

To: ISO New England

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Subject: **NEPOOL’s 2024 Priorities**

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From among the many issues identified this year to each of the six Vice-Chairs of the Participants Committee by members of their respective Sector, the Officers collectively identified the following NEPOOL business priorities (provided below in no particular order). A high priority exists among NEPOOL stakeholders for each of these items and thus are presented here for consideration as ISO-NE management prepares the 2024 Annual Work Plan (AWP).

➤ **DEFINE ENERGY ADEQUACY/SECURITY CHALLENGE & ADVANCE VIABLE SOLUTIONS**

Similar to when this item was identified by NEPOOL in 2022 as a key priority for the region, **the overall objective for this high-priority item is to achieve better understanding and greater consensus among regional stakeholders, the States and the ISO of New England’s energy adequacy challenges (particularly during the winter months) and to advance viable solution(s) to address such challenge(s). Those solutions should include long-term market-based ideas/solutions that ISO, NEPOOL and the States can vet fully in the stakeholder process (or at a minimum, stakeholder discussions on the value and effectiveness of potential market-based solutions).**

Collective agreement on a problem statement is key to successfully moving forward as a region. NEPOOL continues to believe it is critically important for stakeholders (including the States) and the ISO together to clearly define the energy adequacy problem, use that definition to guide the region in solution development discussions, and to commence work on solutions as needed.

While much work remains, as compared to a year ago when NEPOOL identified this same topic/item as one its key priorities, foundational progress has been achieved through the ISO’s initial probabilistic assessment of the risks of extreme weather in winter of 2027 via the Operational Impacts of Extreme Weather initiative. With the EPRI study/modeling capabilities at work, the region is now better positioned with analysis and information needed to better understand and define the problem. Even more important, the region now has a key tool for future analyses, including the soon-to-be completed probabilistic assessment of the risks of

winter 2032. NEPOOL eagerly awaits the 2032 study results and may wish to revisit this overall priority item post-completion/publication.

Some of the related questions/concerns/asks that continue to be expressed by differing NEPOOL members include:

- Is there agreement on the problem(s) or challenge(s) we are trying to solve for? (i.e., three-month winter fuel security problem or year-round energy security challenge, or both, short-term or affected by future changes in the resource mix, or something different?)
- Desire for continued vetting of the inputs and assumptions used in the EPRI study/modeling, and adjustment of problem definition as necessary.
- Query whether the region should work on defining the results of the EPRI study and determining when a reliability concern arises (X amount of cases, Y amount of MWh of unserved energy, etc.)?
- Assessment of whether additional information or tools are needed beyond the EPRI study/modeling to better understand the challenges and develop effective solutions.
- What is the scope of potential solutions here?
  - How does this effort fit into RCA and the existing ancillary service market efforts/enhancements? What winter reliability benefits will the region realize from implementation of the RCA and DASI reforms?
  - What about additional reforms to the energy/ancillary services markets?
  - Would reforms to FCM Pay-for-Performance and/or development of a potential new performance mechanism help to address the energy adequacy and/or fuel security challenge(s)?
- A goal voiced across the membership is to work to avoid the need of another Mystic-like retention (through RMR/COS agreements). As such, many urge the ISO to focus squarely on an effective long-term market-based solution(s) that is transparent to the marketplace and can be hedged. That said, at least one Sector has recommended that ISO dedicate resources to “*advance the most viable market **and out-of-market** solutions for addressing short, mid and long-term winter reliability needs.*” (emphasis added)
- Need a defined stakeholder process and timeline/schedule. The ISO has indicated that discussions to define the problem would begin in September 2023. Whether this remains the ISO’s intent, what is the timeframe in which the ISO expects to be able to deliver an initial problem definition for stakeholders’ review? How does the ISO envision the process unfolding after a draft problem definition is proposed for consideration? And, presumably, agreed upon? What is the process for NEPOOL to amend the scope of or details in any initial problem definition?

#### ➤ **INTERCONNECTION STANDARD FOR CHARGING OF ELECTRIC STORAGE RESOURCES**

**Request for ISO, as part of its 2024 Annual Work Plan, to work with stakeholders to develop/establish a revised interconnection standard for the charging load of electric storage resources (ESRs) in order to provide increased operational flexibility for these resources while reducing interconnection costs and maintaining system reliability. To advance**

this effort, ISO should permit Interconnection Customers proposing to interconnect ESRs to specify a reduced charging rate to which the interconnecting resource may be redispached to alleviate system overloads in steady state interconnection studies.<sup>1</sup>

**\*Please Note** – If the ISO includes this priority item on its 2024 Annual Work Plan, NEPOOL strongly requests that ISO staff meet with stakeholders to assist and coordinate in the initial scoping of the concern and request before the ISO brings forward to a NEPOOL Committee any proposed Planning Procedure revisions (or any other changes). The Vice-Chairs would be happy to coordinate such discussions with the key stakeholders that prompted this request.

