



Gordon van Welie  
President and Chief Executive Officer

March 28, 2016

The Honorable Joseph P. Kennedy, III  
United States House of Representatives  
Washington, DC 20515

The Honorable Edward J. Markey  
United States Senate  
Washington, DC 20510

Dear Congressman Kennedy and Senator Markey:

Thank you for your March 14 letter regarding New England's Forward Capacity Market (FCM). The energy landscape in New England is in the midst of a dramatic transformation and I appreciate your interest in these changes and the impacts on wholesale markets.

In 2013, I appeared before House and Senate energy panels to shine a spotlight on the rapid transformation of New England's bulk power system and the potential for significant retirements of older coal- and oil-fired power plants.<sup>1</sup> Since then, 4,200 megawatts (MW) of resources have either announced plans to retire or have actually retired. Importantly, since 2013, the region's Forward Capacity Market (FCM) has procured over 4,700 MW of new capacity resources – demonstrating that the FCM is procuring new, economically competitive resources to meet the region's energy needs.

*The Forward Capacity Market Serves a Critical Role*

I think it is beneficial to begin by outlining the importance of the Forward Capacity Market to electric reliability in New England. In 2003, New England states and stakeholders began collaborating on a mechanism to ensure a reliable supply of electricity, and a decade ago agreed to a settlement that created the Forward Capacity Market design.

The FCM ensures that the region has a sufficient level of resources to meet the demand for electricity. Capacity resources compete in Forward Capacity Auctions (FCA) to secure Capacity Supply Obligations (CSO) for a 12-month commitment period that begins on June 1 three years in the future. The capacity payments made during the commitment period provide incentives to build new generation or combine with energy market revenues to help maintain existing resources. New resources have an opportunity to obtain a multi-year revenue stream through the capacity market if they opt for a "price-lock" (which I explain more below) that provides certainty of revenue and capacity obligation for up to seven years. Between the primary FCA and the beginning of the Capacity Commitment Period (CCP), several Annual Reconfiguration Auctions are conducted to allow for the purchase or sale of capacity based on changes to the electric grid or updated supply and demand forecasts.

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<sup>1</sup> ISO New England testimony before the US House Energy & Power Subcommittee on March 19, 2013 and before the US Senate Energy & Natural Resources Committee on May 14, 2013.

The FCM provides a transparent, auction-based means of pricing and purchasing the generation and demand resources needed to meet future needs. It is a resource-neutral construct that procures the least cost resources; conventional generation, renewable energy, and demand side resources (such as demand response and energy efficiency) all compete on a level playing field to provide capacity. And to the extent policymakers seek specific resource attributes, such as carbon-free energy, structures like the Regional Greenhouse Gas Initiative and Renewable Portfolio Standards create financial incentives that are incorporated into resource offers into the market. This makes renewable resources more competitive, creates incentives to lower carbon emissions and helps drive the environmental outcomes desired by policymakers.

In the last few years, we have implemented several changes to the FCM to better reflect the needs of the region. The Pay for Performance initiative (first included in FCA-9 in February 2015) attaches a “no excuses” requirement of performance to every resource’s CSO. The vertical demand curve used in earlier auctions has been replaced with a sloped demand curve to help smooth the boom-and-bust cycle of investment when the region is either just short, or just long, on capacity. We are working to implement similar sloped demand curves for each capacity zone and (as your letter notes) we are currently examining the process by which generators retire and leave the capacity market. These initiatives have included significant input and feedback from the New England states and stakeholders in the region and are overseen by our regulator, the Federal Energy Regulatory Commission (FERC).

Recent Forward Capacity Auctions have resulted in higher prices than earlier auctions due to the rapidly tightening supply environment. When the first FCAs were held, the number of existing generators and demand resources were more than sufficient to meet resource adequacy needs and with the vertical demand curve capacity prices dropped to the agreed floor price. Through our experience with the FCM, we believe that a competitive wholesale market for capacity is the most cost-effective long-term solution to securing the resources needed for reliability. I believe this was clearly demonstrated in recent auctions where robust competition spurred developers to commit to building new resources in the right locations at prices lower than analysts predicted.

#### *ISO New England’s Reliability Mandate*

As the Independent System Operator, ISO New England has a unique charge to ensure the reliable operation of the bulk power system in the short and long term, and we have no financial stake in any of the companies participating in our markets.

