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PATHWAYS COMMENTS BY BROOKFIELD RENEWABLE

Brookfield Renewable would like to thank ISO New England, the Analysis Group, the representatives of the New England states, and the NEPOOL stakeholders for a productive engagement in the Pathways Study and we appreciate the opportunity to comment on the next steps of this initiative. Brookfield Renewable is encouraged by this discussion and we look forward to continued efforts to implement market design changes that set the region on a path that more appropriately balance ratepayer interests, system reliability and public policy achievement. Brookfield Renewable is a leading owner, operator and developer of renewable power, delivering innovative solutions that accelerate the world towards a sustainable, low-carbon future. Our fleet of over 8,000MW of renewable generation in the United States (hydro, solar, wind, DER, storage) produces over 25,000 GWh of clean power which contributes toward 12 million metric tons of avoided emissions annually.

From our perspective, market design must rely on the core principle that resources delivering the same product are compensated equally and without discrimination. In the case of clean energy resources contributing toward the public policy goals of the New England states, and enabling reductions to greenhouse gas emissions, the same is true: existing non-emitting resources should be compensated consistent with new non-emitting resources since both resources deliver the same product.

The Forward Clean Energy Market is a market-based approach for procuring clean non-emitting resources in a manner that can elegantly achieve the above-stated principle while keeping in place key components of the current competitive wholesale electricity market. The FCEM will create a transparent, competitive mechanism where all non-emitting resources will compete to deliver this product on a lowest cost basis. We remain firm in our view that FCEM should value the clean energy credits based on the marginal intensity of the system (i.e, compensate dynamic RECs). The value of the FCEM is that it can attract investment in new non-emitting resources, while also adequately compensating the existing fleet of non-emitting resources. Integrating the FCEM within ISO-NE's planning criteria (much like new resources qualifying in FCM) will ensure that only real, viable projects clear an FCEM obligation and ultimately deliver on that clean energy commitment. Furthermore, given that the FCEM only compensates for the clean energy attribute, it requires, by extension, that new projects carefully plan their location so that they can receive energy and capacity revenues – the result of which ensures optimal resource deployment for policy and system needs. This addresses limitations in the current status quo approach where awardees are indifferent to the energy price and capacity market qualification. Improving locational pricing signals for new non-emitting resources can help limit instances wherein two non-emitting resources are located in close proximity and one resource displaces the other – a counterproductive and far too common byproduct of status quo design.

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The FCEM can address this limitation and facilitate new non-emitting resource deployment capable of curtailing fossil-fired resources as policy goals driving resource deployment intend.

A second best alternative is the incorporation of meaningful carbon pricing in the energy market. Having a uniform charge for emitting resources creates the right economic signals for resources with lower or zero emissions to produce energy. This approach creates a predictable and stable revenue stream for existing non-emitting resources, which is necessary for resource retention and reinvestment – especially if energy prices decline. Without carbon pricing, the wholesale markets in New England will struggle to survive, and will continue down a path toward a significant amount of cost-of-service agreements that result in costly and inefficient outcomes for ratepayers. With the backdrop of expanding state-driven economy-wide carbon reduction requirements, implementing a meaningful carbon price is a necessary evolution to the energy markets, and New England can demonstrate bold leadership as the first region to implement carbon pricing in its energy markets.

A third alternative would be to implement a hybrid of the FCEM and carbon pricing. While this approach can draw the best from both approaches it comes with a significant disadvantage to existing non-emitting resources and thus violates the core principle described above. For this reason, Brookfield Renewable instead prefers the FCEM and carbon pricing alternatives. However, if this hybrid path is pursued and existing non-emitting resources are not compensated consistent with new non-emitting resources, there needs to be a clear, firm, establishment of the carbon price at the outset (a minimum price of carbon), and an established escalation to the carbon price on an annual basis. Over time, if designed adequately, the carbon price is capable of replacing many of the RPS programs in each of the states and creating a uniform mechanism where non-emitting (and less emitting resources) can be rewarded for low and zero emission attributes.

We recognize that governance is important in either pathway and we support the New England's states desire to have the control on the final FCEM design and the value of the carbon pricing.

We appreciate the opportunity to provide these comments.

Regards,

Brookfield Renewable