➤ **IMPROVEMENTS TO THE PROPOSED PLAN APPLICATION (PPA) PROCESS FOR TO-LED PPA STUDIES (including for Distributed Generation Interconnections)**

Due to the continued high amount of interest in the development of distributed energy resources (DERs), the volume of interconnection requests being processed by local TOs/EDCs has increased. **Desired priority item for ISO-NE to undertake a review of, and suggest improvements to, the Proposed Plan Application (PPA) process and Planning Procedure No. 5 (PP5), with the following goals<sup>2</sup>:**

- Establishing a formalized process for ISO to comment on TO/EDC-led PPA studies prior to the presentation of these studies to the Reliability Committee.
- Developing a process, including milestones and timelines, to better coordinate ISO-NE review of TO-led PPA studies, including clustered DER interconnection studies with transmission impacts, and minimize study changes requested by ISO-NE.<sup>3</sup>
- Consideration for allowing conditional approval of PPAs with minor clerical errors after they have been reviewed by NEPOOL.

\*Per ISO’s initial assessment, changes to PP5 would need to be made to formalize and structure the ISO’s role in DER interconnection studies. Improvements would also need to be made to the process for dealing with clerical errors. After follow on discussion with the relevant parties regarding the appropriate approach, the ISO estimates it would take approximately six months to develop the PP5 changes, take them through the stakeholder process, and update the procedure.

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<sup>1</sup> Please see 2024 AWP Suggestion, “*Creating a Revised Interconnection Standard for the Charging of Electric Storage Resources.*” Submitted to the ISO on March 24, 2023 (marked “WORKING DRAFT – FOR FEEDBACK”).

<sup>2</sup> Initial requested scope of this item also included the stated goal of enhancing stakeholder engagement with state-level DER interconnection customers regarding PP5 requirements (e.g., development of focused educational material, increasing ISO staff visibility/engagement, etc.). As this additional effort would not involve a change to the Tariff, the ISO could assist in its undertaking without it being explicitly incorporated into the 2024 Work Plan. In any case, the ISO has advised that any work in this area should “*follow after any changes to PP5 are made, if any, as suggested under this Priority item.*”

<sup>3</sup> The requesting parties stated that, “*Even though DER interconnection customers are no longer required to proceed through the ISO-NE interconnection process, they are still subject to potential ISO study requirements in accordance with PP5*”. They further opined that “*A more predictable timeline will allow the TOs to align staffing better serve our DER interconnection customers.*”

## PRIORITY ITEMS THAT ARE PART OF, OR RELATED TO, ONGOING REGIONAL EFFORTS

The priority items listed under this category are or could potentially be within the scope of ongoing or planned projects/efforts; projects that have either been initiated by the ISO voluntarily, prompted by FERC through pending rulemaking proceedings or at the request of the States (including through NESCOE). NEPOOL appreciates that the Sector-identified priority items listed here are, will or could be part of those ongoing efforts. As such, NEPOOL leadership may revisit these items as a priority based on the results of ongoing/planned ISO initiatives and/or FERC compliance requirements.

- **CAPACITY ACCREDITATION OF TIE BENEFITS AND HQICCs**

In the 2023 Annual Work Plan, the ISO indicated that it plans to conduct and report on a broad evaluation of tie benefits via the PSpC starting in Q4 and into 2024, including past performance data.<sup>4</sup> **This requested priority item is to assure a comprehensive evaluation of the reliability contributions from tie benefits and HQICCs.**

With the ISO now contemplating a changed schedule for the RCA project, some NEPOOL members within certain Sectors have expressed a desire for ISO to include tie benefits and HQICCs as part of the first iteration of RCA-related reforms.

\*In its preliminary feedback on the larger list of Sector-identified priorities, the ISO confirmed that the evaluating and reporting activities associated with the reliability contributions of tie benefits will be included in the 2024 Annual Work Plan. The ISO's planned scope of the evaluation under this initiative will be focused on reliability contributions from neighboring control areas.

