



NESCOE

2023

**ANNUAL
REPORT
TO THE
NEW ENGLAND GOVERNORS**

www.nescoe.com

Representing the Collective Interests of the Six New England States

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The Foundation to Enable a 21st Century Transmission System

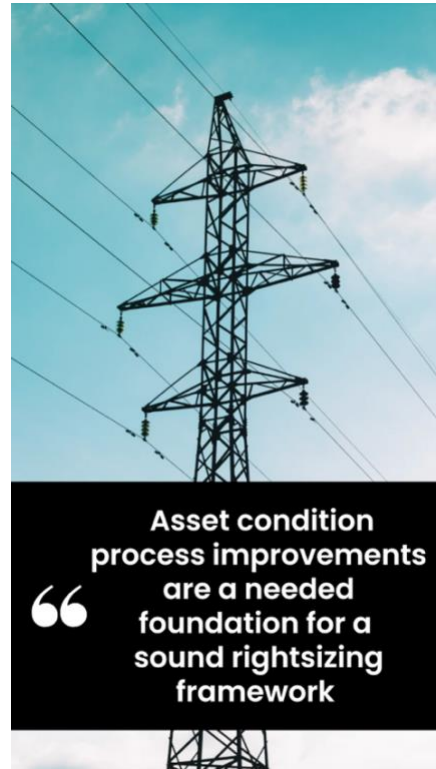
The New England States’ vision for a clean, affordable, and reliable 21st century regional electric grid called for change, including in transmission system planning. With that, the States expressed support for the efficient use of existing transmission facilities and the construction of new facilities, where necessary and appropriate, to ensure the transmission grid’s reliability, efficiency, and ability to integrate clean energy resources consistent with certain States’ legal requirements and other mandates.

In 2023, New England made important progress. For example, ISO New England produced preliminary results of the *2050 Transmission Study*—the first in a regular study series that will inform the region’s move to actionable transmission solutions. This initial study showed significant potential transmission challenges that may arise as the region transitions to its clean energy future. While the region moves forward toward operationalizing results, it is imperative to remain focused on the urgent need for reformed asset condition project processes.

Work remains to ready planning processes for the investments ahead. The most urgent is the need to reform New England Transmission Owners’ “asset condition” transmission project process and the associated federal regulatory review. These projects replace existing transmission infrastructure that asset owners have identified as reaching the end of its useful life. In New England, consumer investment in asset condition projects far outpaces spending on all other transmission types, including reliability projects that ISO New England, states, and stakeholders scrutinize in ISO New England’s thorough and visible planning process. In contrast, FERC-jurisdictional asset condition projects flow from a transmission owner power point presentation to rate increases to consumer bills, uninterrupted by a regulatory process designed to assure consumers of just and reasonable investment decisions and spending.

In 2023, NESCOE asked New England Transmission Owners to bring visibility, consistency, and discipline to this ballooning transmission project category. While they made some useful changes in 2023, the need for substantial reforms remains.

Consumers rightfully expect transparent planning and regulatory processes that protect them from excessive costs and that maximize the use of all transmission assets. Looking ahead, NESCOE calls on its partners in needed infrastructure development—New England Transmission Owners, federal regulators, and ISO New England—to help transform New England’s flash-card-style asset condition planning and regulatory review process to one that is meaningful, holistic, and suited to a right-sized electric grid.



SECTION I: NESCOE GOVERNANCE

A Board of Directors representing the six New England states directs NESCOE's affairs and engagement in regional issues. Each Governor appoints the state's NESCOE Manager. Regardless of the number of individuals each Governor appoints as a NESCOE Manager, each New England state has one undivided vote in arriving at NESCOE determinations.

The vast majority of NESCOE determinations have been unanimous, reflecting the commonality of interests across the region and New England states' efforts to achieve consensus on regional electricity matters. In circumstances where there is not consensus, NESCOE makes determinations with a majority vote (i.e., a numerical majority of the states) and a majority weighted to reflect relative electric load of each state within the region's overall load.

State of Connecticut Commissioner, Department of Energy and Environmental Protection Katie S. Dykes



Katie Dykes is the Commissioner of Connecticut's Department of Energy & Environmental Protection (DEEP). She has served since 2019, when she was first nominated by Governor Ned Lamont, and was re-confirmed in February 2023 to serve in Governor Lamont's second term. Katie previously served as Chair of the Connecticut Public Utilities Regulatory Authority (PURA) from 2015-2018, and as Deputy Commissioner for Energy at Connecticut DEEP from 2012-2015. Katie also serves as the Chair of the Board of Directors of the Regional Greenhouse Gas Initiative, Inc. (RGGI). Katie joined CT DEEP in March 2012 after prior service in the White House Council on Environmental Quality and the U.S. Department of Energy. She is a graduate of Yale College and the Yale Law School.

State of Maine Chairman, Public Utilities Commission Philip L. Bartlett II



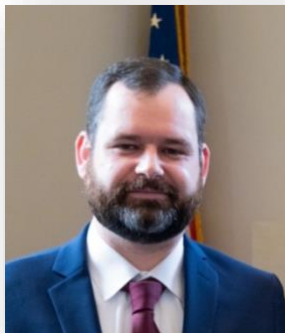
Philip L. Bartlett II, J.D., was appointed to the Maine Public Utilities Commission in June 2019 by Governor Janet Mills. Prior to his appointment, he practiced law with Stacia, Bartlett & Chabot. He also served in the Maine Senate from 2004 to 2012 and was elected by his peers to serve as Senate Majority Leader from 2008 to 2010. Bartlett chaired the Energy, Utilities and Technology Committee as well as the Joint Select Committee on Maine's Energy Future and he served on the Government Oversight Committee, Natural Resources Committee and Labor Committee. He taught micro and macroeconomics at the collegiate level. Chairman Bartlett holds a juris doctorate degree from Harvard Law School. He completed his undergraduate work at Tufts University, where he graduated Summa Cum Laude majoring in Economics and Political Science. His term expires in March 2025.

