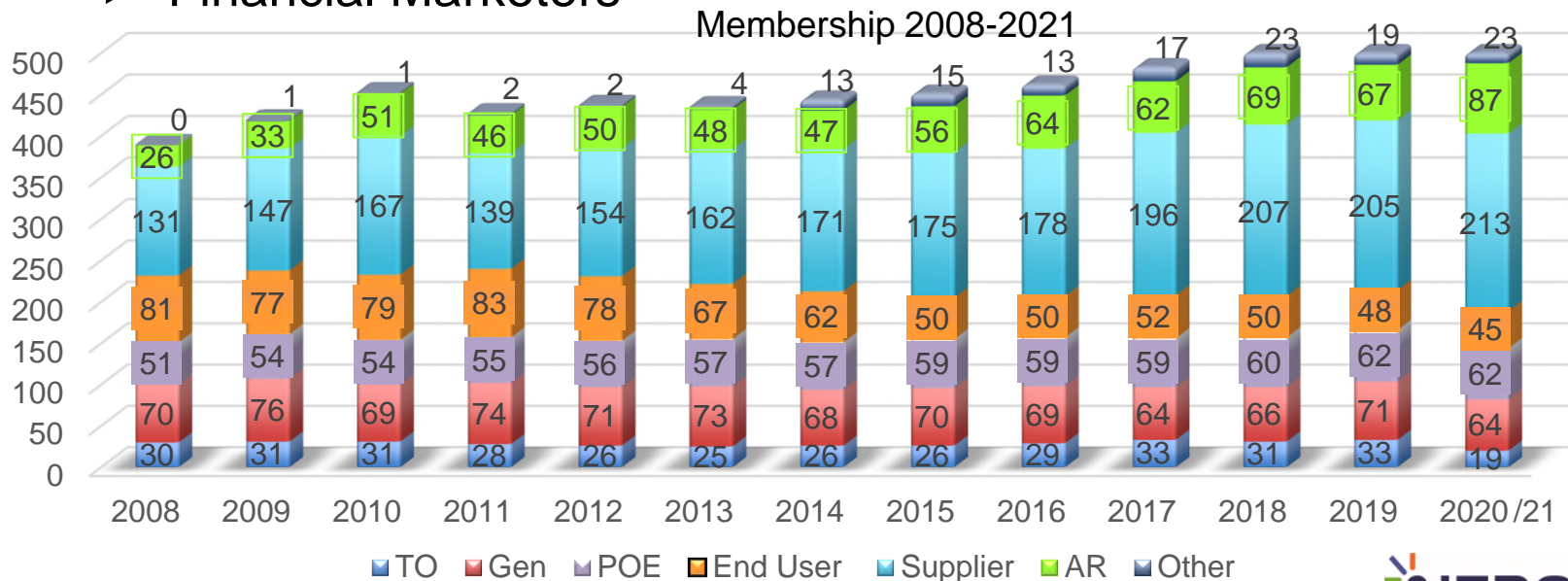
NEPOOL Today

- Since 2005, NEPOOL has served as New England's independent, FERC-approved stakeholder advisory group on all matters relating to the competitive wholesale market rules and transmission tariff design.
- The NEPOOL stakeholder forum is designed to identify areas of consensus and resolve issues where possible, while defining, narrowing and clarifying issues or concerns where consensus is not achieved through the give and take of the NEPOOL process.

Current Membership

- More than 510 members:

- ▶ End User Organizations
- ▶ Transmission and Distribution Owners
- ▶ Publicly Owned Entities
- ▶ Suppliers and Power Marketers
- ▶ Financial Marketers
- ▶ Demand Response Providers
- ▶ Developers
- ▶ Generators
- ▶ Market Participant End Users
- ▶ Governance Only End Users



NEPOOL Leadership 2021



Participants Committee

- **Chair** Dave Cavanaugh (Publicly Owned Entity)
- **Vice-Chairs**
 - Tina Belew (End User)
 - Nancy Chafetz (Supplier)
 - Frank Etori (Transmission)
 - Michelle Gardner (Generation)
 - Doug Hurley (Alternative Resources)
- **Secretary** Dave Doot (NEPOOL Counsel)
- **Ass't Sect'y** Sebastian Lombardi (NEPOOL Counsel)

