

January 22, 2021

Dear NEPOOL Participants and Stakeholders:

Dr. Frank Felder's report on NEPOOL's Pathways to the Future Grid Process is a useful framework for examining some of the more mainstream ideas being discussed on how to integrate renewable policies designed to achieve carbon reduction goals and other economic development goals of the New England States into wholesale electricity markets. However, the Pathways process has not yet assessed the expected trajectory of the New England market and how effectively the pathways under consideration could accommodate known state goals and policies.

Pathways examined in the report are:

1. Forward Clean Energy Market (FCEM)/Integrated Clean Capacity Market (ICCM)
2. Carbon Pricing
3. Energy Only Markets
4. Alternative Resource Adequacy Constructs (ARAC)

The report frames the analysis in terms of two questions: 1) whether the pathways support the clean energy policies of the states and 2) whether the pathways support efficient regional markets. The second question is further broken down into assessments of a) quantitative mandates versus price signals, b) potential for elimination of double payments for capacity, c) ability to address price suppression, and d) quantification of balancing resources.

The pros and cons of each pathway are examined under this framework with each having its advantages and shortcomings with no preferred path emerging.

In conclusion the report states: "more detailed evaluations and assessments of the pathways will be necessary (including quantitative analysis where able), which will require greater specificity on design and probing the pathway's intersection with other regional policies such as transmission planning."

Eversource suggests that the next phase of the Pathways analysis be more tethered to what is actually happening under state policies in New England.

Large amounts of clean energy are either under long term contracts or will be soon. For example, states such as Massachusetts, Connecticut and Rhode Island have very large offshore wind, hydro, and solar procurement programs enacted into statutes. These states, which represent three-quarters of the total electricity demand in New England, are expected to have approximately 60%, 85%, and 70% of their existing load levels, respectively, under state-sponsored long-term contracts by 2025. When accounting for the load from electric cooperatives, municipal utilities, and other known, hedged load

(such as in Vermont), 60% of the load in New England will be under long-term contracts. This means that the bulk of the resources in the wholesale market will be under contract to electric distribution utilities with a minority of the resources dependent on some version of the market for their revenues. Should states enact further legislation requiring more long-term contracts, the portion of resources dependent on the market for their revenues will decline further.

Further analysis should examine the suitability of different pathways in this future "hybrid" market. In particular, pathways should ensure that state-sponsored clean energy resources are counted first towards serving energy and installed capacity requirements, while maintaining reliability by incenting the appropriate quantity of balancing resources and keeping electricity affordable.

Thank you for the opportunity to comment and we look forward to working on this very important initiative for New England market participants and stakeholders.

Sincerely,



James G. Daly

Vice President Energy Supply