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By E-Mail: WholesaleEnergy@NewEnglandEnergyVision.com

Subject: Comments on Wholesale Market Design

RENEW Northeast, Inc.[1] strongly supports the States' stated commitment of using competitive-based approaches to make wholesale markets compatible with achieving New England's clean energy and climate policies.

RENEW is a non-profit association uniting environmental advocates and the renewable energy industry whose mission involves coordinating the ideas and resources of its members with the goal of increasing environmentally sustainable energy generation in the Northeast from the region's abundant, indigenous renewable resources. RENEW members own and/or are developing large-scale renewable energy projects, energy storage resources and high-voltage transmission facilities across the Northeast. They are supported by members providing engineering and procurement and construction services in the development of these projects and members that supply them with multi-megawatt class wind turbines.

Reforms are needed to enable clean energy investments to participate fully in the markets and eliminate embedded preferences for natural gas and other fossil resources in the ISO New England ("ISO-NE") Forward Capacity Market (FCM) which was designed with the intention to be fuel neutral and to drive towards the most economically efficient means of achieving resource adequacy. That design never contemplated the arrival of low-cost renewable resources on a massive scale. The FCM today drives the resource mix away from high capital cost, low operating cost resources like wind and solar towards low capital cost high operating cost resources like combined cycle natural gas units. The current markets favor fossil fueled generators even when they are not the most economically efficient.

The previous IMAPP effort at reform was focused on substantive solutions and attempting to "accommodate" state energy policies in the regional electricity markets—with disappointing results to states, consumer advocates, and clean energy businesses. Missing from the debate was a process for reform. How decision-making power is balanced between state and federal regulators determines whose goals are prioritized—state environmental and economic development policies, or generator revenue sufficiency and investor confidence in the regional electricity markets, among others. As the States understand, resource adequacy implicates the

[1] The comments expressed herein represent the views of RENEW and not necessarily those of any particular member of RENEW.

state regulatory role in resource planning, FERC-jurisdictional rates, and ISO-NE's ability to ensure reliable service.[2]

Recognizing that a few models for wholesale electricity market reform appear to have recently taken root, RENEW in 2016 during the IMAPP process supported the idea of a Forward Clean Energy Market ("FCEM") as an efficient solution to achieving the collective clean energy goals of the States and identifying the associated transmission needs. RENEW believes the concept offers an alternative approach for the states collectively to meet some or all their clean energy procurement objectives. While it would employ a centralized auction format as opposed to contracting, it would still provide a revenue commitment like the out-going FCM price-lock to enable the financing of new renewable resources while also monetizing the contributions from existing non-emitting resources.

Before different models for wholesale markets reforms are considered, RENEW recommends that a determination be made on the reliability criteria for balancing services that are required to operate reliably the bulk power system over the long term with increasing VER penetration. As states continue to achieve their public policy objectives, large quantities of new non-emitting resources with no, or little, marginal cost to produce energy will be built. This will continue the trend towards lower energy market prices that has been seen in recent years predominantly due to falling natural gas prices. We may be moving to a new world where the capacity market and the Locational Marginal Price ("LMP") for energy can no longer be the cornerstone of our markets. The shift to differentiated markets that reward different characteristics, like clean power, peaking capability, and fuel security may be necessary.

New reliability products, like the overall energy market, should be technology neutral at best and if anything, favorable toward clean power. If similar resources compete for these products, but one is emitting while the other is non-emitting, then the value from the non-emitting resource for simultaneously providing reliability and non-emitting power is only properly considered in the market if the non-emitting resource is receiving payments, such as RECs, for this attribute outside of the ISO-NE market that it can then reflect in its ISO-NE market offer price. With many non-emitting resources not receiving such payments outside of the ISO-NE market, a lower priced but emitting resource may end up be chosen by the market to meet reliability needs, even though the non-emitting resource is still needed to meet public policy goals. Existing non-emitting resources are preserving system reliability and meeting public policy objectives on greenhouse gas emissions. They must be protected through proper compensation using a market approach to ensure their viability and the cost effectiveness of the markets.

This could be accomplished by establishing carbon pricing to value non-emitting attributes. Creating a co-optimization in the wholesale markets for the value of the non-emitting resource provides reliability value and yields the lowest cost to consumers in the long run. One proposal has been to set a carbon price in the energy market to ensure that non-emitting resources are recognized regionwide for the value they provide toward attaining carbon emission

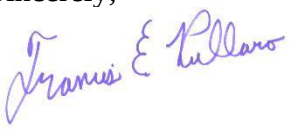
[2] e.g., *California Independent System Operator Corporation*, 116 FERC ¶ 61,274, at P 1112 (2006). MISO, 122 FERC ¶ 61,283, at P 52, 54, 56 (2008).

goals. A carbon price could be complementary with state contracting for attracting new investments in clean resources while also ensuring dispatch incentives prioritizing non-emitting or lower emitting resources. The FCEM concept itself could contain a dynamic carbon pricing component. In addition, while consumer choice on energy including renewables has been a feature of the New England markets for years, it could also be designed into the capacity side giving customers, either individually or through a state mandate, the ability to choose cleaner forms of capacity.

Finding common ground among the states and stakeholders on markets reforms has proven challenging over the past five years. Consequently, RENEW believes a two-pronged approach is necessary to ensure the States remain on course to achieve their policy commitments and do not lose valuable time while pursuing wholesale market reforms that may never occur. States must continue to utilize existing programs like clean energy procurements to ensure development of new renewable resources and associated transmission and energy storage on a trajectory to meet policy objectives.

RENEW stands ready to contribute to future discussions with the States to find ways to use competitive-based approaches for wholesale markets reforms that are compatible with ensuring clean energy development for achieving New England's environmental and economic development goals. Thank you for the opportunity to offer these comments.

Sincerely,



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