- Any changes that may result from this evaluation may require a separate FERC filing under Section 205 of the Federal Power Act, with an effective date to be determined in the future. The ISO explained that those such changes, if identified, would need to be scoped separately after evaluation is completed. “[A]lthough the title of this request indicates a connection to ‘capacity accreditation,’ the ISO interprets this request and the actions described above relate broadly to reliability contributions and not RCA. Revisiting tariff, contract, or market treatment would need to be scoped separately.”

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<sup>4</sup> The relevant 2023 AWP item contemplated the following activities/work:

- To evaluate past performance of tie-benefits and expected short- to mid-term future performance, possibly including:
  - Review historical exchanges at times of peak
  - Review our neighbors’ 5-10 yr. plans of resource/load/transmission changes
  - Gather intelligence from ongoing NPCC/NERC or other studies
- Initial reporting and discussion will be initiated at the Power Supply Planning Committee (PSPC) in Q4 2024
- The ISO will also evaluate impacts to ICR from RCA modeling changes, which will enable a more informed, broad evaluation of tie benefits.

- **EVALUATE TEMPERATURE CORRELATED OUTAGES FOR THERMAL GENERATION**

In October, 2022, ISO-NE issued a memorandum explaining that there are several major modeling design items not in scope for the Resource Capacity Accreditation (“RCA”) project currently underway. This list included an evaluation of correlated thermal generator outages and ambient temperature adjustments for thermal generators, among other issues. Members within the Sector(s) that identified this potential key priority opined that these items “*will have a significant impact on RCA outcomes*”.<sup>5</sup> **Request here is for focused analysis of temperature correlated thermal outages and ambient temperature adjustments for thermal generators.**

\*The ISO has indicated that the evaluation and design for ambient temperature adjusted rating is relatively straightforward, subject to having robust data source. However, “*the RCA modeling of a temperature correlated outage would be more extensive to evaluate and design. Timing for completing evaluation and design of either element is dependent on the core RCA project’s scope and timeline. The design work would need to be further scoped based on the results of the evaluations.*”

- **CAPACITY MARKET CONSTRUCTS**

- **FCM Seasonal Distinctions: Request of ISO to dedicate resources to review/evaluate the existing annual product nature of the Forward Capacity Auction and Annual Reconfiguration Auction design and consider moving from a single annualized product to multiple seasonal products.**
- **FCM Planning Horizons: Request of ISO to dedicate resources to review/evaluate the current three-year forward planning horizon and consider potential alternative time horizons that would move the timing of capacity market commitments closer to the start of the CCP.**

\*The ISO’s assessment for both of these requests is underway and will require substantial additional time and resources. Stakeholder discussions of the assessments will take place in 2024, which will be reflected in the 2024 Annual Work Plan. NEPOOL notes that there is already considerable discussion underway on these topics and a multitude of opinions on whether either and/or both of these designs should be prioritized. As stated by ISO, any resulting initiative to design and implement seasonal commitment periods and/or a new commitment

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<sup>5</sup> The requesting members further provided to NEPOOL leadership: “*Recognizing ISO’s resource limitations and that ISO has stated that the items in the memo were not considered “core” to the [RCA] design, we think it critical to evaluate the impact and feasibility of all of the issues identified in the October memo and outline a clear roadmap for consideration of these improvements. However, considering analysis and design work underway in other regions, we are particularly interested in an analysis of temperature correlated thermal outages and ambient temperature adjustments for thermal generators as we fear that these issues may have a significant impact on MRI values for all resource types and impact appropriate price formation in the auction. We hope that ISO-NE is able to collect data in 2023 that will help support that an effort in 2024 to evaluate, design, and develop additional modeling capabilities to account for these potentially significant impacts on MRI values.*”

horizon would require extensive efforts across several ISO processes and systems and would need to be scoped separately after the assessments are completed.

- **INCREASED TRANSMISSION SYSTEM CAPACITY TRANSPARENCY AND DATA AVAILABILITY**

**Request that ISO-NE work to increase transparency around available transmission system capacity and provide data tools to enable developers to effectively identify areas with available capacity.**

\*This item is a specific requirement in the recent FERC Notice of Proposed Rulemaking in Docket No. RM22-14 (“Improvements to Generator Interconnection Procedures and Agreements”).

