

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Modernizing Electricity)	
Market Design)	Docket No. AD21-10-000
)	
)	

**POST-CONFERENCE COMMENTS OF
THE ELECTRIC POWER SUPPLY ASSOCIATION**

The Electric Power Supply Association (“EPSA”)¹ respectfully submits these comments in response to the Notice Inviting Post-Conference Comments (“Notice”)² issued on June 4, 2021, by the Federal Energy Regulatory Commission (“FERC” or “Commission”) in the above-referenced docket related to the May 25, 2021 Technical Conference on *Resource Adequacy in the Evolving Electricity Sector: ISO New England* (“May 25th Conference”).³ EPSA submitted comments on April 26, 2021, in this docket to address certain topics discussed at the March 23, 2021 Technical Conference on *Resource Adequacy in the Evolving Electricity Sector*,⁴ and herein provides comments to address discussion at the May 25th Conference which addressed wholesale markets administered by ISO New England Inc. (“ISO-NE” or “the ISO”).

¹ EPSA is the national trade association representing competitive power suppliers in the U.S. EPSA members provide reliable and competitively priced electricity from environmentally responsible facilities using a diverse mix of fuels and technologies. EPSA seeks to bring the benefits of competition to all power customers. This pleading represents the position of EPSA as an organization, but not necessarily the views of any particular member with respect to any issue.

² Notice Inviting Post-Technical Conference Comments, *Modernizing Electricity Market Design*, Docket AD21-10-000, (issued June 4, 2021) (“Notice” or “Notice Inviting Comments”).

³ Notice of Technical Conference on Resource Adequacy in the Evolving Electricity Sector: ISO New England Inc., *Modernizing Electricity Market Design*, Docket AD21-10-000, (Issued Apr 22, 2021) (“May 25th Conference”).

⁴ Supplemental Notice of Technical Conference on Resource Adequacy in the Evolving Electricity Sector, *Modernizing Electricity Market Design*, Docket AD21-10-000, (Issued Mar 16, 2021).

I. COMMENTS

It is important to highlight that reliability is and must remain the primary concern of the region and its system operator and is the context in which market mechanisms like the Minimum Offer Price Rule (“MOPR”) must be considered. While many at the May 25th conference focused on revising or removing the MOPR based on the view that it is too blunt a mitigation tool, it serves a critical function by preserving competitive pricing in the capacity market and, ultimately, the economic viability of resources that are necessary to the regional grid. Removing the MOPR without implementing complementary market reforms could further stress New England’s tight energy grid. ISO-NE CEO Gordon van Welie succinctly outlined the issues at hand at the Technical Conference:

Unlike the other northeastern ISOs, New England is already energy constrained, and NERC has recognized our vulnerability to extreme weather events, particularly in the winter. Accordingly, our paths must be different than that of the other regions. Given our reliability concerns, we and the Commission must ensure that in eliminating the MOPR we do not jeopardize reliability by reducing capacity market prices to uncompetitive levels.⁵

The Commission has also long recognized the challenges and risks facing ISO-NE. As Chairman Rich Glick stated just last summer, “[M]aintaining the reliability of the bulk power system is one of the Commission’s chief responsibilities, especially in New England where, on a cold winter day, the ‘consequences of not being able to generate enough electricity could be catastrophic.’”⁶

⁵ *Modernizing Electricity Market Design*, Docket AD21-10-000, May 25th Technical Conference Transcript, p. 18 (“Transcript”).

⁶ Statement of Commissioner Richard Glick, Dissent Regarding Constellation Mystic Power, LLC, Docket No. ER18-1639 (July 16, 2020). Available at: <https://ferc.gov/news-events/news/commissioner-richard-glick-dissent-regarding-constellation-mystic-power-llc-er18>

With these challenges as a backdrop, it is critical that the ISO pair any effort to remove the MOPR with the development and implementation of durable, long-term market reforms that utilize efficient market signals and sufficient pricing to preserve reliability and energy security. These reforms will ultimately lead to better retirement signals and likely lessen the ISO's potential reliance on future Reliability Must Run ("RMR") agreements to retain critical resources. No gap or lag-time should be allowed between any MOPR elimination and implementation of market improvements. Any staggering of such changes will only perpetuate the potential for RMRs and lead to under-investment in other resources needed for reliability.

A. The Development and Implementation of ELCC is Essential

As the Commission seeks to encourage the accommodation of state policies in New England, it is vitally important to examine the characteristics of the many resources that states are subsidizing, in particular offshore wind. In New England, as in other regions across the country, many states are sponsoring offshore wind resources whose economics would otherwise not clear in the market, absent the subsidies they receive. In addition to having suppressive effects on market pricing, these resources are highly intermittent in nature and thus are significantly less dispatchable than many traditional resources. State contracts do not account for the "firming up" of the intermittency of these resources. Instead, states and consumers rely on the incumbent merchant generation fleet to perform these critical services, which become particularly acute when multi-day weather or operational events preclude offshore wind delivery.