As I mentioned, we have already experienced over 4,200 MW of generation retirements on a system that includes approximately 31,000 MW of generation assets. In addition, we anticipate that approximately 6,000 MW of oil- and coal-fired resources are at risk of retirement in the short to medium term. This would represent over 30% of New England’s generation retiring in close to a decade and is likely necessary if the region is to meet the carbon emission reduction goals set in each of the six states. Replacing retiring resources, while retaining an adequate amount of existing resources, is vital for maintaining reliability in the region.

The FCM addresses these challenges by working in tandem with energy market revenues to provide appropriate financial incentives to ensure resource adequacy and resource performance. Without appropriate financial incentives, investments will not be made in the new generation and demand resources needed to ensure power system reliability.

You observed that FCA-8 (conducted in February 2014) marked a shift in prices in the Forward Capacity Market. The first seven capacity auctions finished well long on capacity – on multiple occasions with over 5,000 MW of excess capacity – and capacity prices were lower, with total costs ranging from \$1.1 billion to \$1.8 billion. As with any competitive market, prices are lower when supplies are abundant and prices are higher when supplies are tight or short; prices serve as a signal for when investment is needed. The capacity market is designed to signal when and where investment is needed in new resources. And when we have an over-supply of capacity, as we did for the first seven auctions, the value of capacity will be lower.

However, that dynamic changed prior to FCA-8. Just prior to FCA-8, we experienced the retirement of 10% of our regional generation. Capacity obligations took on a greater value as several major power generators, which for decades served as baseload generation, started to retire. New England was no longer flush with excess capacity, and the capacity market began to signal the need for investment in new generation by placing a higher value on capacity.

#### *FCM Aiding Regional Transition to Cleaner Power Plant Fleet*

New resources have responded to the price signal in the FCM, and retiring coal, oil, and nuclear resources are being replaced with renewable energy and highly efficient, cleaner-burning natural gas-fired power plants. This transition seems to align well with the desire of state and federal policymakers to achieve reductions in greenhouse gas and carbon emissions.

The last four capacity auctions have cleared seven new natural gas-fired power plants ranging in size from 90 MW to 725 MW in key areas of New England (eastern Massachusetts, Rhode Island, and Connecticut). FCAs have also cleared new renewable resources and growing levels of energy efficiency. In the 10<sup>th</sup> FCA, 27 MW of new wind resources, 40 MW of new solar generation, and two new fuel cell facilities (2.5 MW each) cleared the auction.<sup>2</sup> This includes the nation's first offshore wind farm off Block Island, RI (6.8 MW). In the last three capacity auctions (FCA-8–10), a significant amount of new demand side resources (which includes energy efficiency) has cleared: 394 MW, 367 MW, and 371 MW, respectively.

On the subject of FCA-10, I respectfully submit to you that the facts demonstrate that FCA-10 was a competitive auction and a success for reliability and consumers. Before FCA-10 was conducted, more than 6,700 MW of new resources qualified to participate in the auction and approximately 6,500 MW actually participated in the auction. Combined with existing capacity resources, FCA-10 began with well over 40,000 MW of resources competing for 34,151 MW worth of obligations. Several rounds of bidding drove capacity prices well below what many industry analysts publicly

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<sup>2</sup> The Capacity Supply Obligations assumed by variable resources are different than their nameplate value.

predicted would be the clearing price for capacity. In addition, major new generation came forward, including three new natural gas-fired plants in southeast Massachusetts, Rhode Island, and Connecticut.

#### *Energy and Capacity Markets Work in Tandem*

On February 12, 2016, I sent a letter to the Chairman and Ranking Member of the House Energy & Power Subcommittee regarding several matters impacting the FCM.<sup>3</sup> One of the issues I highlighted is the growing importance of the FCM not only to incentivize new generation, but to maintain an adequate level of flexible generation to balance renewable energy resources, which have no fuel costs and put downward pressure on *energy* market revenues. Public policies that seek to drive increasing amounts of renewable energy into the wholesale electricity market are likely to put upward pressure on capacity market prices. We expand on this in a paper written by ISO-NE in October 2015.<sup>4</sup> To provide some brief context, the energy market is typically larger than either the FCM or ancillary services market. Energy market prices track fuel prices. And in New England, because about half of the generation is fueled by natural gas, the wholesale price of electricity closely tracks the price of natural gas.