NEPOOL's Six Sectors

Generation

12 voting; 64 represented

- Own generation facilities within the New England (NE) Control Area
- Own proposed generation within the NE Control Area that has I.3.9 approval or environmental air or siting permit (issued or applied for)
- Own generation accepted in FCM Auction
- Includes: QFs, Cogens, EWGs, IPPs

Transmission

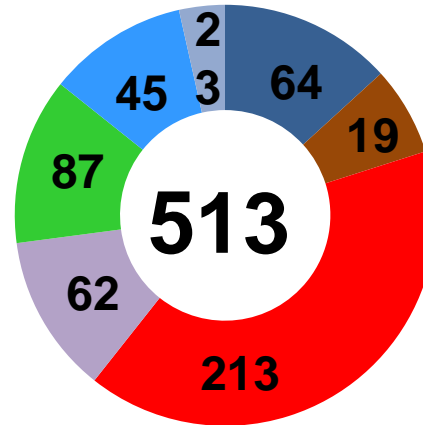
5 voting; 19 represented

- Own Local Network and PTF
- Own PTF of at least \$30 million and provide open access pursuant to a FERC-filed OATT
- May not be a Publicly Owned Entity

Publicly Owned Entity

59 voting; 62 represented

- Municipality, agency thereof, or NE public corporation that owns electric generation, transmission or distribution facilities
- Mandatory Sector membership
- Includes: electric coops, POE organizations



Supplier

130 Voting; 213 represented

- Engaged or authorized to engage in, power marketing, power brokering or load aggregation within the NE Control Area
- Engaged solely in the distribution of electricity in the NE Control Area (on & before Dec 31, 1998)
- Includes: Brokers, Traders (physical/financial), Load Aggregators, Distribution-only companies

End User

38 voting; 45 represented

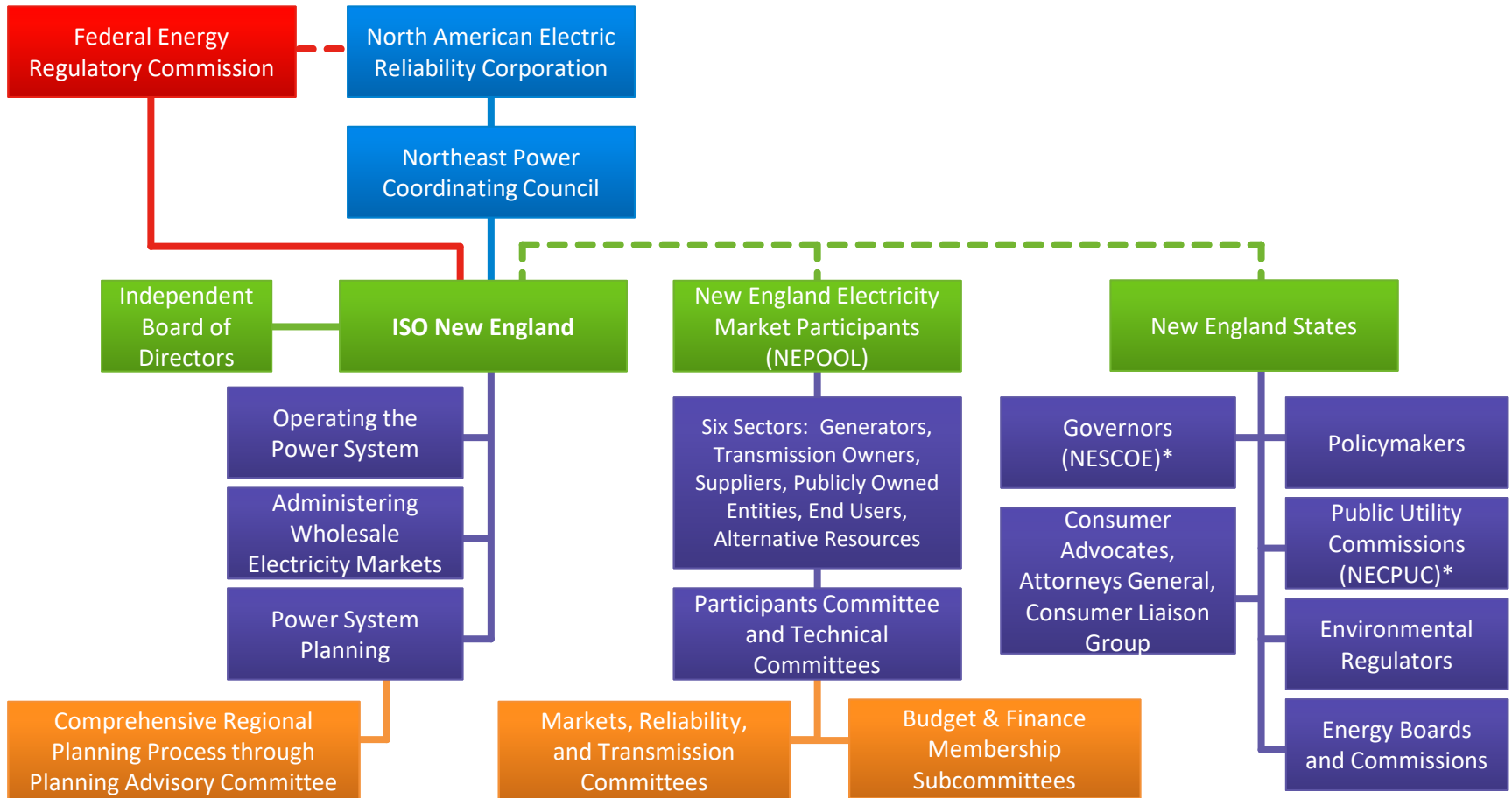
- Consumers in the NE Control Area that generate or purchase electricity primarily for their own consumption
- Non-profit groups representing such consumers, including NE municipalities or other gov'tl agencies not meeting the definition of POE
- Includes: Governance Only End Users and Market Participant End Users

