



May 17, 2022

By Electronic Mail: Chris Geissler ([cgeissler@iso-ne.com](mailto:cgeissler@iso-ne.com)); Dave Cavanaugh ([dcavanaugh@ene.org](mailto:dcavanaugh@ene.org)); Sebastian Lombardi ([slombardi@daypitney.com](mailto:slombardi@daypitney.com))

Re: Pathways Study feedback and next steps

The New England Power Generators Association (NEPGA)<sup>1</sup> is grateful to ISO New England, the Analysis Group, representatives of the New England States, and NEPOOL stakeholders for their work on the Pathways Study and appreciates the opportunity to comment here on next steps.

The New England states have set ambitious greenhouse reduction goals, and NEPGA's position on this issue is well-established: a meaningful price on carbon offers consumers the lowest-cost and lowest-risk means to implement the changes that state laws demand. Such a market-based structure will also drive the investments in clean energy that will, in turn, power the electrification of heating, transportation, and other industries.<sup>2</sup> The collaborative Pathways Study includes an examination of one possible carbon price, and its results echo NEPGA's own analyses demonstrating that a meaningful price on carbon can encourage efficiency, foster innovation, and minimize the cost to society of meeting GHG reductions mandates.<sup>3</sup>

As the Study explains, "social costs provide the best metric for evaluating each policy approach's economic performance, as social costs reflect the true cost of using society's resources to achieve public benefits, in this case, a decarbonized power grid." The results of the Pathways Study clearly conclude that Net Carbon Pricing (NCP) would meet the states' decarbonization goals with *the lowest social costs* between 2021 and 2040, among the four policy approaches considered. By the same metrics, the Study shows that the Status Quo – i.e., continued out-of-market actions by the New England states – leads to, by far, the highest social costs of the scenarios identified.

"Net Carbon Pricing achieves emission reductions cost-effectively, creating price signals that incent all substitutions that can reduce emissions," the Study says. "The other policy approaches fall short of this standard, failing to create efficient price signals to incent certain kinds of emission reductions or fail to create clear and transparent price

---

<sup>1</sup>The comments expressed herein represent those of NEPGA as an organization, but not necessarily those of any particular member.

<sup>2</sup> <https://nepga.org/2020/01/testimony-on-ma-carbon-pricing-legislation/>

<sup>3</sup> <https://nepga.org/2020/06/report-on-co2-pricing-to-meet-multi-sector-emissions-mandates/>

signals to incent reductions.” Moreover, as time goes on and the region approaches its deadlines to achieve its reductions goals, the cost difference between NCP and the status quo grows wider. Continued reliance on long-term contracts for individual resources is, as Pathways clearly shows, by far the most expensive and least-efficient option for society.

And so, as the New England states aggressively pursue clean energy and decarbonization policies, it is NEPGA’s belief that the competitive markets should be expanded to meet these wider policy goals. NEPGA’s advocacy is rooted in the principles of fostering a wholesale electricity market in which resources across all technologies and vintages compete against each other to provide the most affordable electricity supply in a reliable manner, consistent with state and federal environmental policies. Those principles can and should be used for the next step in the New England energy system.

Even without a meaningful price on CO<sub>2</sub> emissions, and instead because of the efficient dispatch of power plants, New England’s electricity sector CO<sub>2</sub> emissions have dropped by 56% since 1990.<sup>4</sup> When coupled with a constraint for emissions, even greater GHG reductions could occur.

NEPGA appreciates the states’ timely response to the Pathways analysis. NEPGA particularly notes NESCOE’s affirmation that the region not only needs to support new clean energy, but also must sustain the resources that are already contributing to the region’s goals. NEPGA shares NESCOE’s belief that the region must “continue focusing on means to provide sufficient revenue to existing clean energy resources needed for reliability...” and NEPGA believes the lowest-cost and most efficient way to accomplish this goal is through a meaningful price on carbon.<sup>5</sup>

If a price on carbon were built into the wholesale markets, existing resources that are already supporting the region’s carbon reduction efforts may be able to continue operations that, without a carbon price, would otherwise become unsustainable. A meaningful price on CO<sub>2</sub> will not only foster the financing of needed new resources, but also help fill the gap for existing clean energy resources whose attributes are not valued appropriately valued in today’s markets and are rarely the focus of new public policies.

NEPGA’s members are poised to be meaningful partners as the region transitions to its clean-energy future. As the people and businesses of New England turn to electricity for their transportation and home-heating needs, the reliability and affordability of the electric system will become all the more critical. This shift is not theoretical, as the ISO forecasts increasing electricity demand after years of decline.<sup>6</sup> Therefore, making the

---

<sup>4</sup> <http://www.eia.gov/environment/emissions/state/> (released April 13, 2022)

<sup>5</sup> <https://nescoe.com/resource-center/pathways-observations-may-2022/>

<sup>6</sup> [https://www.iso-ne.com/static-assets/documents/2022/05/lf2022\\_energy\\_seaspeak.pdf](https://www.iso-ne.com/static-assets/documents/2022/05/lf2022_energy_seaspeak.pdf)

appropriate changes to the wholesale markets is paramount not only to meet decarbonization requirements, but also to sustain economic and societal well-being. NEPGA is committed to working with ISO-NE, NESCOE, and NEPOOL stakeholders to do just that.

NEPGA is encouraged by the Pathways Study and the engagement of the New England states to move the region forward in a manner that marries state policies with competitive wholesale electricity markets. NEPGA urges the region to harness the demonstrated power of the region's electricity markets to reduce carbon emissions while also continuing to provide reliable electricity at competitive prices. NEPGA appreciates the focus of the New England states, NEPOOL, and ISO-NE to move forward to address these critical issues in New England's wholesale electricity markets.

Sincerely,



---

Dan Dolan  
President