The impact of natural gas pipeline constraints in the region has been clearly evident in the energy market over the last few years, with annual energy market values growing from \$5.2 billion to \$8 billion to \$9.1 billion from 2012-2014 (with colder winter months comprising a significant share of annual costs). However, the mild temperatures experienced in New England throughout most of 2015 tempered demand for electricity and allowed New England to access natural gas at very low prices. That lower demand, combined with the increased efficiency of the newer gas generation fleet and investments in energy efficiency and renewable energy, pushed down the value of New England's energy market in 2015 by approximately \$3.2 billion to \$5.9 billion. Several months in 2015 ranked among the ten least expensive months for wholesale energy since the implementation of markets in 2003.

At the same time the region is becoming increasingly reliant on natural gas, we are experiencing rapidly expanding participation in the energy market from generation resources that have either extremely low (or no) fuel cost (e.g., wind and solar) or that receive out of market incentives (or both).<sup>5</sup> And we expect this trend to continue as both statutory targets for CO<sub>2</sub> reductions and

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<sup>3</sup> February 12, 2016 letter from Gordon van Welie to Energy & Power Subcommittee Chairman Ed Whitfield and Ranking Member Bobby Rush:

[http://iso-ne.com/static-assets/documents/2016/02/isonewhouse\\_ep\\_fcm\\_feb\\_12\\_2016.pdf](http://iso-ne.com/static-assets/documents/2016/02/isonewhouse_ep_fcm_feb_12_2016.pdf)

<sup>4</sup> *The Importance of a Performance-Based Capacity Market to Ensure Reliability as the Grid Adapts to a Renewable Energy Future*; [http://www.iso-ne.com/static-assets/documents/2015/10/iso-ne\\_discussion\\_paper\\_-\\_capacity\\_market\\_and\\_renewable\\_energy\\_future\\_-\\_revised\\_version\\_-\\_10-30-2015.pdf](http://www.iso-ne.com/static-assets/documents/2015/10/iso-ne_discussion_paper_-_capacity_market_and_renewable_energy_future_-_revised_version_-_10-30-2015.pdf)

<sup>5</sup> In addition, investments in energy efficiency and distributed generation are having a significant impact on our expectations for load growth – resulting in almost flat demand for electricity in New England annually.

financial incentives for low-carbon generation are maintained (or strengthened). As these low operating cost resources increase their participation in the energy market, they will naturally displace resources with higher fuel and/or operating costs, putting downward pressure on the energy market and making it more difficult for resources around the margin to compete. As renewable energy participation continues to expand, and if natural gas prices remain low, it is likely that the long-term viability of the majority of the generation and demand resources needed to maintain reliability will depend on adequate revenue from the *capacity* market to remain viable in New England. Capacity prices will likely reflect that need, and we expect that in the coming years a growing (and substantial) percentage of a generator's wholesale revenues will be derived from the capacity market.

In New England, the energy markets and the Forward Capacity Market are closely linked. But the traditional revenue balance between the energy and the capacity market is shifting. As I mentioned above, the current design of the Forward Capacity Market ensures adequate resources to meet reliability standards. And to date, the resulting resource mix appropriately complements the operational capabilities and variability of renewable resources. However, as a region we are beginning to explore the consequences of policy-based decisions that seek specific outcomes through "out of market" actions and the impact the resulting lower energy prices will have on resources that do not receive similar economic incentives. The shift in revenues from the energy to the capacity market will affect the resource mix, putting additional financial pressure on energy-market dependent resources (historically known as baseload resources) like nuclear and coal-fired units to secure revenue through the capacity market.

Recently, FERC staff released its *State of the Markets Report 2015* and discussed downward pressures impacting energy markets.<sup>6</sup> Specific to energy markets administered by eastern Regional Transmission Organizations (RTO), Commission staff state that "falling [energy] prices are the direct result of lower natural gas prices. These lower natural gas prices have driven out non-natural gas fired capacity like coal-fired Salem Harbor plant and the Vermont Yankee nuclear facility," and that "[p]ressure from lower natural gas prices and environmental requirements have led to tightening supply in both regions. As a result, we have seen increasing capacity prices in those markets." The Report also notes that "[a]cross eastern RTOs, capacity market prices have been diverging from wholesale energy prices for several years because of changes in the generation mix, notably lower natural gas prices." The Report highlights the specific impact on demand response, stating that "demand response programs in certain RTOs have experienced a growth in revenues because of rising capacity market prices."

