

TO: ISO New England Board of Directors
FROM: NESCOE Managers
DATE: November 2, 2020
RE: Pathways to the Future Grid – ISO-NE Analysis

We look forward to meeting on November 4, 2020. The discussion is timely in light of the October 2020 Governors’ Statement on Electricity System Reform and NESCOE’s Vision Statement. We write in advance to share views on the analysis you directed management to undertake on new, incremental net carbon pricing and a forward clean energy market (FCEM).

First, we support the request that a number of organizations submitted to ISO-NE on October 15, 2020 to include in its analysis an Integrated Clean Capacity Market (ICCM) to help states and stakeholders assess the tradeoffs, costs, and benefits of that possible approach. On this and other analysis, we ask ISO-NE to bring visibility and clarity to states and stakeholders, including around scope and assumptions. Visibility early on tends to boost confidence in the results. We encourage time for that in the schedule.

Second, we ask you to prioritize time and resources at the outset to an assessment of an FCEM and an ICCM. States and stakeholders have access to numerous carbon pricing studies, including recent analyses. Moreover, as ISO-NE observed at the Federal Energy Regulatory Commission’s (FERC) September 30, 2020 *Technical Conference regarding Carbon Pricing in Organized Wholesale Electricity Markets*, ISO-NE’s implementation of carbon pricing in relation to state mandates would require state agreement.

Since at least 2017, NESCOE has voiced a consistent view about ISO-NE’s interest in and advocacy around carbon pricing. In April 2017, NESCOE communicated to the New England Power Pool (NEPOOL) that it does not support a new, incremental carbon pricing-style mechanism administered by ISO-NE and subject to FERC jurisdiction to execute the requirements of state laws.¹ NESCOE affirmed those views in May 2020, and last month in the Vision Statement.² NESCOE also recently commissioned an *Analysis of Carbon Pricing Impacts to the New England Power Sector* that showed a potential net impact to consumers of net carbon pricing between \$1 Billion to \$3.7 Billion annually.³ Simply, NESCOE does not agree that ISO-NE should pursue the administration of a new, incremental carbon price. This disagreement counsels that ISO-NE should prioritize time and resources on possible pathways to harmonize state laws and wholesale markets that the states consider viable.

¹ http://nescoe.com/wp-content/uploads/2017/04/NESCOE_Memo_NEPOOL_4-7-17f.pdf.

² http://nescoe.com/wp-content/uploads/2020/06/Comments_AD20-14_21May2020.pdf; http://nescoe.com/wp-content/uploads/2020/10/NESCOE_Vision_Statement_Oct2020.pdf.

³ http://nescoe.com/wp-content/uploads/2020/10/Exeter_CarbonPricinginNewEngland_Fall2020.pdf. NESCOE emphasizes that the findings of the analysis are intended to be illustrative. Those findings are very much dependent on input assumptions and expectations of the future and are not intended to be taken as dispositive of consumer costs.

Finally, NEPOOL has, in the Future Grid Study process, collected and reviewed recent analysis commissioned by various New England market participants on carbon pricing. When ISO-NE commissions further carbon pricing analysis, we urge that it be conducted by a consultant that has not done recent work on future market framework options for New England on behalf of market participants and advocates.

We look forward to our meeting.