



New England States Committee on Electricity

To: ISO-NE
From: NESCOE
Date: September 22, 2022
Subject: Comments on ISO-NE's Draft 2023 Work Plan

The New England States Committee on Electricity (NESCOE) appreciates the opportunity to have reviewed ISO New England's (ISO-NE) draft 2023 Work Plan on September 1, 2022 with NEPOOL leadership and to provide preliminary reactions. We may have additional input after ISO-NE discusses the draft 2023 Work Plan at the October 6, 2022 NEPOOL Participants Committee meeting.

The projects ISO-NE identifies in the draft Work Plan represent significant work across multiple fronts as the region continues progress toward the 21st century regional electric system that NESCOE called for in its Vision Statement – one that is clean, reliable, and affordable. We appreciate the significant grid-transformation work that ISO-NE staff has already undertaken and plans to pursue in the coming year.

Our feedback focuses primarily on priority matters including energy adequacy and future grid initiatives.

I. Energy Adequacy

New England has struggled with winter energy adequacy challenges for two decades. NESCOE joins NEPOOL in categorizing this issue as high priority in 2023 and supporting prioritization of work to identify durable solutions to persistent winter energy adequacy challenges.

We urge focus on the need to achieve a better understanding of the region's energy adequacy challenges during the winter months and to explore solution(s) to address such challenges. While ISO-NE and the region have taken productive steps to guard against energy shortfalls, including the 21-Day Energy Assessment Forecast and the Inventoried Energy Program (IEP), more work is required.

Since ISO-NE shared its draft Work Plan, it has provided further thinking on this critical issue to stakeholders, the Federal Energy Regulatory Commission (FERC), and the U.S. Department of Energy (DOE) through written communications and participation at the New England Winter Gas-Electric Forum convened by FERC.¹ Since these

¹ FERC New England Winter Gas-Electric Forum, Docket No. AD22-9-000. See also, *Letter from Gordon van Welie to Secretary Granholm, including a Draft ISO/EDC/LDC Problem Statement and Call to Action on LNG and Energy Adequacy*, August 29, 2022, at https://www.iso-ne.com/static-assets/documents/2022/08/isone_energy_security_letter_to_us_doe_and_statement_for_ferc_winter_forum_2022_08_29.pdf.

communications followed the draft Work Plan, NESCOE suggests ISO-NE translate those communications into Work Plan-style action items. To that end, we offer comments on the themes of, and the action items that emerged from, those communications.

- **Given the seriousness, breadth, and depth of the energy adequacy challenge, ISO-NE should categorize energy adequacy as a separate initiative.** The draft Work Plan lists energy adequacy as an operations anchor project. Energy adequacy is broader than an “operations” issue and the revised Work Plan should reflect that fact.
- **ISO-NE should update the draft 2023 Work Plan’s energy adequacy components to bring clarity and allow common understandings about timeframes.** NESCOE urges timeframe discipline in all energy adequacy communications, including the 2023 Work Plan. All items in the final Work Plan that relate to energy adequacy should clearly indicate their relevant timeframe(s). Consistent reference to relevant timeframes will help states, stakeholders, and the public better understand ISO-NE’s communications.

To that end, we offer the following as possible timeframe delineations for consistent reference going forward:

- **Immediate-term** means the winter of 2022/2023.
- **Short-term** means the subsequent winters with the Mystic Cost of Service contract (ending in 2024) and IEP (winters 2023/2024 and 2024/2025).
- **Medium-term** means after the current Mystic Cost of Service contract ends on May 31, 2024 through the clean energy transition, as the grid of the future becomes prominent with a change in the generation fleet.
- **Longer-term** means after the clean energy transition becomes prominent.
- **Extreme Weather** means low-probability, high impact events at any point in time.

If ISO-NE believes these suggested timeframes need adjustment, NESCOE suggests a regional discussion to define and settle on timeframes for consistent future reference.