In general, as more intermittent resources are integrated onto the grid, market mechanisms must appropriately recognize the contribution of all resources to reliability,

both intermittent and firm resources. Several analyses have shown the long-term need for firm and dispatchable resources – as much as 46 GW in ISO-NE by 2050 – even under deep decarbonization scenarios, suggesting those resources will be necessary for grid reliability into the foreseeable future.⁷ As such, EPSA believes today’s three market structure – energy, capacity, and ancillary services – with several key tweaks, provides a strong foundation to meet the reliability needs of a decarbonizing grid. Another recent study by Energy & Environmental Economics (“E3”) provides several options for more efficient wholesale energy market design based on the current three-market model, including accurate resource accreditation through Effective Load Carrying Capability (“ELCC”) market designs.⁸

As the electric system continues to evolve, policy makers and ISO/RTOs are grappling with the fact that not all nameplate megawatts are created equally. Mr. van Welie highlighted this fact in pointing out that while the ISO-NE typically clears about 34,000 megawatts in its capacity auction, in the winter of 2017-2018 the ISO struggled to serve a 22,000 megawatt load.⁹ Mr. van Welie explained that this indicates that the ISO “may not have a surplus in reality” but rather “might have a surplus in paper terms, in terms of the way we are counting the capacity.”¹⁰ ISO-NE External Market Monitor Dr. David Patton further outlined this issue – and a possible solution – concisely:

[O]ne thing though that's very important is that for all technology types we have to accredit them based on their marginal value, their marginal

⁷ *Net-Zero New England: Ensuring Electric Reliability in a Low-Carbon Future*, Breckel, et al., Energy & Environmental Economics (“E3”), (Nov. 2020). Available at: https://www.ethree.com/wp-content/uploads/2020/11/E3-EFI_Report-New-England-Reliability-Under-Deep-Decarbonization_Full-Report_November_2020.pdf

⁸ *Scalable Markets for the Energy Transition: A Blueprint for Wholesale Electricity Market Reform*, Olson, et al., of E3, (May 2021). Available at: <https://www.ethree.com/wp-content/uploads/2021/05/E3-Scalable-Clean-Energy-Market-Design-2021-05-24-vFinal.pdf>

⁹ Transcript, p. 57-58.

¹⁰ *Id.*, p. 58

contribution to reliability even though like for a lot of resources that we're talking about here their value goes down as the penetration increases, but the market can't perform efficiently unless we recognize what the next megawatt is going to give you in terms of reliability.¹¹

Accordingly, it is critical that ISO-NE expedite its efforts to develop an "ELCC" framework to be put in place in conjunction with the removal of the MOPR. Absent such action, as Dr. Patton further noted, "there's just no way we can deliberately over accredit resources and still expect the market to perform well."¹²

It is worth noting that an ELCC framework could also serve to make the integration of state-sponsored resources more orderly and efficient while improving retirement signals. Dr. Patton further provided that "if we properly accredit our old inflexible resources, some of them will retire and make room for the state sponsored resources and avoid the artificial surpluses that are so harmful."¹³

While implementation of an ELCC is a critical component of any post-MOPR market, it is not the only necessary reform. The ISO and New England stakeholders must take additional steps to ensure that the Forward Capacity Auction ("FCA") can provide the necessary revenue opportunities and price signals following the price-suppression caused in the both the capacity and energy markets by increasing quantities of state sponsored renewable and intermittent generation. The FCA exists to ensure that New England has a reliable electric system and thus it is critical that it be healthy enough to attract capital investment in both new and existing resources that preserve reliability in the region.

¹¹ *Id.*, p. 170.

¹² *Id.*

¹³ *Id.*, p. 144.

B. The ISO Must Revive Its Energy Security Improvements Efforts

While the Commission rejected the ISO's 2020 Energy Security Improvements Proposal ("ESI"),¹⁴ the challenges identified in the ESI development process still exist in New England and may become exacerbated by removing the MOPR. As Mr. van Welie explained:

[T]he current concern that we have around winter energy problems, which I think will become all year-round problems, really manifest in the constraint that we applied on another set of infrastructure region, around gas pipelines, and gas storage, and LNG imports and so forth. And so the dependency we have today on resources like Millstone are a direct result of that.¹⁵

In order to avoid repeating a scenario similar to that of Mystic Units 8 and 9 – which were granted a costly RMR for fuel security reasons¹⁶ – the ISO should revive its efforts to develop an effective ESI proposal. While there are a number of possible approaches that the ISO could take, EPSA continues to support the creation of a multi-month forward market for energy security. Such a construct would provide resource owners sufficient time to make new investments that allow increased energy security, such as building new back-up fuel oil tanks or contracting forward with LNG suppliers. Like the Forward Capacity Market does, structuring such a product well in advance of delivery would send a forward price signal commensurate with the investment period so that the market may appropriately invest and manage risk.