In its initial feedback, the ISO stated that “*Consideration should be given to whether this request could be addressed as part of the required compliance with the forthcoming FERC interconnection Order. The FERC Order is expected to have an aggressive timeline, and compliance work takes priority in the AWP.*”

- **REQUEST REGARDING ISO’S TRANSMISSION AND SYSTEM PLANNING PRIORITIES**

Interest in and request for information regarding ISO’s transmission and system planning priorities, especially in the context of fitting asset condition projects into the planning and oversight processes used for other transmission investments. **Priority item proposed for inclusion in the 2024 Annual Work Plan specifically requests evaluation/consideration of:**

- A. How ISO sees its role in facilitating the region’s transmission system planning; and
- B. How asset condition projects could be better incorporated into the planning process.

During its initial assessment of the scope of, and estimate of the schedule/timing issues associated with, this proposed priority item, the ISO concluded that Requests A and B are separate initiatives that would need to be proposed as a separate priority requests. The ISO then explained the following with respect to both requests:

Request A.

*“The ISO can guide/refresh stakeholders on its current responsibilities for regional system planning in relatively short time. Assessing how the ISO could expand its current oversight of asset condition projects would be a larger-scale endeavor to develop and implement any new rules, standards, and guidelines.”*

Request B.

*“Depending on the outcome of the NESCOE/NETO effort to incorporate sizing considerations into the decision making process, an initiative would be needed to develop and implement any new rules, standards, and guidelines. Because they are related and to streamline the use of the same ISO resources, consideration should be given to*



*coordinating the initiative to discuss and implement those changes with the Phase 2 of the Extended/Longer-Term Transmission Studies initiative, rather than be its own priority request. Phase 2 is intending to establish a channel for state input that will help ensure the system is sized for potential changes in the future. It is already included in the 2023 AWP and will continue to be an initiative in the 2024 plan.”*

## **OTHER ITEMS OF REQUESTED NEPOOL PRIORITY**

The following items were identified by member representatives within one or more of the Sectors but did not achieve consensus among the Sector Vice-Chairs as items of the highest priority for NEPOOL as a whole. NEPOOL leadership does though encourage the ISO to consider these items on a going forward basis, especially if one or more such item(s) may help to address any of the aforementioned priorities. Note that simply because an item is listed here should not necessarily connote that one or more of these items are more or less important to some NEPOOL members than the items listed above that are already part of, or related to, ongoing regional work plan efforts. Additionally, NEPOOL may revisit these items as a potential priority in the future.

- **EVALUATE/MODIFY THE 1,200 MW LOSS OF SOURCE LIMIT RULES IN THE INTERCONNECTION PROCESS**

### **Request for ISO to reevaluate and update its single contingency loss of source limit placed on new Interconnections as a priority project under the 2024 Annual Work Plan.**

To accomplish the goals contemplated under this item, requesting parties suggest employing a three-pronged approach, in which each prong is compatible with the others, to allow:

- A. New interconnections to be allowed to be above the current 1,200 MW loss of source limit, and allow the resource to be operated above 1,200 MW as real-time conditions, largely driven by concerns in PJM and NYISO, permit;
- B. Generation to interconnect to a radial line in excess of 1,200 MW, and restricting the real-time output of the resources on the line to the real-time loss of source limit; and
- C. The loss of source limit to be raised above 1,200 MW on a permanent basis.

\*The ISO has determined that it cannot consider accepting additional resources operating above 1200 MW without NYISO and PJM first agreeing that the loss of source limit is raised above 1200 MW, either through study work and/or system upgrades.<sup>6</sup> And *“because Request A is dependent on Request C, this item would not be achievable in 2024 or pertinent to the 2024*

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<sup>6</sup> From the ISO’s initial feedback document on the Sector-identified list of potential priorities:

*“To implement Request C, extensive study of the New England, New York, PJM systems would first be needed, including investigation into the processes and procedures necessary to ensure that the additional ‘space’ created on the system is reserved for New England’s use, rather than being used for PJM and NYISO’s benefit. Moving forward with resulting upgrades would be a separate initiative to scope.”*

AWP.” As such, while not a priority item for the 2024 AWP, this item could be determined to be a key NEPOOL-wide priority for inclusion in a future AWP (post-2024).