- **ISO-NE should commence work on energy adequacy as soon as possible.** Energy adequacy needs are broadly considered to be urgent and meriting priority focus. The draft Work Plan seems to indicate that the region should begin energy adequacy conversations after ISO-NE completes the ongoing Operational Impacts of Extreme Weather Events analysis conducted in conjunction with the Electric Power Research Institute. NESCOE urges ISO-NE to identify what energy adequacy work can begin prior to the completion of that analysis that focuses on Extreme Weather, especially in connection with first four of the five timeframes noted above. To that end, please consider including work on items listed below.
- **In 2023, and for the foreseeable future, ISO-NE’s Work Plan should include an annual analysis of data and associated recommendation(s) on any interim incremental winter action to protect reliability.** This past July, at the states’ request, ISO-NE provided analysis and its recommendation as to whether New England needed to take incremental action to bolster reliability for the winter of

2022/2023.² This type of analysis should be part of ISO-NE’s annual Work Plan until durable solutions to winter energy adequacy are in place. ISO-NE, states, and stakeholders should work together to define the scope and timing of the analysis to ensure it provides adequate information to the region on a timetable that allows action. Each year, ISO-NE should provide that analysis, and any confidential data the analysis rests on, to FERC.

- **The Work Plan should reflect the following action items ISO-NE discussed in recent communications and at the Gas-Electric Forum.**
 - **Exploring the development of a modernized Strategic Energy Reserve.** The New England Governors recently sought U.S. DOE support to modernize the strategic fuel reserve it has managed since 2002.³ We appreciate ISO-NE’s willingness to allocate resources to explore the development of a modernized strategic energy reserve to protect electric system reliability in the event of low probability, high impact weather events.⁴
 - **Laying necessary groundwork for possible Jones Act exemptions.** There may be acute needs to shore up fuel supplies in the immediate-term. Dedicating resources to early collaboration on possible targeted requests for Jones Act exemptions may allow New England to access domestic LNG by tanker in emergency conditions.
 - **Development of the longer-term reliability program ISO-NE referenced at the Gas-Electric Forum.** At the Forum, ISO-NE observed that the limited time ISO-NE would have had to develop a program for winter 2022/2023 led ISO-NE to focus the analysis it conducted in the July of 2022 on two existing programs: the winter reliability program and IEP. While ISO-NE concluded that neither program would provide incremental reliability for winter 2022/2023, ISO-NE observed that a new program would have helped.⁵ To the extent this work is contemplated in the 2023 draft Work Plan, NESCOE suggests it should be explicit.

II. Future Grid Initiatives

NESCOE appreciates ISO-NE’s work in furtherance of the foundational shift ahead to our future resource mix. In July 2019, in the context of the 2020 Work Plan, NESCOE

² Winter 2022/23 Analysis, Presented to the NEPOOL Markets Committee, July 14, 2022.

³ New England Governors Letter to Secretary Granholm, July 27, 2022, https://nepool.com/wp-content/uploads/2022/08/NPC_20220804_Composite5.pdf at page 59

⁴ *Letter from Gordon van Welie to Secretary Granholm, including a Draft ISO/EDC/LDC Problem Statement and Call to Action on LNG and Energy Adequacy*, August 29, 2022, at https://www.iso-ne.com/static-assets/documents/2022/08/isone_energy_security_letter_to_us_doe_and_statement_for_ferc_winter_forum_2022_08_29.pdf. Mr. van Welie also echoed this sentiment at the Gas-Electric Forum.

⁵ Specifically, Mr. van Welie noted that “what would provide value would be some new program that told every generator to fill up their tanks going into the winter and put somebody on the hook to buy 20 bcf through St. John... but to design such a thing and get it through the regulatory system and have it approved in time for winter was an impossibility.” FERC New England Winter Gas-Electric Forum, Panel 4, at <https://www.ferc.gov/media/webcast-panel-04-video-new-england-winter-gas-electric-forum>.

asked that ISO-NE dedicate market development and planning resources 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. Our interest was to explore these issues on a calendar of the region's making and not driven by an emergent issue or near-term filing deadline.