Alternative Resources

21 voting; 87 represented

- Renewable Generation, Distributed Generation, Load Response
- 75% of Energy resources owned/controlled within NE Control Area are Alternative Resources; or
- 50 MW of AR in NE Control Area; or
- \$30 million capital investment in its AR in the NE Control Area

Robust Regional Stakeholder Process

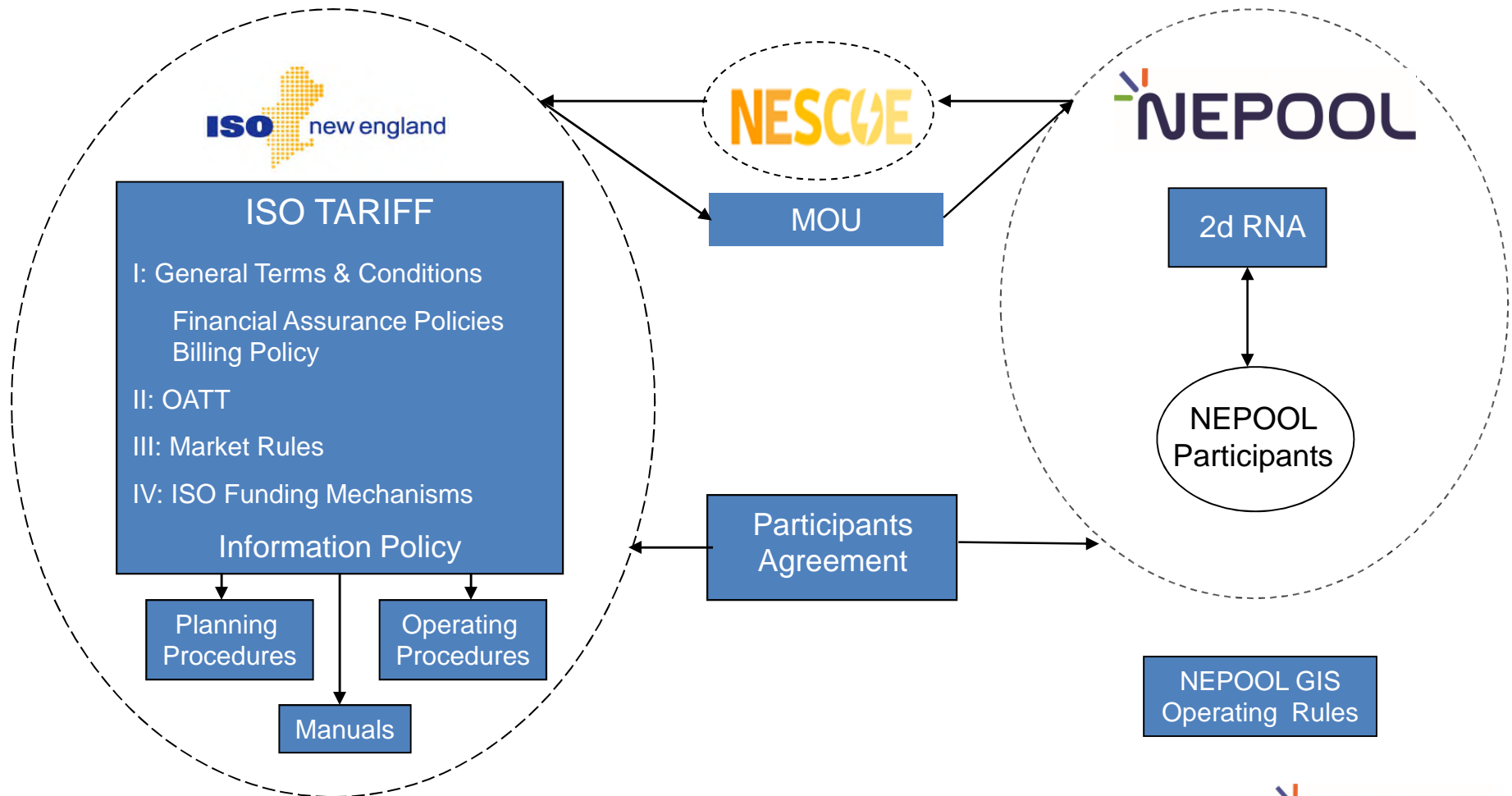


Relationships – RTO Governing Documents

- Second Restated NEPOOL Agreement
 - Among NEPOOL members
- Participants Agreement
 - Between NEPOOL members collectively and ISO-NE
- NESCOE MOU
 - Among NEPOOL members collectively, ISO-NE, and NESCOE



Governing Arrangements in Play



Relationships – NEPOOL Goals

- Ensure opportunities for meaningful stakeholder input into regional decision making
