

Comments to New England States on the *New England Energy Vision* Governance Reform Technical Session

Advanced Energy Economy, Northeast Clean Energy Council, and Sunrun

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I. Introduction

Advanced Energy Economy (AEE), the Northeast Clean Energy Council (NECEC), and Sunrun (“Advanced Energy Stakeholders”) appreciate the opportunity to provide feedback on the recent Governance Reform Technical Session hosted by the New England states. Effective governance structures are foundational to ensuring durable outcomes, particularly as we move forward to reform of organized regional wholesale markets to align them with state policy goals. Moreover, as many participants in the technical session observed, effective governance is not an end goal to strive for and achieve, but rather a constant evolution, driven by changing needs, circumstances, and roles. We applaud the New England states for taking the initiative to ensure that evolution continues to happen.

Before considering specific reforms, we first encourage the New England states to come together to identify their ultimate objectives with respect to governance. Regional wholesale market governance inherently involves tradeoffs between state and federal regulatory authority, as well as between streamlined decision-making and more inclusive deliberation. States, ISO-NE, and stakeholders will be better equipped to weigh these trade-offs and delineate clear and logical responsibilities if guided by clear objectives.

Once end goals are clearly understood, there are a range of potential governance reform ideas that New England states and ISO-NE could consider pursuing, ranging from minor adjustments to major reforms to complete overhaul of the current governance approach. Our comments below offer our initial views on some potential reforms that we believe warrant further consideration, although much more discussion will be needed before the region moves to enact any changes to governance. Finally, conclude by offering some recommendations for next steps.

II. States should start by articulating the goals of governance reform

States have made clear their dissatisfaction with many elements of current ISO-NE governance. Rather than systematically addressing individual barriers, we encourage

states to step back and consider the desired outcomes of governance reform. Doing so will better equip stakeholders and ISO-NE, along with the states themselves, to evaluate and prioritize potential changes, and to focus on reforms that are both achievable and impactful.

During the technical session, Travis Kavulla, Vice President of Regulatory Affairs at NRG Energy, posed the question, “How do you unlock governance to a satisfactory level to rely on RTOs to meet [state] goals?” We urge states to explore that question first, and specifically to consider the following:

1. What relationships and structures must be in place, from a governance perspective, for states to have confidence in utilizing and relying on regional market-based tools and mechanisms to achieve their policy goals? In answering this question, states should also consider:
 - A. Is it necessary or sufficient for ISO-NE to have a mission that acknowledges state policies and/or the imperative of decarbonizing the electricity system, rather than focusing only on reliability and competition;
 - B. Is it necessary or sufficient for states to have a more explicit role in decision-making (and if so, on what issues); and
 - C. Is it necessary or sufficient for the goals of decarbonization and cost effectiveness become part of the DNA of ISO-NE decision-making, regardless of how this is accomplished (i.e., through state involvement in decisions, by embedding these goals in market design, by adjusting the ISO-NE mission, or through some other means)?

From the perspective of the advanced energy industry, we believe that ISO-NE governance should facilitate durable, fair wholesale market frameworks that facilitate and enable achievement of state policy goals. We also believe ISO-NE’s mission and governance should evolve to reflect changing priorities, such as the changing state and customer clean energy preferences now straining the existing wholesale market design. Finally, as a matter of equity and fairness, we think the stakeholder process should be accessible and inclusive to all interested parties, including non-incumbent new entrants seeking to bring new technologies and business models into the markets; removing barriers to participation is important to avoid dominance by incumbent interests and allow for robust consideration of diverse perspectives, which are foundational to effective competition. These overarching objectives guide our thinking on governance, and we hope they are helpful as the states set their own objectives.

III. Ideas for Governance Reform

During the technical session and in ongoing academic and industry discussions, numerous ideas for governance reform have been aired. Below we offer our initial views on some reforms that we believe warrant further consideration, although we reserve judgement on whether each of the reforms below are necessary or appropriate and urge the states to consider not just potential upsides but potential downsides as well, such as the cost and time required to implement and maintain these reforms and the risk of bogging down an already slow stakeholder process. In thinking through potential reforms, we encourage states to consider how much can be achieved through incremental reforms that can be implemented quickly and with relatively little friction. In addition, we note that some elements of ISO-NE governance are working well and should be preserved, including diverse stakeholder sectors that give advanced energy technology interests (through the “alternative resources” sector) a voice and a vote, robust participation by the New England States Council On Electricity (NESCOE), and frequent and varied communication between ISO-NE and the New England states.

A. Incremental Reforms

Incremental reforms worth further exploration include:

- **Implementing reforms to the Joint Nominating Committee (JNC) process.** The JNC holds responsibility for selecting candidates for the ISO-NE Board of Directors, and therefore reforms to the JNC process can have profound implications for governance and decision-making. Potential reforms include allowing for increased transparency and stakeholder input prior to a vote on the slate of candidates by the NEPOOL Participants Committee.
- **Installing additional permanent Board Committees focused on issues of importance to the New England States.** Currently, there are six standing committees of the ISO-NE Board of Directors.¹ Additional committees could be added to focus on important strategic questions, such as: (1) addressing the transition to a decarbonized grid, (2) harmonizing ISO-NE markets, planning, and operations with state policies, and/or (3) consumer issues.