#### *New Generation Resources Require Significant Capital and Financial Certainty*

In your letter, you state that "an alternative energy development project requires significant capital and financial certainty" and I would observe that this also applies to all the capacity resources that are needed as older power plants retire.

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<sup>6</sup> Federal Energy Regulatory Commission, *State of the Markets Report 2015*: <http://ferc.gov/market-oversight/reports-analyses/st-mkt-ovr/2015-som.pdf>

All energy development projects require an economic incentive – be it an investment in wind, solar, large-scale hydropower, or natural gas (those fuel types comprise nearly all of the new generation proposed in New England). We recognize that all generators and demand resources need a reasonable certainty of expected revenue from the wholesale markets before investing in New England. The same price signals (and multi-year certainty) sent to a potential wind resource through the FCM applies to a natural gas-fired generator and a demand response resource.

This is why in the last few years the price-lock available to new generation through the FCM has been extended from five years to seven years. New resources (including renewable resources) that participate in their first FCA may choose a price-lock for up to seven years of revenue certainty. Resources are then obligated to their capacity commitment for the prescribed period of time and in return receive the financial certainty that you mention in your letter. To be clear, the decision to lock in capacity prices is not made by ISO New England or a federal or state regulator. The decision is made by the resource owner based on their needs and expectations of future system and market conditions.

*The Installed Capacity Requirement Recognizes a Dynamic Power System*

Your question about the creation and adjustments to the Installed Capacity Requirement (ICR) raises a key issue. We believe that it is important to be able to respond to the dynamic nature of New England's bulk power system.

The creation of the Installed Capacity Requirement for a primary FCA begins long before the auction. Prior to FCA-10, ISO New England and stakeholders conducted an extensive stakeholder process over the course of seven months to develop the ICR. Initial input comes from members of the New England Power Pool's (NEPOOL) Power Supply Planning Committee (a subcommittee of NEPOOL's Reliability Committee) and the New England states. The stakeholder process continues throughout the year until we file the ICR with FERC. The Commission ultimately makes the final decision on whether the ICR and the underlying assumptions are appropriate.

The development of the ICR leading up to the FCA is a transparent and thorough process. An ICR is determined using the most currently available data and heavily-vetted assumptions about the state of the bulk power system 3 ½ years in the future. However, the process is not finished once the primary auction is conducted. By definition the initial forecast will need fine-tuning – all forecasts are updated as they get closer to the actual event based on newly available information. Both expected customer demand and the power grid are always changing; new businesses come into the region, customers become more energy efficient, resource performance changes, and investments are made in new transmission infrastructure. Making adjustments to the ICR between the primary auction and the Capacity Commitment Period 3 ½ years in the future allows the region to respond to system changes and ensures that the ISO has secured the necessary resources to meet the region's needs.

Preventing changes to an ICR crafted 3 ½ years before the capacity commitment period raises the possibility of overlooking unforeseen changes that take place on a power grid in the intervening years. Every year we work with stakeholders to update our expectations for what the system will

look like during a particular commitment period and, if necessary, modify the ICR to better reflect those expectations. Annual Reconfiguration Auctions then allow for the purchase or sale of capacity as we learn more about the power grid leading up to the commitment period.

An excellent example of this uncertainty – as you note – is the investment being made in distributed generation/solar photovoltaic (PV) resources. In early 2010, New England had roughly 40 MW of solar/PV installed. Our *preliminary* 2016 solar forecast predicts over 3,000 MW of solar/PV will be installed in New England by 2025. The rapid growth and installation of solar/PV led the ISO, working with the New England states and stakeholders, to develop a forecast that captures the effects of both recently installed, and expected investment, within the forecast horizon. This is the first multi-state solar/PV forecast in the country, which includes the behind-the-meter solar not captured in the traditional load forecasting methodology. Updating our solar forecast annually (and using those updated numbers to adjust the ICR) allows us to account for changing variables unknown at the time that the original ICR is created.

The ability to adjust the ICR also allows the region to guard against the under-procurement of capacity. For example, should the region experience increased load growth or decreased performance of our generation fleet, the ICR can be adjusted upward to address the resulting impacts on reliability. The changes to the ICR in the reconfiguration auctions allow the market to respond to the dynamic nature of the power system.