- Allow informed participation and encourage ongoing market improvements
- Provide forums designed to maximize consensus among all stakeholders



Feedback Loop – State Participation is Critical

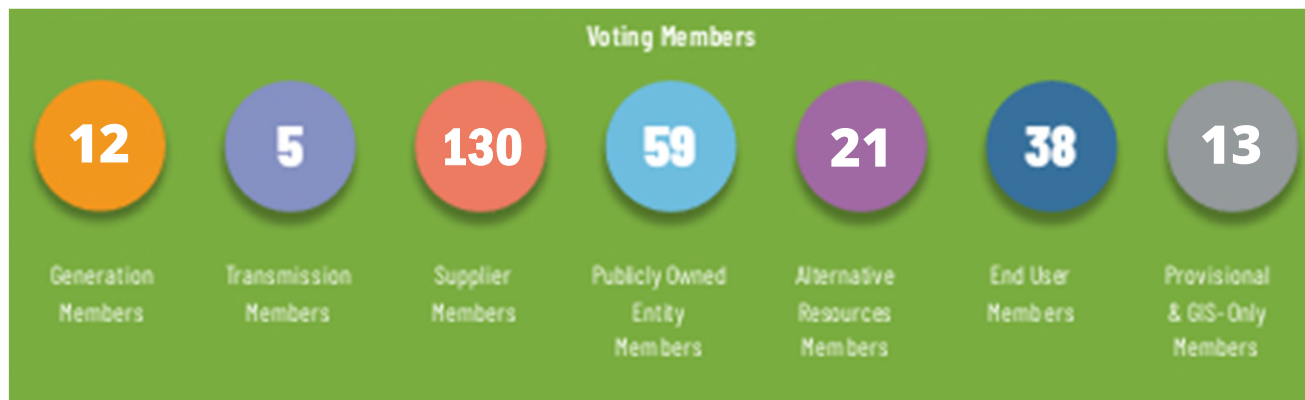
- Through NEPOOL, informed and quality feedback is provided, at all levels, between and among Participants, state regulators and representatives, the ISO, and the FERC. Informal feedback, which is a combination of education on and definition of positions, helps to identify areas of consensus and resolve a great many issues, while narrowing and clarifying areas where consensus is not achieved through the give and take of the NEPOOL process. Formally, NEPOOL's feedback then culminates in votes of the Principal Committees.