Thanks to the analysis ISO-NE has undertaken since then, including the Pathways to the Future Grid Study and the Future Grid Reliability Study (FGRS), we have a clearer picture of what the clean energy transition and the future grid might entail, and some of the challenges that will need to be addressed. NESCOE supports the work on these initiatives identified in the draft 2023 Work Plan and offers the following comments:

- **Discussions on acceptable governance structures for any possible Pathway approach will benefit from ISO-NE's legal analysis and associated conversations.** The states continue to have a collective interest in exploring the development of a Forward Clean Energy Market (FCEM).⁶ We look forward to reviewing work by the Massachusetts Department of Energy Resources on an FCEM design,⁷ which may further inform our thinking. We appreciate the region's recognition of the need for state input on acceptable governance structures. We continue to consider a range of governance options, from a state jurisdictional approach (single or multi-state) to a federal jurisdictional, ISO-NE tariff approach.
- **Continue to focus on market designs to provide sufficient revenue to existing clean energy resources needed for reliable system operation today and for the grid of the future.** This includes exploring market mechanisms that reduce reliance on capacity market revenues.
- **Continue the reliability-centric Future Grid Reliability Study as contemplated to better connect it to the market-centric Pathways Study in order to provide a fuller picture on how to transition today's grid to one that is compatible with state energy and environmental laws through a wholesale market design.** At the outset, the FGRS contemplated a Phase 2 "gap analysis" to identify whether the current market design would provide revenue sufficient to operate the system reliably in the future state. That analysis was to be followed by identifying approaches to address any gaps. We understand that ISO-NE is scoping Phase 2 and will share its proposal by early Q4 2022. We appreciate ISO-NE's continued allocation of resources to this prior NESCOE- and NEPOOL-supported process.

We believe this request aligns with NEPOOL's interest in clarity about ISO-NE's plan to evolve wholesale markets and the electric grid to achieve decarbonization.

- **NESCOE supports allocating work plan hours to issues that may be identified in the Future Grid studies that may be more emergent or beneficial.** In addition to

⁶ NESCOE *Observations on the Pathways Study*. May 6, 2022, at <https://nescoe.com/resource-center/pathways-observations-may-2022/>.

⁷ The Massachusetts Department of Energy Resources is currently undertaking work to develop a comprehensive market design proposal for a New England regional FCEM.

the planned forthcoming study work, we encourage ISO-NE to proactively identify and leverage opportunities to enhance planned market design changes in ways that are directionally consistent with needs identified in the various future grid studies. While it is important to see the Future Grid studies through completion, we urge ISO-NE not to wait for final studies to work with states and NEPOOL on items that may emerge in the near-term.

- **NESCOE affirms its prior request for ISO-NE to consider and develop standards or guidelines for right-sizing future transmission projects that may provide opportunities for efficient incremental transmission buildout.** Earlier this year, NESCOE asked ISO-NE to set aside resources in its 2023 Work Plan “to develop standards or guidelines for right-sizing future transmission projects, including asset condition and reliability projects.”⁸ This issue also appeared in NEPOOL’s August 9, 2022 memo on its 2023 Priorities. This is an important emergent issue in light of the significant asset replacement projects in New England and the transmission investment anticipated to transition to the future grid.

III. Other Items

- **NESCOE urges ISO-NE to review and discuss with states and stakeholders several recommendations in the External Market Monitor (EMM) Annual Report and determine if they should be included in the 2023 Work Plan.** Specifically, NESCOE requests discussion of the following items for potential inclusion in the 2023 Work Plan, which the EMM identified as feasible in the short-term:
 - Modify allocation of “Economic” NCPC charges as this may be helpful to market liquidity.
 - Consider allowing firm energy imports from neighboring areas to satisfy second contingency requirements to possibly lower NCPC costs.
 - Utilize the lowest-cost configuration for multi-unit generators when committed for local reliability.
- **NESCOE supports the request in NEPOOL’s 2023 Work Plan Priorities memo to set aside resources to initiate groundwork discussion on the scope of an initiative to integrate environmental justice considerations into regional electric system processes.** We appreciate the recognition of the need to integrate equity and environmental justice considerations in energy operations and infrastructure decisions, and the inherent acknowledgement of the need for a partnership between the states, ISO-NE, NEPOOL, and others to do so.

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NESCOE looks forward to working with ISO-NE and others in the region on these issues and others in the 2023 Work Plan in the coming year.

⁸ NESCOE, Memo to PAC on Right-Sizing Transmission Projects, April 11, 2022, at https://nescoe.com/resource-center/right-sizing_tx_projects/.