Commonwealth of Massachusetts
Deputy Secretary and Special Counsel for Federal and Regional Energy Affairs
Office of Energy and Environmental Affairs
Jason Marshall



Jason Marshall is Deputy Secretary and Special Counsel for Federal and Regional Energy Affairs at the Massachusetts Executive Office of Energy and Environmental Affairs. Marshall most recently served in progressive positions at NESCOE, ultimately as Deputy Executive Director and General Counsel. Previously, he was Counsel with the Regional and Federal Affairs Division of the Massachusetts Department of Public Utilities and a Legal Counsel in the Massachusetts State Senate. Earlier in his career, Marshall was an associate at Brown Rudnick LLP and a Law Clerk to the Chief Justice of the Massachusetts Appeals Court. He is the past-President of the Energy Bar Association's Northeast Chapter. Marshall has a Bachelor of Arts from Boston College and a Juris Doctor from the University of Connecticut School of Law.

State of New Hampshire
Commissioner, Department of Energy
Jared Chicoine



Jared Chicoine leads the New Hampshire Department of Energy. Prior to his appointment, Jared served as Director of the New Hampshire Office of Strategic Initiatives, and as a Policy Director in the Office of the Governor.

State of Rhode Island
Chairman, Public Utilities Commission
Ron Gerwatowski



Ron Gerwatowski was appointed to the Public Utilities Commission as Chairman in June 2020 by Governor Gina Raimondo. His term runs through February 2026. Chairman Gerwatowski has worked in the utility and energy industry for over thirty years. Prior to his appointment, he served as a Senior Regulatory Advisor to the Rhode Island Division of Public Utilities and Carriers. For the past four years, he has been a guest lecturer and instructor in the Energy Fellows Program at the University of Rhode Island.

He previously served as Assistant Secretary of Energy in Massachusetts in 2015, before moving to Rhode Island. Prior to that time, he served in

several different legal and utility executive capacities in various jurisdictions, including Rhode Island, Massachusetts, New Hampshire, and New York.

Chairman Gerwatowski graduated *magna cum laude* from Boston College Law School in 1985, where he served as Managing Editor of the *Boston College Law Review*. He has been a member of the Rhode Island Bar Association since 1991.

**State of Rhode Island
Commissioner, Office of Energy Resources
Chris Kearns**



Commissioner Kearns heads the Rhode Island Office of Energy Resources' (OER) in its mission to lead the state toward a clean, affordable, reliable, and equitable energy future. Commissioner Kearns' agency develops policies and programs that respond to the state's evolving energy needs, while advancing environmental sustainability, energy security, and a vibrant clean energy economy. Commissioner Kearns works with public- and private-sector stakeholders to ensure that all Rhode Islanders have access to cost-effective, resilient, and sustainable energy solutions

**State of Vermont
Commissioner, Department of Public Service
June Tierney**



Commissioner June E. Tierney was sworn in as the Commissioner of the Vermont Department of Public Service by Governor Phil Scott on January 5, 2017. Prior to her appointment, Commissioner Tierney served as general counsel to the Vermont Public Service Board (2012-2016). Before then, she was a Board hearing officer (2008-2012), as well as a staff attorney at the Vermont Department of Public Service (2001-2008). A 1986 graduate of Boston University and a 1993 graduate of Vermont Law School, Commissioner Tierney began her legal career with a clerkship at the Vermont Supreme Court, followed by three years as an associate at Davis Polk & Wardwell in New York City, where she specialized in securities fraud litigation, white collar crime defense and corporate internal compliance investigations. Before her admission to the bar, Commissioner Tierney enjoyed the privilege of serving on active duty (1986-1990) as a commissioned officer in the United States Army.

SECTION II: 2023 STAFF & CONSULTANTS

The NESCOE staff team has diverse academic and professional backgrounds—including in economics, accounting, and law—and a cross section of private and public sector experience. NESCOE’s staff and technical consultants bring comprehensive and deep experience to analysis and filings with FERC, other federal agencies, federal courts, and ISO-NE.

Shannon Beale, Assistant General Counsel

Shannon Beale joined NESCOE in 2022 as Assistant General Counsel. Previously, she worked for the Massachusetts Office of the Attorney General’s Energy and Telecommunications Division as an Assistant Attorney General. Prior to that, Shannon was Counsel and Hearing Examiner with the Massachusetts Department of Public Utilities. Earlier in her career, Shannon practiced law with a firm that focused on litigation and had several law clerk positions, including with the Environmental Protection Agency. Shannon has a Bachelor of Arts, *cum laude*, from Ithaca College. She has a Juris Doctor and Master of Environmental Law and Policy, *magna cum laude*, from the Vermont Law School, where she served as an editor of the *Vermont Journal of Environmental Law*.

Jeff Bentz, Director of Market Affairs

Jeff Bentz, CPA, is NESCOE’s Director of Market Affairs and has been with NESCOE since 2011. Previously, Jeff was with a New England generating facility, MASSPOWER, for nearly twenty years. Jeff served in progressive positions with MASSPOWER and was ultimately its General Manager. Earlier in his career Jeff was CPA with Arthur Andersen and Company. Jeff has a Bachelor of Science degree in Accounting from Central Connecticut State University.