Stakeholder Process – The Committees

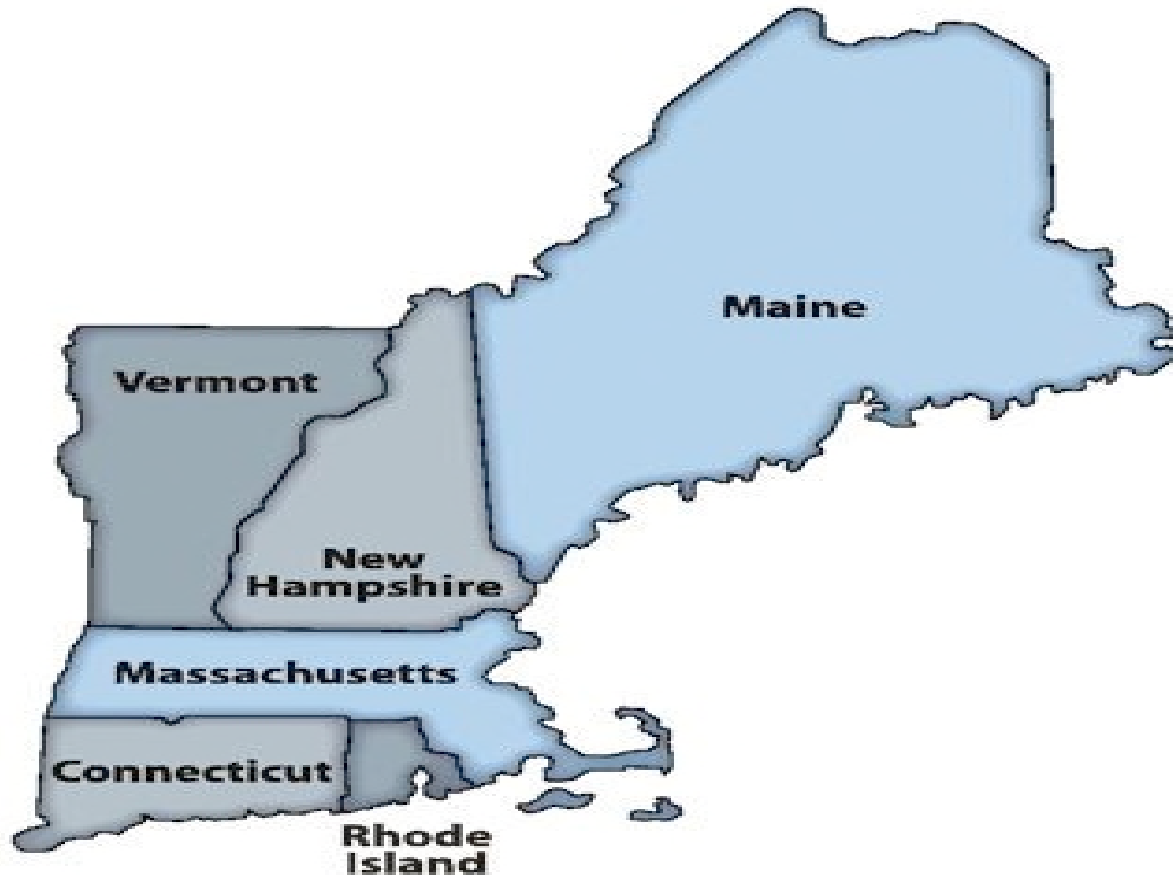


NEPOOL Process – Voting



- If NEPOOL supports an alternative Market Rule proposal to that of ISO-NE (by a 60% vote), which can be offered/sponsored by either a member(s) and/or by NESCOE, the ISO must file with FERC NEPOOL’s proposal along with the ISO’s preferred proposal, both presented on equal legal footing (referred to as a “Jump Ball”)