#### *Ongoing Debate on Resource Retirements*

Your second question addresses the issue being debated among stakeholders in New England on the ability of generation resources to retire. As I summarize below our filings did not suggest that past events were the cause of our filing. What we did make clear is that pricing retirements is the appropriate market approach and that using such FERC-reviewed prices is the best means of protecting customers.

With regard to your concerns over the possibility of inappropriate bidding behavior, it's important to recognize the robust governance processes and oversight in place to review our market results. At ISO-NE, we have an Internal Market Monitor (IMM) – a department comprised of economists, engineers, statisticians, and analysts that operates *independently* from ISO New England management. The IMM reports directly to the ISO Board of Directors' Markets Committee. The IMM's role is to identify or detect anti-competitive actions or behavior that could potentially manipulate prices in New England's markets and to identify potential flaws in the market rules that might produce inefficient outcomes. In addition, an External Market Monitor (EMM) reports directly to the ISO Board of Directors. Not only does the EMM conduct market assessments, but it also reviews the identification and mitigation of market power done by the IMM. Finally, because we are not a regulator, the rules for the market and the results in the market are subject to review by the Federal Energy Regulatory Commission.

In our January 27, 2016 filing at FERC on retirement reforms,<sup>7</sup> we note that “good market design must also include strong protections against the exercise of market power and inappropriate price increases.” We believe that the changes we are proposing in this process “maintain an appropriate balance between allowing generators to leave the market on terms of their choosing and ensuring that such departures do not inappropriately increase prices.” We are continually evaluating the market rules to ensure competitive outcomes and guard against the potential exercise of market power. The retirement reforms are intended to remove the potential for a capacity supplier to exercise market power. This reform is prospective in nature and our actions in this reform process should not be construed as an acknowledgement that any improper conduct has occurred in the past.

Questions regarding bidding behavior in FCA-8 are addressed by FERC as the ultimate regulator of the wholesale market and the Commission addressed FCA-8 in a unanimous order.<sup>8</sup> We take very seriously our role to monitor the competitiveness of the market, and we actively engage FERC in these matters. Our role as the market administrator also is to bring changes to the Commission that we believe will improve the competitiveness of the market, and we continue to do so. With respect to previous auctions, I believe that the combination of competitive auctions, administrative pricing, and FERC review have led to rates that are just and reasonable.

We share your goal of ensuring that prices in the capacity market are just and reasonable. The FCM must and does signal the true value of capacity in New England. Artificial prices (whether too high or too low) do not benefit regional electric reliability or New England residents. We will continue to work with stakeholders and FERC to improve market rules to ensure that possible opportunities for any market manipulation or inflation/deflation of prices can be eliminated or detected and mitigated.

#### *Conclusion*

New England’s rapid transition to a power system more reliant on natural gas, wind, solar, large-scale hydropower, and energy efficiency will naturally create some reliability stresses on the system and some variation in wholesale prices as new resources replace older, less efficient resources.

I recognize your concern about the impact on New England ratepayers. I hope you would agree that our collective goal is to ensure that we maintain short and long term system reliability as efficiently as possible, which is the central objective of the wholesale market structure and a core underpinning of the ISO’s mission. The region’s policymakers and market participants, together with the ISO, have invested nearly two decades in refining the wholesale market structure and as a result, I believe we are well positioned to both meet the region’s electric reliability needs and to

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<sup>7</sup> *ISO New England Inc.*, Response to Letter Dated February 12, 2016, Regarding Forward Capacity Market Resource Retirement Reforms; Docket No. ER16-552-001 (filed February 29, 2016).

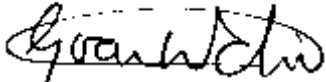
<sup>8</sup> *ISO New England Inc.*, Order To Show Cause, 148 FERC ¶ 61,201 at P. 11.



accommodate the objectives of policymakers to move the electric grid toward a cleaner energy future.

Thank you again for your concern regarding this important issue.