Heather Hunt, Executive Director

Heather Hunt joined NESCOE as Executive Director in 2009. Previously, Heather had a regulatory law practice for six years, was Director of State Government Affairs for United Technologies Corporation and Group Director, and subsequently, Vice President, for Regulatory at Southern Connecticut Gas. Earlier, she was a Public Utility Commissioner in Connecticut and then in Maine and was on the legal staff of a Connecticut Governor. Heather has a Bachelor of Arts in Politics from Fairfield University and a Juris Doctor from Western New England College School of Law. Heather served as the first non-medical professional Chair of the national Organ Procurement and Transplantation Network’s Living Donor Committee.

Sheila Keane, Director of Analysis

Sheila Keane joined NESCOE in 2021 as Director of Analysis. Previously, she worked for the Massachusetts Department of Public Utilities, where she held a variety of roles, including Director of Regional and Federal Affairs. Earlier, Sheila worked in the private sector with a consulting firm, London Economics International. Sheila is a graduate of Harvard University and holds a master’s degree in economics from Johns Hopkins SAIS.

Nathan Forster, General Counsel

Nathan Forster joined NESCOE in 2023 as General Counsel. Previously, he worked for the Massachusetts Office of the Attorney General’s Energy and Telecommunications Division as Assistant Attorney General, Deputy Division Chief, and ultimately as its Division Chief. Prior to that, Nathan was a litigation associate at Brown Rudnick LLP where he represented clients in Federal District Court, Superior Court, District Court, and in administrative proceedings. Nathan has a Bachelor of Arts, with High Honors, from the University of Michigan. He has a Juris Doctor, *cum laude*, from Boston College Law School where he served as an Articles Editor of the *Boston College Law Review*.

Technical Consultants and Legal Support

NESCOE retains consultants to provide technical analysis in the areas of system planning and expansion and resource adequacy. In 2023, NESCOE worked with consultants such as **Daymark Energy Advisors, Wilson Energy Economics, MP Energy LLC, and Oxford Power Systems, LLC.**

NESCOE does not use litigation as a primary means to accomplish its objectives, and when it does use litigation, NESCOE staff produces much of the organization's legal work. NESCOE's legal activity often focuses on consumer interests in proceedings at FERC. Like past years, NESCOE participated in a broad range of FERC proceedings involving issues such as electric transmission planning and rates and wholesale market rules. When NESCOE required outside counsel, it worked primarily with **Phyllis G. Kimmel Law Office PLLC** in Washington D.C.

SECTION III: REGIONAL STATE ENTITY COORDINATION

NESCOE regularly communicates with the New England Conference of Public Utility Commissioners (NECPUC) to share information about matters on which it is working and to avoid duplication of efforts. In 2023, NESCOE and NECPUC participated together in meetings with ISO-NE management and its Board of Directors, as well as with NEPOOL sectors. As issues warrant, NESCOE facilitates dialogue with subject matter experts from state governments to enhance coordination and leverage the technical expertise that exists within state agencies on issues with regional electric system implications.

NESCOE also communicates with other regions' Regional State Committees on matters of mutual interest.

SECTION IV: 2023 ACTIVITY, FOCUS AREAS & ACCOMPLISHMENTS

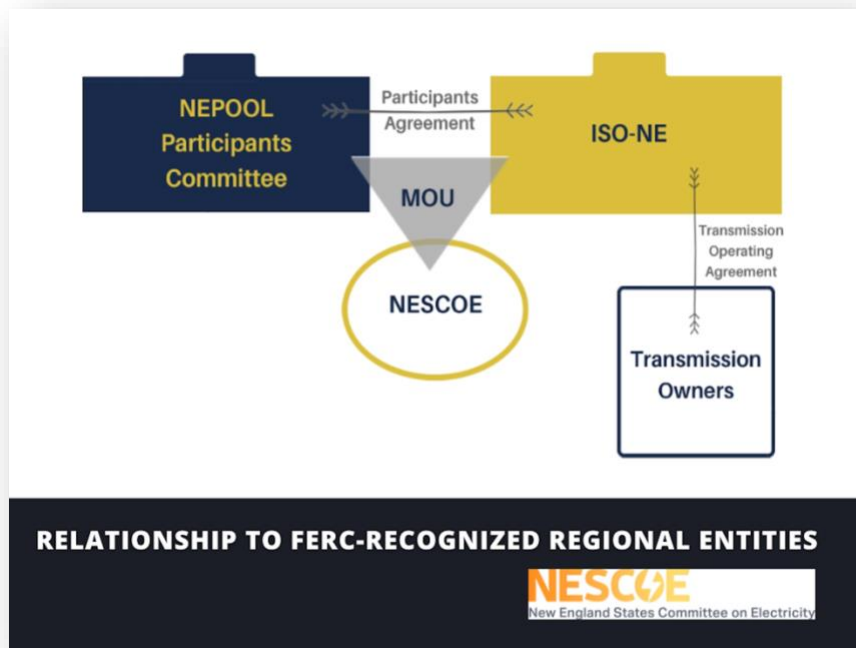
PARTICIPATION IN REGIONAL STAKEHOLDER FORUMS ON BEHALF OF CONSUMER INTERESTS

New England consumers fund the region's wholesale electricity markets and high-voltage transmission system. The annual costs of the wholesale electricity markets have ranged over the past decade from a low of \$5.3 billion in 2016 to a high of \$13.85 billion in 2022.

