



To: Vermont System Planning Committee

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

Date: April 25, 2018

Re: Update on ISO New England issues

FERC approves ISO-NE CASPR proposal

On March 9, the Federal Energy Regulatory Commission (FERC) approved ISO-NE's Competitive Auction with Subsidized Policy Resources (CASPR) proposal as an allowable means to ease the entry of state policy supported resources, such as wind and solar generation (Sponsored Policy Resources) into the Forward Capacity Market (FCM) over time while maintaining competitive capacity pricing. According to the ISO-NE, absent a correction in the auction rules, the New England states' renewable policies would likely result in a significant overbuild of capacity because qualifying traditional resources would continue to clear the FCM while at the same time state subsidized resources would continue to deploy outside of the market. To resolve this issue, CASPR adds a secondary auction to the Forward Capacity Auction (FCA) process in order to transfer Capacity Supply Obligations (CSOs) from existing, traditional capacity resources (such as oil, gas, coal and nuclear generators) seeking to leave the New England wholesale market to new Sponsored Policy Resources, which because of the FCA's Minimum Offer Price Rule bid too high to clear in the FCM.

CASPR was controversial among stakeholders and NEPOOL did not vote in favor of it. The New England states abstained due to a lack of unanimity. Some states were opposed because it eliminated FCA's renewable technology resource (RTR) exemption that allowed 200MW worth of renewable generation to enter the FCM. ISO-NE's proposal eliminated the RTR provision and did not receive NEPOOL support. FERC accepted the RTR exemption phase-out, concluding that despite the additional costs, CASPR balanced state renewable policies with the need to secure private investment in the long term.

Lowest priced Forward Capacity Auction in recent years

On February 5 and 6, ISO-NE conducted its twelfth Forward Capacity Auction (FCA12), which procured 34,828 MW of capacity for 2021/22. The auction cleared at \$4.63/kW-month for an approximate cost of \$2.07B for the capacity commit period in 2021/22. This is the lowest price in the last four years, and also the lowest since the capacity floor price was eliminated for FCA8. The

high prices in recent years have been driven by large generation retirements and a resulting need for new capacity. It would appear that most of the generation retirements have stabilized, load trends continue to decrease, and an increase in behind the meter PV installations, make the likelihood for extremely high capacity prices in the future unlikely.

Restructuring Roundtable discusses offshore wind procurement

In addition to Massachusetts's much discussed plans to procure significant onshore renewable energy through its ongoing Clean Energy RFP, the state is also seeking to facilitate the procurement of significant offshore wind generation through the so-called §83 clean energy requirements. On March 16, at the New England Electricity Restructuring Roundtable in Boston, three speakers made presentations on the offshore wind proposals submitted to meet the Massachusetts §83D clean energy requirements, describing options from 400 to 800MW of offshore wind, energy storage, and underwater transmission cables to interconnect the wind generators to the New England grid. Two proposals would interconnect offshore wind to the grid at the retired Brayton Point coal fired generation site; the other proposal would connect on Cape Cod. The storage proposals varied: one used an existing 800MW pumped storage generator; another proposed a 55MW battery storage facility; and the third option proposed investing \$1M/year in Tesla Powerwalls. The presentations did not disclose proposed energy pricing.

The Massachusetts §83C schedule targets selection and submittal of the winning contract to the Department of Public Utilities on July 31, 2018, and approval in January 2019.