In addition, the ISO's own initial analysis conducted while developing its ESI proposal identified a set of conditions in which a forward auction may further improve

¹⁴ *ISO New England, Inc.*, Order Reject Proposed Tariff Revisions, Docket ER20-1567-000, (October 30, 2020).

¹⁵ *Id.*, pp. 109-110.

¹⁶ *Constellation Mystic Power, LLC*, Order Accepting Agreement, Subject to Condition, and Directing Briefs, Docket ER18-1639-000, (December 20, 2018).

market efficiency, using a potential two-settlement design where suppliers could sell these services via a forward auction held some months in advance of the delivery period.¹⁷ No matter the specific approach that New England ultimately pursues, addressing this issue in a market-based manner that appropriately mitigates energy security risk will limit the need for otherwise avoidable RMR arrangements while helping to preserve resources needed for both energy security and reliability. EPSA believes that a forward market would efficiently stem the region’s energy security issues but remains open to exploring a suite of other options. EPSA respectfully requests that the Commission encourage the ISO to revive its ESI development efforts and looks forward to participating in any future development process.

C. Regional Solutions Remain the Best Option to Achieve Environmental Goals

EPSA recognizes that states have environmental policy goals and societal initiatives they wish to pursue and firmly believes these goals can best be achieved via regional market-based mechanisms with appropriate market mitigation measures in place. The innovation and resource diversity needed for a cleaner, reliable system will come most quickly and cost effectively through participation in regional competitive markets. Conversely, experience has shown that states that opt to “go it alone” in an effort to meet environmental goals will likely fail to achieve their goals and raise costs to consumers¹⁸ or shift those costs to other states.

¹⁷ See ISO-NE Presentation to the NEPOOL Markets Committee, Energy Security Improvements (ESI): Forward Market Design Update (Feb. 11-13, 2020), https://www.iso-ne.com/staticassets/documents/2020/02/a4_b_esi_forward_market_design_update.pptx.

¹⁸ In August 2019 the Illinois Power Agency reported that Illinois is only at 7% renewables and is currently projected to peak at around 10% through 2036—well short of its 25% RPS goal. Illinois Power Agency, Long Term Renewable Resources Procurement Plan, (August 15, 2020), p. 68. Available at: <https://www2.illinois.gov/sites/ipa/Documents/Draft%20Revised%20Plan%20%20Summer%202019/Draft%20Revised%20LTRRPP%20%288-15-19%29.pdf>.

Accordingly, EPSA agrees with ISO-NE that net carbon pricing through the energy markets is the most efficient and effective methodology to economically reduce carbon emissions consistent with state policies. That noted, it may be necessary to examine other options – including a Forward Clean Energy Market (“FCEM”) – as a means to accommodate or achieve state policies through the wholesale markets. EPSA looks forward to the results of the ISO’s analysis of each potential option. However, EPSA agrees with the statements of ISO-NE economist Dr. Chris Geissler that net carbon pricing would be more effective as it “incentivizes emitting resources to make investments that further reduce carbon emissions whereas that may not occur to the same extent under an FCEM if resources that emit carbon are not eligible to receive clean energy certificates.”¹⁹ EPSA believes that the Commission should encourage the ISO to continue to pursue market-based regional solutions to accomplish state policy goals, including net carbon pricing, possibly in tandem with a FCEM.

¹⁹ Transcript, p. 222.

II. CONCLUSION

EPSA respectfully submits these comments to urge ISO-NE and the Commission to pair any revisions or reforms to the existing MOPR with complementary market reforms to preserve reliability and just and reasonable pricing. Additionally, the Commission should encourage the ISO to continue its efforts on energy security improvements as well as regional solutions to accomplish state policy goals, including net carbon pricing.

Respectfully submitted,

/s/ N. E. Bagot

Nancy Bagot
Senior Vice President
Bill Zuretti
Director, Regulatory Affairs & Counsel
Electric Power Supply Association
1401 New York Avenue, NW, Suite 950
Washington, DC 20005
(202) 628-8200
nancyb@epsa.org

Dated: July 19, 2021

CERTIFICATE OF SERVICE

I hereby certify that I have this day electronically served the foregoing document on each person designated on the official service list compiled by the Secretary of the Federal Energy Regulatory Commission in this proceeding.

Dated at Washington DC, this 19th day of July 2021.

/s/ Bill Zuretti

Bill Zuretti
Director, Regulatory Affairs & Counsel
Electric Power Supply Association