In 2023, the total wholesale cost of electricity was \$6.8 billion. This 51% drop compared to 2022 costs (of \$13.85 billion) was largely due to lower energy costs driven by natural gas prices. Other than ancillary services costs (up by \$0.01 billion), every other component of the wholesale cost of electricity also decreased

in 2023. Regional Network Load Costs were \$2.7 billion for 2023 down \$0.1 billion from 2022. Total wholesale costs were \$9.5 billion for 2023 versus \$16.7 billion in 2022.

The plans and rules that determine the level and type of consumer investments in these markets are largely developed as part of a regional stakeholder process. Most proposals must ultimately be presented to FERC for its deliberation. Participating in these activities and the subsequent regulatory proceedings is resource-intensive but important: even "minor" revisions to market rules or planning approaches can mean significant



changes and have material consumer cost implications.

After FERC approved NESCOE as New England’s Regional State Committee, NESCOE commenced activity in 2009, consistent with a Memorandum of Understanding among NESCOE, ISO-NE, and NEPOOL. FERC reviews ISO-NE’s filings to determine whether market rules and other proposals are “just and reasonable” under the Federal Power Act. Provided that there is a certain super-majority level of stakeholder support for an alternative market rule proposal, ISO-NE must include with its proposed filing the alternative market rule. FERC considers the NEPOOL alternative on equal legal footing with ISO-NE’s proposed rule. New England’s transmission owners have legal authority to make certain filings with FERC in connection with transmission rates and cost allocation; FERC also reviews these filings under the Federal Power Act’s “just and reasonable” standard. Like market participants and stakeholders, NESCOE expresses its perspective to FERC on these various filings, which FERC will generally accept or reject.

Further, from time-to-time, NESCOE, market participants, and others seek federal court review of FERC decisions. These cases highlight the importance to consumers of NESCOE’s informed, active, and timely engagement in regional stakeholder conversations leading to FERC filings and as needed, vigorous advocacy before FERC and in federal court.



Throughout 2023, NESCOE represented the collective views of the New England states and regularly played an important role in substantive New England regional stakeholder forums. This role included regular participation in NEPOOL’s Participants, Reliability, Transmission, and Markets Committee meetings. In those processes in 2023, NESCOE offered proposals in connection with planning and market rule changes to advance consumer interests and states’ shared energy objectives as appropriate. Additionally, NESCOE participated in ISO New England’s Planning Advisory Committee (PAC) and the Power Supply Planning Committee and followed the Consumer Liaison Group’s activities.

NESCOE also participated in various working groups that drive investment decisions, such as the Energy Efficiency Forecast Working Group, the Distributed Generation Forecast Working Group, and the Environmental Advisory Group.

ADVOCATING FOR CONSUMER INTERESTS IN ISO-NE FORUMS AND IN FILINGS WITH FERC AND THE COURTS

In 2023, NESCOE participated in ISO-NE forums and federal-jurisdictional matters concerning resource adequacy and system planning-related issues with significant implications for New England consumers. Some proposed solutions followed years of analysis and discussion. Others emerged in reaction to more immediate circumstances. NESCOE's substantive positions and filings in 2023 continued to involve a diverse range of issues relating to New England's electric grid and its electricity markets, as they have in past years. NESCOE's common focus was to advocate for New England consumer interests and shared state objectives.

WORK TO ACHIEVE THE STATES' VISION FOR THE 21ST CENTURY ELECTRIC SYSTEM

Throughout 2023, NESCOE worked to further progress on the New England states' vision for a clean, affordable, and reliable 21st century regional electric grid.

MODERNIZING THE TRANSMISSION SYSTEM

- ◆ **Improving Asset Condition Processes.** Maintaining transmission assets that are aged, damaged, or otherwise obsolete—asset condition projects—is, and will continue to be, central to a reliable grid. These projects represent the largest cost category of transmission projects consumers ultimately pay and have little to no meaningful regulatory oversight. In 2023, NESCOE began discussions with transmission owners and other stakeholders regarding improving the transparency, review, and scrutiny of asset condition projects. NESCOE requested that the transmission owners improve asset condition project processes, including the development of guidelines for presenting asset condition projects to NEPOOL's Planning Advisory Committee, a database to guide and inform holistic asset condition prioritization and decision-making, five-year asset condition project capital spending plans, and an asset condition needs and solutions guidance document to promote a more criteria-based decision-making approach to asset condition projects. These improvements are a necessary foundation for developing a sound right-sizing framework in the future. NESCOE will continue advocating for needed asset condition process improvements in 2024 before embarking on regional right-sizing discussions.
- ◆ **2050 Transmission Study.** NESCOE assessed the draft results of the *2050 Transmission Study*, which show significant potential transmission challenges that may arise as the region transitions to its clean energy future. NESCOE requested that ISO-NE identify any further analysis that may be needed to allow the region to move to actionable transmission solutions as soon as possible. NESCOE will assess the results of this additional analysis when it is complete in 2024.
- ◆ **FERC's Proposed Rules on Transmission Planning, Cost Allocation, and Generation Interconnection.** FERC has taken major steps toward implementing landmark changes to the way that transmission is planned and paid for, as well as the rules for interconnecting generating resources. These steps included potential reforms to ensure that longer-term transmission planning is conducted in a way that aligns with a changing resource mix and shifts in electric demand. NESCOE filed detailed comments following FERC's technical conference in connection with its Transmission Planning and Cost Management and Joint Federal-State Task Force on Electric Transmission. In its comments, NESCOE supported the establishment of an Independent Transmission Monitor ("ITM") to monitor the planning and cost of transmission facilities in the region. Such an independent entity could actively participate in

the transmission planning process, review transmission costs and inputs to rates, and issue reports and recommendations to FERC. NESCOE also supported FERC undertaking additional oversight and improving its processes, such as removing the presumption of prudence for transmission expenditures listed as part of the formula rate process and allowing FERC’s trial staff to participate in those formula rate processes. NESCOE encouraged FERC to continue its practice of recognizing regional differences, needs, and public policies as it develops cost containment solutions.

