

To: NEPOOL
From: NESCOE (*contact: Ben D’Antonio*)
Date: January 21, 2021
Subject: Pathways Project Report – Suggested Clarifications

NESCOE commends NEPOOL’s focus on identifying and exploring potential alternative pathways and market frameworks that may help advance the region’s clean energy transition through the Pathways to the Future Grid Process. In general, NESCOE supports this effort and appreciates the opportunity to provide comments on the *Pathways to the Future Grid Process Project Report* (Report), as circulated to the NEPOOL Participants Committee on January 7, 2021.¹ NESCOE appreciates how the Report organizes, analyzes, and describes the various pathways that NEPOOL has formally considered. We suggest clarifications below related to the Report’s background context and analysis.

Background Context on State Policies: The Report accurately describes the states as pursuing decarbonization of the electric power sector over time. However, one statement characterizes state policy envisioning “replacing most if not all of the existing generation fleet with variable renewable energy resources.”² A more precise interpretation of electric power sector decarbonization policies would instead envision replacing most if not all of *the energy production from* the existing generation fleet with that of low carbon emitting resources. Rather than mandating physical replacement, state policies are focused on the emissions profile of the power sector; they do not prescribe treatment of the existing generation fleet.

MOPR Interactions with Various Pathways: The Report’s discussion of the application of the Minimum Offer Price Rule (MOPR) and its interaction with alternative pathways and market frameworks is important and, therefore, should be as precise as possible. To that end, the Report’s MOPR discussion should reflect regional variations among ISOs/RTOs of its scope and impact on wholesale market participation.

For example, in the section describing findings related to a carbon pricing pathway, the Report states:³

The interaction with Carbon Pricing and RPS/RES could be complicated given the MOPR. With the MOPR’s restrictions on offers, owners of low and non-emitting carbon resources *must* decide if they earn more profits by selling RECs and not

¹ NEPOOL has retained Frank A. Felder, Ph.D. of Independent Electricity Consultants, LLC to provide technical support. The Report reflects Dr. Felder’s views and opinions of the Pathways to Future Grid Process and related subject matter.

² Report at 2.

³ Report at 14.

participating in the FCM or not selling RECs and participating in the FCM.
(emphasis added)

This statement presents a choice that may exist outside New England, as the Report indicates in its summary of PJM rules. It is not, however, an accurate representation of ISO-NE's current market rules.⁴ In New England, Renewable Energy Certificate (REC) revenues from Renewable Portfolio/Energy Standard (RPS/RES) requirements are considered in-market for purposes of MOPR application in the FCM.

The Report describes a complicated choice that is more germane to the MOPR application in PJM. An introductory phrase, "If the PJM-style MOPR were applied to New England," instead of "With the MOPR's restriction on offers," would provide helpful clarity. Additionally, to capture nuances in PJM's rule, the Report could make the following substitution, underlined for emphasis: "owners of low- and non-emitting carbon resources ~~must~~ may need to decide if they earn more profits."

NESCOE appreciates NEPOOL's consideration of these suggested clarifications.⁵

⁴ Similarly, footnote 4 appears to conflate ISO-NE and PJM market rules, which could confuse the discussion focused on New England.

⁵ The Report, at 7, also uses "subsidizes" when "subsidies" is likely the author's intended word choice.