

**NESCOE Observations on the *Pathways Study*:  
Holistic market reforms needed for a clean, reliable, affordable 21st century power grid**

*May 6, 2022* – NESCOE appreciates ISO New England’s work to inform decisions about our future power grid. Together, the *Pathways Study*, initiated by its Board of Directors, the NEPOOL-requested *Future Grid Reliability Study*, and the state-requested *2050 Transmission Study*, provide valuable insight about modernizing our markets and transmission system to support achievement of clean energy laws, while maintaining system reliability and fostering affordable electricity for consumers.

We offer some preliminary observations about the *Pathways Study*, not to endorse an end point. We reserve judgment about the preferred way forward following further conversations about the *Pathways Study* in the coming months, and further work on design and governance.

We thank ISO New England for its willingness to expand the study from the approach it has long preferred, a net carbon price, to a comparative analysis of four approaches: a Forward Clean Energy Market (FCEM), a net carbon price, ratepayer-funded long-term contracts (the status quo), and a hybrid approach combining an FCEM for new clean resources only and a moderate carbon price in the wholesale energy market.

NESCOE is interested in continuing development of an FCEM, which each state could elect to use to facilitate financing for new clean resources that participating states identify as important to transitioning to a decarbonized power grid.

This year and last, we have heard ISO New England express concern about system reliability. NESCOE encourages ISO New England to continue focusing on means to provide sufficient revenue to existing clean energy resources needed for reliability and to reduce reliance on capacity market revenues.

Continuing this work, together with energy and ancillary services enhancements, is consistent with the *Vision Statement* call for a holistic look at our wholesale markets to ensure a clean, affordable, and reliable 21st century regional grid.

We appreciate the recognition that governance acceptable to the states is a threshold consideration and will be material to our ultimate support for any market-based approach. We look forward to providing input on acceptable governance structures.

The New England states have different laws and priorities, such as carbon reduction and economic development. Some have an urgency to develop approaches that could be an alternative to, or perhaps reduce the need for, state-sponsored contracts. Others are simply open to better understanding possible market mechanisms and their implications. In any case, some states may continue to contract with clean energy resources, particularly in the near-term. Given the time-intensive work required, we appreciate the region keeping work to support the clean energy transition among its highest priorities.

The *Pathways Study* highlights that the structure and design of our energy markets has significant implications on meeting greenhouse gas reduction requirements, on reliable system operations and for consumer costs. NESCOE believes there is a significant opportunity to move forward with a market-based framework that contributes to the states’ vision and appreciates ISO New England and stakeholders’ continuing work on a comprehensive pathway to integrate state clean energy obligations within the regional markets.