- ◆ **Storage as a Transmission-Only Asset.** NESCOE filed comments at FERC in support of ISO-NE’s Storage as a Transmission-Only Asset (“SATO”) Revisions, noting that the eligibility of electric storage facilities as transmission-only assets should enhance the competitiveness of future solicitation processes, ultimately resulting in more cost-effective transmission solutions and benefits to consumers.
- ◆ **Interconnection-Related Network Upgrade Costs.** At the end of 2022, an advocacy organization filed a complaint against ISO-NE and the transmission owners alleging that certain Open Access Transmission Tariff schedules are unjust and unreasonable to the extent that they permit transmission owners to directly assign to Interconnection Customers operation and maintenance costs associated with certain upgrades constructed to facilitate an interconnection. NESCOE filed a Protest and Comments. While NESCOE noted that it shares interest in facilitating generator interconnections, NESCOE urged the Commission to reject the proposal that would replace long-settled rules that put development risks and costs on interconnection customers with a one-sided bargain that shifts all costs to consumers. NESCOE generally supported the call for greater transparency around operation and maintenance costs and a broader ability of parties in New England to participate in the Formula Rate Protocol process.
- ◆ **State Input on NIETCs.** NESCOE filed comments with the U.S. Department of Energy (“DOE”) in connection with the DOE’s proposed approach to implementing an applicant-driven, route-specific National Interest Electric Transmission Corridor (“NIETC”) designation process to facilitate the development of additional electric transmission. NESCOE advocated for the DOE to require that applicants describe any support for or opposition to a proposed NIETC designation and/or any related projects from any relevant State agencies or offices. NESCOE’s comments related to the States’ position to best understand and address the local impacts and stakeholder concerns associated with specific transmission projects and the impact that those projects might have on State policies and mandates.
- ◆ **Backstop Siting.** NESCOE filed comments on FERC’s proposed amendments to its regulations governing applications for permits to site electric transmission facilities. NESCOE made certain recommendations that would help ensure that the interplay between State siting authority and Commission siting authority be coordinated in a clear and thoughtful manner. NESCOE also supported FERC’s proposal to require applicants to file an Environmental Justice Public Engagement Plan as part of their Project Participation plan.

ALIGNING MARKETS WITH STATE REQUIREMENTS

- ◆ **Forward Capacity Auction 19 Delay.** In part due to the delay in the Resource Capacity Accreditation (“RCA”) project, ISO-NE and stakeholders began discussing a possible one-year delay for FCA19 to allow time for stakeholders to determine if the region should switch to a prompt and/or seasonal auction construct. In late 2023, with NESCOE support and no oppositions, NEPOOL approved and ISO-NE filed at FERC a proposal to delay the FCA19 auction by one year.
- ◆ **Prompt/Seasonal Capacity Design Change.** In late 2023, ISO-NE and NEPOOL began discussions on the benefits and risks of moving the current capacity auction construct from a three-year forward annual construct to a prompt and/or seasonal construct. These discussions will continue into 2024 with an

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expected decision to further delay FCA19 by early second quarter 2024.

- ◆ **Day Ahead Ancillary Services.** Day Ahead Ancillary Services will provide a new market design for procuring and pricing operating reserves in the day-ahead market. In 2023, NESCOE worked with ISO-NE and NEPOOL stakeholders on several design aspects of the proposal, which was ultimately filed at FERC. NESCOE supported the final proposal in the stakeholder process and filed supportive comments at FERC.
- ◆ **Resource Capacity Accreditation.** In 2022, ISO-NE began the stakeholder process on this substantial market change. RCA will identify and implement changes to more accurately reflect resources' contributions to resource adequacy. ISO-NE paused work on this effort in early 2023 due to discovery of a modeling error in a third-party software package. This work restarted in late 2023 and will carry into 2024.

ISO-NE GOVERNANCE ENHANCEMENTS

- ◆ Following accessibility and other enhancements ISO-NE agreed to make previously, in 2023, NESCOE asked ISO-NE to assess its annual Meeting of the Board of Directors by considering, among other adjustments, a more traditional Board of Directors' styled meeting, and means to mitigate attendance challenges for the public.
- ◆ NESCOE commended ISO-NE's initial efforts to present some of its complex material in understandable prose and to host associated lunchtime webinars and encouraged ISO-NE to continue and grow that practice and bring additional topics to the Planning Advisory Committee, which is open to the public.

Because governance should keep pace with changes in markets and planning necessary to accomplish state laws and mandates, NESCOE will continue to assess the need for further enhancements over time.

PROTECTING CONSUMER INTERESTS IN COST-OF-SERVICE CONTRACT

- ◆ **Consumer Cost Protection in an Out-of-Market Power Generator Contract.** As in past years, in 2023, NESCOE dedicated substantial time to advocating for New England consumer interests in connection with a unique cost-of-service contract for two retiring generating units located just outside of Boston.