¹ The current ISO-NE Board of Directors Standing Committees are: Nominating and Governance Committee, Compensation and Human Resources Committee, Audit and Finance Committee, Markets Committee, Information Technology and Cyber Security Committee, and System Planning and Reliability Committee. See Article V of the Board of Directors Bylaws of ISO New England, available at https://www.iso-ne.com/static-assets/documents/2021/03/2021-02-18_bod_bylaws_of_iso_ne.pdf.

- **Increasing the transparency of Board meetings.** Some ideas to increase transparency include holding open sessions in advance of executive sessions and posting Board minutes publicly.
- **Evaluate the potential benefits of creating and funding a consumer advocate organization.** A well-run and fully-funded consumer advocate organization has the potential to facilitate deeper engagement by state consumer advocates in the NEPOOL process, and to increase interactions between the ISO-NE Board and state consumer advocates (e.g., through monthly calls, report-outs, and regular discussions as the Board and ISO-NE staff do with NESCOE and NECPUC). Prior to setting up such a structure, states should consider what goals it would serve and what gaps it would fill. Should the states choose to move forward with such an approach, they should draw upon lessons learned from the Consumer Advocates of the PJM States Inc. (CAPS), adapting best practices from PJM for use in ISO-NE.
- **Increasing transparency into ISO-NE decision making.** On major or strategic decisions, such as the ISO-NE annual work plan, simple reforms such as requiring ISO-NE to provide and publicly post an explanation of its decision (when those decisions go against stakeholder feedback) could serve to increase visibility into the decision-making process for states and stakeholders alike.
- **Diversifying the experience of the Board of Directors.** A board with diverse backgrounds and experiences will make more informed, better decisions. One important aspect discussed during the technical session was racial and gender diversity; another was consumer advocate experience. Given the ongoing and accelerating transition to a grid dominated by clean, advanced energy resources, we also believe the ISO-NE Board should include at least one representative with professional experience in the advanced energy industry.
- **Increasing Board Member involvement in NEPOOL activities.** While some ISO-NE Board members attend some NEPOOL meetings, many attend infrequently and are relatively removed from the stakeholder process. While Board members should not be expected to follow every detail of the NEPOOL process, they should be broadly familiar with stakeholders' concerns. Increased opportunities for engagement between Board members and stakeholders, such as through increased board member participation in NEPOOL Participants Committee meetings, could help to build trust and understanding.

These reforms are all relatively minor and could be accomplished within the framework of ISO-NE's existing governance structure, yet collectively they could have a meaningful

impact on the transparency, responsiveness, and focus of the ISO-NE Board and management.

B. Major Reforms

Major reforms are ones that will involve more significant changes to ISO-NE governance, and may require FERC approval. Such reforms could, however, be deemed necessary to achieve states' objectives with respect to governance. Potential major reforms worth consideration include:

- **Reforming the ISO-NE mission statement.** ISO-NE's mission statement, which is included in its FERC-approved Tariff, is focused on ISO-NE's responsibility to operate the bulk power system, maintain reliability, sustain open and competitive markets, and allocate costs.² Incorporating a requirement to support achievement of New England state policies, advance grid decarbonization, and/or support energy innovation may help to embed into each decision an evaluation of whether the proposed change or action will further the goal of decarbonization and achievement of state policies. Revising the ISO-NE mission statement would require FERC approval, although FERC has recently indicated interest in achieving better harmony between state policies and wholesale markets.³
- **Requiring prospective and retrospective analysis of the holistic costs and benefits of major market rule change proposals.** ISO-NE does have an obligation, per its FERC-approved mission statement, to "provide quantitative and qualitative information on the need for and the impacts, including costs..." of "any major ISO initiative that affects market design, system planning or operation of the New England bulk power system..."⁴ However, this requirement is vague with respect to both what constitutes a "major" initiative requiring analysis and what this analysis must include. Clarifying this requirement to ensure stakeholders get actionable information to make informed decisions—without delaying an already slow and deliberative stakeholder process—could lead to improved outcomes. Furthermore, adopting a look-back requirement similar to that proposed by the Massachusetts Attorney General's Office as part of the Energy Security Improvements (ESI) effort would allow for improved decision-making and incremental improvement over time.
- **Consider different approaches to involve states more directly in decision-making.** If states have interest in taking on a more direct role in the ISO-NE and

² See Section I.1.3. of ISO-NE Market Rule 1.

³ See Federal Energy Regulatory Committee March 23, 2021 Technical Conference.

⁴ See Section I.1.3. of ISO-NE Market Rule 1.

NEPOOL decision-making process, they should work closely with ISO-NE, the ISO-NE Board of Directors, and stakeholders to evaluate different options to evolve the role of the states in ISO-NE governance. As discussed at the technical session, there are a number of different flavors for what an increased state role in decision-making could look like, each with important pros and cons that will need to be weighed carefully should the states decide that having a more explicit role in decision-making is an important priority as they contemplate regional market-based solutions to meet their policy goals.

IV. Recommended next steps

As the New England states consider potential governance reforms, we urge first considering the ultimate objectives of governance reform and focusing on solutions that will meet those objectives as quickly and simply as possible. As those discussions are happening, we urge continued conversation about potential reforms with ISO-NE management and the ISO-NE Board of Directors. We also suggest that the states initiate discussions with FERC, which could proceed via the Commission's recently-launched market reform technical conferences or through some other venue. To the extent that more substantial governance reforms requiring FERC approval are deemed necessary, it will be beneficial to have an open dialogue established with the Commission on these issues. Finally, we ask that the states continue to share their updated views with stakeholders so that we can provide support and feedback as appropriate.

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