



New England States Committee on Electricity

**To: ISO-NE**  
**From: NESCOE Staff (Contact: Sheila Keane)**  
**Date: July 26, 2023**  
**Subject: Future Grid Reliability Study Phase 2**

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NESCOE writes in regard to ISO-NE’s Economic Planning for the Clean Energy Transition (EPCET) Study. ISO-NE proposes to conduct the Future Grid Reliability Study (FGRS) Phase 2 as EPCET’s Stakeholder-Requested Scenario. This memo offers several suggestions intended to improve the information resulting from this analysis and to better align various studies, while being mindful of the need to use ISO-NE’s resources efficiently.

### **Proposed Market Scenarios**

ISO-NE proposes to study two market scenarios as part of FGRS: current market rules and a Forward Clean Energy Market (FCEM). NESCOE appreciates the inclusion of the FCEM in the initial scope, which is consistent with the interest NESCOE expressed at the conclusion of the Pathways Study in continuing development of an FCEM.<sup>1</sup> However, from the outset, the scope of FGRS has been to look at *current* policies and markets<sup>2</sup> to identify any market gaps that would prevent future resources and ISO-NE from operating the system reliably, and as a second phase, to explore potential market approaches to address those gaps. Consistent with the original FGRS scope, NESCOE suggests that FGRS Phase 2 not include analysis of an FCEM market scenario.

The analysis should instead focus on quantifying remaining market gaps before discussing possible approaches to addressing them. For example, in the EPCET Policy Scenario, ISO-NE calculated estimates of marginal carbon and renewable energy certificate (REC) costs for 2050 that were then used in production cost models. ISO-NE also ran a “hybrid” production cost model that represented a 50/50 split of carbon and REC pricing. NESCOE requests that ISO-NE consider modifying the hybrid production cost model to be consistent with the hybrid approach in the Pathways Study, in which the average annual energy price was set to a level that ensured revenue adequacy for existing clean resources. This approach would help align the Pathways and FGRS work, as well as provide additional helpful information on how various approaches that raise energy prices may help mitigate identified reliability challenges.

Given the level of work that may be involved in making this change, running this scenario may be best suited to FGRS Phase 2. Please consider these suggestions as a first effort to refine the

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<sup>1</sup> NESCOE. *NESCOE Observations on the Pathways Study: Holistic market reforms needed for a clean, reliable, affordable 21st century power grid*, at 1 (May 2022), at <https://nescoe.com/resource-center/pathways-observations-may-2022/>.

<sup>2</sup> If the modeling effort would not be complex or add material effort, NESCOE would suggest including the Day-Ahead Ancillary Services as part of the current market design.

FGRS Phase 2 analysis. We look forward to discussing these suggestions with ISO-NE and stakeholders, and remain open to feedback.

Consistent with our previous statements, the requests here do not indicate the position of NESCOE or any NESCOE Manager and should not be inferred as such. The intention of this request is to obtain information that will assist states, ISO-NE, and stakeholders in the continuing consideration of a range of options to solve some of the reliability challenges identified in FGRS Phase 1.