After a multi-year appellate process, the D.C. Circuit Court of Appeals acted favorably on every issue on which NESCOE had petitioned the Court for review—with millions of dollars in cost implications. NESCOE worked closely with other state parties on the appeal.

Separately, earlier in 2022, FERC granted in part NESCOE's challenges to the generating owner's attempt to recover from consumers capital expenditures and other costs for the initial period of the contract that NESCOE did not believe were justified. FERC referred those issues to hearing and settlement judge procedures, and NESCOE actively engaged in that process with other intervenors through the balance of the year. NESCOE participated in a Commission-ordered hearing in late 2022, and settlement discussions with all interested parties in early 2023 which resulted in a NESCOE-supported FERC-approved settlement agreement.

NESCOE continued to review and challenge, where necessary, claimed costs in 2023 for that period of the contract term. This work also included working with interested parties to understand and make changes to certain third-party audit protocols related to the agreement.

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WINTER AND EXTREME WEATHER SYSTEM RELIABILITY

- ◆ **Gas-Electric System Interplay.** In June 2023, NESCOE was active in FERC’s New England Gas-Electric Forum in Maine—with NESCOE Managers participating in the forum. NESCOE filed comments with FERC that advocated for FERC to coordinate and lead a process to study and assess the operational interplay between the interstate gas and electric systems and investigate how changes to the electric system are likely to change gas system needs as New England transitions away from its reliance on fossil fuels. As described in the comments, the study is necessary for the region to understand the impact of operational changes to the gas system and electric reliability.
- ◆ **Annual Winter Analysis.** NESCOE, along with other stakeholders, had asked ISO-NE for analysis and its recommendation as to whether a winter reliability program—as ISO-NE had pursued in the prior years—or other incremental action was necessary to address potential winter reliability challenges. In mid-2022, ISO-NE shared its analysis and recommended that New England not pursue a winter program for winter 2022/2023. NESCOE encouraged ISO-NE, as the reliability coordinator with access to confidential information about fuel supplies, resource availability, and overall system conditions, to share its analysis and confidential information with FERC, given the commission’s regulatory role.
- ◆ **Mandatory Reliability Standards and Extreme Weather Events.** NESCOE filed comments with FERC generally supporting a proposed rule that would direct the North American Electric Reliability Corporation (NERC) to revise its mandatory reliability standards to improve transmission system planning to account for extreme heat or cold weather events impacting the reliable operation of the grid. NESCOE expressed that the reforms that FERC proposed would help provide visibility into the potential implications of extreme hot and cold weather on reliable system operations and, in turn, the approaches available to transmission planners, planning coordinators, and operators to address the potential for cascading outages and other impacts on electric power facilities. NESCOE commented on “corrective action plans”—the actions that transmission providers would take if performance requirements go unmet—given the potential impact of those actions on system reliability and cost.

FORECASTING AND THE EFFECT ON BOTTOM LINES

New England consumers invest substantially in solar photovoltaics and energy efficiency as a result of state laws and programs that encourage resources located close to where consumers use power. The level of investment affects wholesale electric energy demand and peak demand. Energy efficiency investments impact transmission planning, for example, as they have saved hundreds of millions of dollars for consumers in the form of transmission project deferrals.

At the same time, several state laws and programs advance electrification of the transportation and building sectors of the economy. These initiatives are expected to increase demand for electricity over time as customers increasingly adopt electric vehicles and use electricity for heat. For a sense of scale, over ISO-NE’s study horizon, electric vehicle demand is projected to increase the summer peak by over 1,500 megawatts by 2030. Together, these investments and transitions affect the level of resources and infrastructure that the region plans for, and consumers pay for, such as transmission lines or power plants.

- ◆ In 2023, NESCOE continued to assess ISO-NE’s accounting for local resources and new loads in regional planning in the context of the Distributed Generation Forecast, the Energy Efficiency Forecast, both of which originated at NESCOE’s request, as well as the Heating and Transportation Electrification Forecast.

SECTION V: PRIORITIES 2024 AND 2025

NESCOE carries into 2024 several priority matters that require significant attention. At the direction of Managers, NESCOE will continue to identify areas for proactive engagement related to resource adequacy and system planning and expansion. Where needed, NESCOE will conduct independent technical analyses to inform Managers' decisions.

In 2024, NESCOE will participate actively in NEPOOL stakeholder forums, exchange ideas with ISO-NE and market participants, and represent the collective interests of New England states at FERC and, where appropriate, before other federal agencies and the courts. In addition to addressing issues as they arise, NESCOE anticipates focus on the following areas:

