

To: ISO-NE
From: NESCOE
Date: July 16, 2019
Subject: ISO-NE 2020 Work Planning: Markets and State Laws

This is to request that ISO-NE plan to dedicate market development and planning resources in 2020 to support states and stakeholders in analyzing and discussing potential future market frameworks that contemplate and are compatible with the implementation of state energy and environmental laws.

When New England transitioned to competitive wholesale electricity markets in the 1990s, the purpose was to have market dynamics rather than regulatory orders set prices for wholesale generation and to shift the risks of generators' business decisions from consumers to investors. At the highest level, state goals were to meet consumers' electricity needs at the lowest costs, while not diminishing environmental quality, compromising energy efficiency, or jeopardizing reliability.

Some states' increasing reliance on resource procurements outside of the regional wholesale markets in furtherance of state energy and environmental laws make a conversation about the objectives of the wholesale markets, and what we are collectively asking it to do, sensible. Various market participants representing diverse interests, from consumers to resource developers, have expressed the same interest.

New England consumers will be best served by states, ISO New England, and diverse stakeholders working together to sort through whether and if so how to adapt the wholesale markets to foreseeable resource mix requirements. This includes an assessment of whether wholesale market objectives, market designs, and ISO-NE's mission statement - as the administrator of those markets - require adjustment based on expected changed circumstances and legal requirements.

Preliminarily, in our view it would be informative for states and representatives of the NEPOOL sectors to talk through the range of views on these kinds of threshold questions. It may be instructive for ISO-NE as the entity that designs the markets to participate in those discussions and after, to produce analysis that states and stakeholders believe would further inform consideration of options and implications. To the extent such preliminary conversations lead to the need for more detailed discussion of possible market design changes in the NEPOOL Markets Committee, ISO-NE's continuing analysis and support would be essential.

Accordingly, NESCOE requests that ISO-NE plan to allocate market development and planning resources in 2020 to support states and stakeholders in analyzing and discussing potential future market frameworks that contemplate and are compatible with the implementation of state energy and environmental laws. The states are interested in exploring these issues with NEPOOL and ISO-NE on a calendar of the region's making and not driven by an emergent issue or near-term filing deadline. In our view, planning to allocate time and resources to conduct analysis in support of such discussions is a sensible way to ensure that the time afforded to these efforts match their significance to consumers and New England's diverse market participants alike.