



To: Vermont System Planning Committee

From: Frank Etori, Director of NEPOOL/ISO-NE Relations and Power Accounting

Date: October 11, 2017

Re: Update on ISO New England issue

CASPR: Competitive Auction with Subsidized Policy Resources

In 2017, the New England Power Pool (NEPOOL) initiated a process called Integrating Markets and Public Policy (IMAPP) to identify and explore potential changes to the wholesale power markets that could be implemented to advance state public policy objectives in New England. In the context of IMAPP, ISO New England (ISO-NE) has offered a solution dubbed CASPR (Competitive Auction with Subsidized Policy Resources), which entails a secondary substitution auction which would utilize the Forward Capacity Market (FCM) to coordinate the entry of state public policy resources with the exit of existing, traditional capacity resources.

Currently, at issue is whether the existing Renewable Technology Resource (RTR) exemption should be allowed to continue under the CASPR proposal. Today, the FCM's Minimum Offer Price Rule (MOPR) requires new resources to offer capacity at or above a minimum price, with the exception of the first 200 MW of qualified renewable resources, which can bid below the MOPR level, the so-called RTR exemption. The potential elimination of this 200 MW exemption is likely the biggest obstacle to state support of CASPR. ISO-NE recently indicated a willingness to allow the RTR exemption to continue, which should pave the way for states to support CASPR. The CASPR vote will take place at the November Markets Committee meeting followed by a Participants Committee vote in December. VELCO is working with the Vermont Regional Utility Group (RUG) to find a "Team Vermont" posture toward the CASPR proposal.

Vermont Regional Utility Group (RUG)

In June, Department of Public Service Commissioner June Tierney attended the VELCO board of directors meeting and requested VELCO reconvene and reinvigorate the Vermont Regional Utility Group (RUG), which had previously been convened on an irregular basis by the Department. The intended purpose of RUG was to serve as a forum for utility discussion of regional issues to provide input and, where possible, reach consensus on Vermont positions at ISO New England and other venues outside Vermont, the "Team Vermont" approach.

The renewed convening of RUG began August 24 with an organizational discussion, as well as discussion of CASPR, ISO-NE cost drivers, the Phase II contract extension, and Sheffield-Highgate Export Interface (SHEI). A subsequent conference call focused on CASPR was held September 19, with a follow-up planned. Going forward, RUG members agreed to a regular quarterly schedule coinciding with Operating Committee meetings for the convenience of those who are members of both groups.

Timing of Transmission Cost Allocation (TCA)

As part of a Federal Energy Regulatory Commission (FERC) Rule 206 proceeding on Regional and Local Network Services (RNS/LNS) transparency, the New England states are asking transmission owners to submit their TCA request prior to the start of any major construction. This important transparency improvement, now being sought by the states, is the policy fruit of advocacy seeds that were planted by VELCO's Champion Initiative work a few years ago. One nuance to this change is whether multi-component projects should have multiple TCAs or one (the ISO-NE favors just one). The parties to the 206 proceeding continue to hash out the issue.

New ISO-NE Board Member

The NEPOOL Participants Committee nominated, and ISO-NE approved, Brook Colangelo as the newest member of the ISO-NE Board of Directors. Colangelo will replace Paul Levy, when he retires from the ISO-NE board on October 1, 2017. Colangelo most recently served as executive vice president and chief technology officer for Houghton Mifflin Harcourt (HMH). His extensive IT and technology background will be a great asset on the Audit and Finance Committees in their focus on cyber security.