TRANSMISSION PLANNING

- ◆ **Transmission Planning for Reliability.** NESCOE will review and provide input on ISO-NE's plans and planning processes, including its Regional System Plans, forecasting, and certain transmission needs assessments and solution studies; provide feedback on ISO-NE's planning assumptions and approach to planning; and continue to consider opportunities to influence major NERC-related policy activities when they have the potential for significant cost implications for New England electricity consumers.
- ◆ **Asset Condition Project Replacement Process Change.** NESCOE will continue to seek reforms to transmission owners' asset condition project replacement processes to increase foresight, visibility, review, and scrutiny of these material consumer investments, and consequently, to enable the region to maximize efficient transmission investment through 'right-sized' projects.
- ◆ **Operationalizing Longer-Term Transmission Analysis.** NESCOE will continue work with ISO-NE and stakeholders on 1) tariff mechanisms that enable states to operationalize longer-term public policy-related transmission analysis with associated cost allocation mechanisms, 2) moving as expeditiously as possible toward ISO-NE's first competitive solicitation under FERC-approved procedures, and 3) deloping means, with appropriate state-centric roles, to integrate consideration of state public policy-driven transmission options with ISO-NE's existing reliability-based transmission planning process and transmission owners' asset condition replacement processes.
- ◆ **Reforms to Transmission Planning, Cost Allocation, and Generator Interconnection.** NESCOE will engage in FERC's efforts to reform transmission planning, generator interconnection, and cost allocation processes. NESCOE will continue to advocate for consumers, and for states to have an appropriate role in state law-based transmission planning and cost allocation.
- ◆ **Advanced Transmission Technologies.** NESCOE will advocate for procedures to prioritize the consideration of advanced transmission technologies to ensure New England gets the most out of the existing system and new investments.
- ◆ **Interregional Transmission Planning.** NESCOE will support efforts to identify the benefits and barriers to interregional transmission planning and development, including a review of the planning processes in place in ISO-NE, PJM and NYISO, through which a proposed interregional transmission project would need to travel.

- ◆ **Transmission Cost Oversight, Estimation, Tracking, and Controls.** NESCOE will continue to advocate for enhanced transmission cost oversight, including the functions identified as appropriate for an independent transmission monitor. NESCOE will continue to track transmission project costs, including for transmission owners' asset replacement projects. NESCOE will also seek means to mitigate or control cost escalations.
- ◆ **2050 Transmission Study.** NESCOE will continue to assess the results of the 2050 Transmission Study and related analysis, including cost estimates for different potential infrastructure development pathways.

FUTURE REGIONAL RELIABILITY NEEDS

- ◆ **Winter and Energy Security.** NESCOE will (1) participate actively on core issues related to market-based mechanisms that value the contribution of resources needed for regional energy security and winter reliability; (2) provide analysis as needed to support state evaluations, proposals, and/or amendments; and (3) ensure that consumer interests are considered when proposals are evaluated and that all potential solutions are illuminated by cost-effectiveness analysis to enable assessment of whether the consumer costs of proposed solutions have a reasonable relationship to asserted risks. NESCOE will continue to participate in analysis and assess outcomes of going-forward study work to identify winter risks related to extreme weather, New England-typical weather, and the effects from changes in both gas and electric infrastructure.
- ◆ **Extreme Weather Assessment and Energy Needs.** NESCOE will assess ISO-NE's regular analysis of the risk and implications of extreme weather events and contingencies. NESCOE will also engage in discussions about whether, and to what extent, any such risk requires market adjustments or other near-term mitigation.
- ◆ **Reliability Cost-of-Service Contracts.** NESCOE will (1) advocate for consumer interests in the cost, terms, and conditions of any energy security or reliability cost-of-service contracts that ISO-NE has entered into or may seek to enter into with power generators or other resources; (2) continue to be a strong consumer voice on a cost-of-service contract related to retiring units located just outside of Boston; and (3) ensure that the costs to be recovered under the contract are appropriate.
- ◆ **Resource Reliability or Installed Capacity Requirements.** NESCOE will provide input on ISO-NE's recommended Installed Capacity Requirements and associated assumptions, with attention to ensuring that the Installed Capacity Requirements appropriately reflects New England consumers' investment in distributed generation, investment in other clean energy resources, and the improved generator performance driven through ISO-NE's market modifications to the Forward Capacity Market.

REGIONAL MARKET REFORMS

- ◆ **Wholesale Market Reforms.** NESCOE will (1) engage with ISO-NE and stakeholders on means to modernize New England's wholesale electricity markets to support achievement of clean energy laws and other state law objectives while maintaining system reliability and (2) participate in the design of associated market rules and governance. This participation includes market matters such as resource capacity accreditation, retirement reforms, and capacity market timing changes, as well as those to support energy storage and distributed generation.
- ◆ **Resource Adequacy and Reliability Over the Long-Term.** In connection with ISO-NE's initiatives related to resource capacity accreditation and capacity market timing changes, NESCOE will work with ISO-NE

and stakeholders to ensure that these—and any other proposed modifications to the Forward Capacity Market or other market rules—provide consumers with reliable service at the lowest possible cost over the long-term while maintaining environmental quality. To help inform proposed solutions, NESCOE will provide analyses where appropriate both to better understand any identified risks and to explore the full range of potential cost-effective solutions, including whether the costs of proposed solutions have a reasonable relationship to asserted risks. In any proposed modifications, NESCOE will ask ISO-NE to weigh consumer cost impacts appropriately among other objectives, such as interest in theoretical market purity (e.g., minimal application of adjustments or use of judgment).

CONSUMER PROTECTION

- ◆ **Advocate on behalf of Consumer Interests in Litigation Advanced by New England Market Participants.** NESCOE will continue to advocate as appropriate in litigation implicating the interests of New England’s electricity consumers and, where necessary to safeguard consumer and states’ interests, intervene or bring matters to the courts.
- ◆ **Reasonable Decision-Making Processes and Metrics that Enable Full and Fair Consideration of Consumer Cost Implications.** NESCOE will advocate for decision-making processes that provide (1) reasonable notice; (2) an opportunity to consider fully the consumer implications of proposed rule changes; and (3) an opportunity for states and ISO-NE to explore the lowest cost means to achieve identified objectives. When appropriate, NESCOE will advance states’ perspectives on objectives, on the metrics that ISO-NE and others should use to evaluate potential solutions, and/or the balance between market pricing and consumer cost implications.
- ◆ **ISO-NE “Major Initiatives” Assessments.** NESCOE will advance consumer interests in connection with ISO-NE’s required quantitative and qualitative analysis of major market initiatives, and NESCOE will ensure that the consumer cost implications of proposed initiatives, and any alternatives, are understood and considered in decision-making.
- ◆ **Generator Out-of-Market Cost Recovery.** NESCOE will protect consumer interests in connection with the recovery of certain compliance costs associated with ISO-NE’s designation of facilities as medium impact cyber systems under mandatory reliability standards.