- **FURTHER EVALUATION OF PFP AND CONSIDERATION OF POTENTIAL NEW CAPACITY RESOURCE PERFORMANCE MECHANISM**
  - **Request for further evaluation of outstanding questions/concerns with Pay-For-Performance (PFP)**, including: is the Performance Penalty Rate (PPR) too high, do the stop loss and PPR rate at current levels work against each other and send inappropriate signals during scarcity conditions that lasts longer than an hour, should we revisit the definition of a Capacity Scarcity Condition, and is the current construct frustrating retirement signals?
  - **Request that**, as part of the 2024 Work Plan, **the ISO dedicates time and resources for further consideration of additional market design features that provide improved performance distinctions among resources holding a Capacity Supply Obligation (separate and distinct from scarcity event hours under PFP).**

It has been suggested by some stakeholders that potential changes/enhancements to the existing PFP construct and/or development/implementation of a new capacity resource performance mechanism could help to improve both resource adequacy *and* energy adequacy signals.

\*It is not entirely clear at this time whether additional work in either or both areas will be considered as part of ISO’s expected 2024 Work Plan (i.e., as part of the larger/broader effort under the “Energy Adequacy” priority item). Relatedly, in its initial assessment/feedback, ISO suggested that potential consideration should be given to whether two of the requests embedded under this requested priority item (requests for assessment of (i) whether the definition of Capacity Scarcity Condition should be revisited and (ii) whether new FCM performance-related features might be developed that further distinguish differential resource performance) could be addressed or reassessed as a result of other active/ongoing projects (e.g. RCA) that may prove a shorter path to accomplishing the desired goals here.

NEPOOL may revisit this item once more information is available and/or further dialogue with ISO (and with stakeholders/the States) is completed, particularly as there are presently significant conversations ongoing relating to the design of the capacity market.

- **ISO-NE MISSION/VISION/DESIGN PRINCIPLES**

**Request from member(s) within one NEPOOL Sector for ISO to review, recast, reform, or replace the current ISO-NE mission and vision (and/or to incorporate into its market design principles) to reflect and give equal weight to consumer preferences and that takes into account, more fully, consumer costs and other related considerations.**

While any effort to revise the ISO’s mission statement would require fulsome stakeholder review and subsequent NEPOOL action and approval, NEPOOL leadership generally agrees with the ISO’s preliminary conclusion that this request may not fall into the scope of markets, planning, operations and/or IT initiatives that are typically included in the region’s Annual Work Plan.



## REPORTING/TRANSPARENCY-RELATED REQUEST

While the following items were identified as separate requests during the Sector-by-Sector initial priority-setting deliberations, in support of both of the requests, requesting NEPOOL stakeholders cited to/referenced two different reporting methods from other RTOs/ISOs as examples (the ISO noted that “*NYISO and PJM are using very different methodologies to derive their marginal emission rates*”). As such, in its initial feedback, the ISO recommended (and NEPOOL leadership agrees) that both requests be combined into a single priority item to derive and publish marginal emission rates. As currently contemplated, neither request would involve any required changes to the Tariff.

- **EMISSIONS TRANSPARENCY: IMPLIED MARGINAL EMISSION RATE**

**Develop a process to post the Implied Marginal Emissions Rates (IMER) on an hourly or more granular basis in real-time.** These IMER could be published on a zonal basis similar to what NYISO has proposed.

- **LOCATIONAL MARGINAL GREENHOUSE GAS DATA TRANSPARENCY**

**Request that ISO-NE (i) publicly report greenhouse gas (GHG) emission data with as much accuracy as possible, particularly locational marginal emission data on a continuous basis alongside publication of real-time LMPs, at 5-minute intervals on a nodal, zonal, state, and system-wide basis, and (ii) publicly report total embedded system emissions data in each 5-minute dispatch interval.**

During its initial assessment of the scope of this combined request, the ISO stated that the overall scope to satisfy the requests would likely need to include the following:

- 1) Clarify use case(s) for the marginal emission data;
- 2) Research and assess available methodologies and identify the gaps between the request and the existing implementation (this is not a simple project and a full investigation will be required);
- 3) Select or design a preferred methodology (including definition for boundary conditions);
- 4) Design software to retrieve needed data; and
- 5) Implement.

In summary, the ISO explained that “[D]epending on final scope, the ISO estimates it would require a modest amount of resources to carry out the methodology assessment and design (tasks 1 and 2 above) in 2024. Timing for tasks 3, 4 and 5 will depend on the outcome of tasks 1 and 2.”

Given the expected modest lift required to tackle tasks 1 and 2, the NEPOOL Sector Vice-Chairs encourage the ISO to consider addressing this request as part of its ongoing customer service efforts.