NEW ENGLAND'S FUTURE GRID INITIATIVE



Evolving State Public Policy Objectives

New England: Major Transition Underway

- New England States have increasingly sought to advance their individual environmental and policy goals through actions outside of the competitive wholesale markets.
- Each of the six New England States have mandatory renewable portfolio standards (RPS), all of which have required statutory goals that increase year over year.
 - NEPOOL members have supported many these State initiatives with the Generation Information System (GIS)
- To further their public policy objectives, the States increasingly are turning to state-sponsored long-term power contracts for certain generation.

Diverging Policies

- Competitive markets not delivering legislatively desired outcomes.
- Market power protection mechanisms can prevent New England states/customers from realizing full value of investment.
- Potential for new stranded costs.
- Market interventions can:
 - ◆ Suppress market clearing prices.
 - ◆ Undermine competitive market dynamics.
 - ◆ Reduce liquidity for suppliers leading to higher prices.
- Could create need for reliability-based contracts.



Facing Challenges Together

- NEPOOL members recognize the evolving needs of New England states to achieve mandated public policy objectives.
- The current markets did not contemplate and were not designed to achieve the specific clean energy policy objectives of the New England states.



New England's Future Grid Initiative

In recognition of the changing demands on the grid arising from evolving state policies and new technologies, NEPOOL leadership, working closely with NESCOE and ISO-NE representatives, launched New England's **Future Grid Initiative** in two parallel processes: (1) to define and assess the future state of New England's regional power system (the "***Future Grid Reliability Study***") and (2) to explore and evaluate potential market frameworks that could be pursued to help support New England's clean energy transition (the "***Pathways to the Future Grid***").

Assessing the Future Together

Future Grid Study Effort

- NEPOOL, NESCOE and ISO-NE have been working together to define a study that would assess the future state of the regional power system in light of state energy and environmental requirements.
 - The contemplated study will involve and perform multiple areas of analysis, including a gap analysis to help determine whether, in the future state envisioned, the competitive markets will provide what is needed to assure reliable operations of grid.
 - With information from the gap analysis, the region will then work through the NEPOOL process to explore potential market approaches to address any future reliability or operational gaps identified.

Further information about this Future Grid Study process, including presentations and other materials presented to and discussed among regional stakeholders, are available at: <https://nepool.com/meetings/future-grid-reliability-study/>

Pathways to the Future Grid – Exploring Options Together

- In response to specific requests from the States (through NESCOE) and others to discuss potential future market frameworks that contemplate and are compatible with the implementation of state energy and environment laws, NEPOOL commenced *Pathways to the Future Grid* process.
- The *Pathways to the Future Grid* effort is a focused stakeholder process to identify, explore and evaluate potential alternative market frameworks that would help support New England's clean energy transition.
 - With this information, NEPOOL and the region will be better able to identify and pursue market reforms that are best suited for New England.

Moving Forward Together

- Successfully moving forward with any particular pathway or market framework(s) depends on the collaboration and consensus building within the region.
- Collaboration and consensus building is what NEPOOL does best.
- Through this ***Future Grid Initiative***, NEPOOL is dedicated to working with the States and ISO-NE and other interested parties to find an acceptable pathway forward for New England given the many diverse and sometimes conflicting goals and desires of stakeholders in the region.

Questions?



Relevant Operative Documents

- [NEPOOL Agreement](#)
- [Participants Agreement](#)
- [MOU between NEPOOL, NESCOE and ISO-NE](#)
- [ISO-NE Tariff](#)
- NEPOOL Generation Information System
 - [GIS Website](#)
 - [GIS Operating Rules](#)



NEPOOL Website – Meetings, Calendar & Materials

- All materials for NEPOOL meetings, including presentations, minutes and notice of actions, are posted publicly and accessible via the NEPOOL website: <https://nepool.com/>
- NEPOOL Annual Reports available at: <https://nepool.com/annual-reports/>