REGIONAL DATA AND ANALYSES

- ◆ **Forecasting.** NESCOE will (1) continue to analyze and advocate for appropriate accounting of energy efficiency resources so that consumers receive the full benefit of state policies and consumer investments; (2) continue to work to ensure that ISO-NE’s load forecasts in its plans and resource determinations appropriately capture the increased penetration of solar PV and other distributed energy resources and to ensure that these forecasts are considered in transmission planning process and resource adequacy determinations; and (3) continue to examine and monitor the assumptions and methods used in ISO-NE’s heating and transportation electrification forecasts.
- ◆ **Distributed Resources Penetration.** As the region continues to connect distributed resources to distribution systems across New England that affect the transmission system, NESCOE will continue to assess jurisdictional and procedural issues associated with the increased penetration.
- ◆ **ISO-NE’s Economic Studies.** NESCOE will monitor ISO-NE Economic Studies and, as appropriate, provide input into their development as appropriate, particularly with respect to assumptions about state laws and policies. NESCOE will offer states’ observations about outcomes for context.

GOVERNANCE AND ACCESSIBILITY

- ◆ **ISO-NE Governance and Accessibility.** NESCOE will continue to interact with ISO-NE on enhancing governance and accessibility, such as ongoing assessment of the ISO-NE's Board of Directors' open meeting structure, and ISO-NE's new communications tools that enhance public accessibility.
- ◆ **Visibility Into Stakeholder Processes.** NESCOE will continue to have interest in enhancing visibility of stakeholder processes and discussion of issues to the maximum extent possible at ISO-NE's Planning Advisory Committee, which is the only New England stakeholder forum open to the public aside from the Consumer Liaison Group.

SECTION VI. 2023 EXPENDITURES

NESCOE operations are funded by a FERC-approved charge collected through Schedule 5 of Section IV.A of ISO New England's tariff. An independent audit of NESCOE's books for the year-end December 31, 2023, was completed and presented to the NESCOE Managers. The independent auditor opined that the organization's books conform to generally accepted accounting principles and issued an unqualified opinion letter. A 2023 Statement of Spending is as follows:

NESCOE

Statement of Spending December 31, 2023

Expenses

Direct Expenses, Consulting	
Legal (FERC) Services	104,364
Technical Consulting	187,731
Total Direct Expenses, Consulting	<u>292,095</u>
Employment and Benefits	
Disability, Health & Life Ins	59,787
Payroll Taxes	64,721
Pension Contributions	38,959
Salaries & Wages	911,100
Total Employment and Benefits	<u>1,074,567</u>
General and Administrative	
Dues and Subscriptions	18,711
Depreciation	5,743
Insurance	7,331
Office Expenses	1,591
Professional Services	34,057
Telephone & Communications	7,783
Travel and Meetings	48,191
Total General and Administrative	<u>123,407</u>
Total Expenses	<u><u>1,490,069</u></u>

SECTION VII. BUDGET 2024 & PRELIMINARY BUDGET 2025

NESCOE’s 2024 budget, which is consistent with the current five-year *pro-forma* approved by NEPOOL and accepted by FERC, was presented to and affirmed by NEPOOL in 2023. The 2024 NESCOE budget was submitted to the FERC and accepted in December 2023. The 2024 budget is as follows:

	2024
Salaries and Wages	
Salaries	1,154,954
Payroll Taxes	115,495
Health and Other Benefits	140,000
Retirement §401(k)	46,198
	<u>1,456,648</u>
Total, Salaries and Wages	1,456,648
Direct Expenses - Consulting	
Technical Analysis	353,220
Legal (FERC)	353,221
	<u>706,441</u>
Total, Direct Expenses, Consulting	706,441
General and Administrative	
Rent	-
Utilities	-
Office and Administrative Expenses	50,425
Professional Services	47,500
Travel/Lodging/Meetings	90,000
	<u>187,925</u>
Total General and Administrative	187,925
Capital Expend. & Contingencies	
Computer Equipment	9,000
Contingencies	236,001
	<u>245,001</u>
Capital Expend. & Contingencies	245,001
TOTAL EXPENSES	<u><u>2,596,014</u></u>

**NESCOE
Preliminary 2025 Budget**

	2025
Salaries and Wages	
Salaries	1,189,603
Payroll Taxes	118,960
Health and Other Benefits	144,200
Retirement \$401(k)	<u>47,584</u>
Total, Salaries and Wages	<u>1,500,348</u>
Direct Expenses - Consulting	
Technical Analysis	363,817
Legal (FERC)	<u>363,818</u>
Total, Direct Expenses, Consulting	<u>727,634</u>
General and Administrative	
Rent	-
Utilities	-
Office and Administrative Expenses	51,938
Professional Services	48,925
Travel/Lodging/Meetings	<u>92,700</u>
Total General and Administrative	<u>193,563</u>
Capital Expend. & Contingencies	
Computer Equipment	9,270
Contingencies	<u>243,082</u>
Capital Expend. & Contingencies	<u>252,352</u>
 TOTAL EXPENSES	 <u><u>2,673,897</u></u>