Sincerely,



Gordon van Welie  
President and CEO

cc: Senator Richard Blumenthal  
Senator Patrick Leahy  
Senator Jack Reed  
Senator Bernard Sanders  
Senator Elizabeth Warren  
Senator Sheldon Whitehouse  
Congressman Michael E. Capuano  
Congressman David Cicilline  
Congresswoman Katherine Clark  
Congressman William R. Keating  
Congressman James Langevin  
Congressman Stephen F. Lynch  
Congressman James P. McGovern  
Congressman Seth Moulton  
Congressman Richard E. Neal  
Congresswoman Niki Tsongas  
Congressman Peter Welch  
Chairman Norman C. Bay

**Congress of the United States**  
**Washington, DC 20515**

March 14, 2016

The Honorable Norman Bay  
Chairman  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

Gordon van Welie  
President and CEO  
ISO-New England  
One Sullivan Road  
Holyoke, MA 01040

Dear Chairman Bay and Mr. van Welie,

We are writing to express our continued concern with the condition of the electricity sector in New England. We believe that the current Forward Capacity Market (FCM) structure and policies do not provide electric reliability at just and reasonable rates for consumers in the region, especially in light of two December filings by ISO-New England (ISO-NE) with the Federal Energy Regulatory Commission (FERC).

The recent Forward Capacity Auction (FCA) 10 cleared capacity region-wide at approximately \$3 billion. While these clearing prices were the result of a “competitive auction” according to ISO-NE, the results are roughly equal to FCA8, an auction that triggered administrative pricing rules due to lack of competition. They are also triple the current capacity payments derived from the auctions prior to FCA8. While it is true that prices in FCA10 decreased 25 percent, FCA9 was a record \$4 billion. ISO-NE’s characterization that FCA10 was a successful, competitive auction that resulted in lower prices from the previous year is troubling, given the overall cost to ratepayers still far exceeds the first seven auctions. We are unconvinced that charging ratepayers billions of dollars a year in advance to secure future generation requirements meets the just and reasonable standard.

In addition to the results of FCA 10, two December filings by ISO-NE with FERC indicate the FCM could have resulted in massive price increases for ratepayers due to inaccurate or incomplete accounting of renewable resources and transmission system upgrades, and the potential ability for sophisticated actors to exercise market power.

ISO-NE’s December 1, 2015 filing indicates the ISO’s Installed Capacity Requirement (ICR), the overall regional generation target, for both FCA8 and FCA9 were inaccurate or incomplete, and arguably created the shortfall in both auctions that resulted in drastic price increases compared to all previous FCAs. In the filing, ISO-NE concludes that based on newly acquired data, the initial ICR for both FCA8 and FCA9 were too high due to a failure to account for an increase in behind-the-meter solar and improvements to the transmission system, respectively. The shortfalls that occurred in both FCA8 and FCA9 are now a capacity surplus without any

actual change to the amount of generation resources participating in the capacity market. While that does mean new generation will not be necessary, it also means New England ratepayers will pay potentially billions of dollars more than they otherwise would have paid had the initial ICR targets been more accurate.

In a second December filing by ISO-NE submitted to FERC on December 17, 2015, the ISO indicates the existing possibility for undue market power to increase costs on ratepayers. Members of the New England delegation have expressed concerns about the potential for generators to exercise undue market power in these auctions for nearly two years. The filing requesting approval for changes to the retirement process for generation resources states "...the current FCM rules do not address the potential for a capacity supplier to exercise market power by retiring a resource prematurely in order to decrease supply, artificially increase prices and benefit the remainder of the supplier's portfolio." This is at least the second time the ISO itself has acknowledged this potential. Yet, unfortunately, these retirement reforms are only now being implemented.

Given these concerns, we would like your response to the following questions:

1. How can ISO-NE and FERC ensure the initial ICR generation target and modeling process used in forward capacity auctions is accurate and is not later changed between the auction date and the operating year?
2. In the retirement reform filing, ISO-NE acknowledged that current rules (through FCA10) do not sufficiently protect ratepayers. What spurred this acknowledgement from ISO? In the ISO's opinion, do previous auctions indicate market participants exercised undue influence harming ratepayers? If so, what avenues are available to remedy these artificial rate increases within both the ISO tariff and FERC?
3. How do forward capacity markets in New England incent development of alternative energy resources and distributed energy development? An alternative energy development project requires significant capital and financial certainty, and these types of projects are in need in New England given the rapid succession of older plants retiring. How does the FCM provide any long term certainty and benefit for both the generator and ratepayer if the FCM only accounts for a one-year operating period three years in advance?

It is the obligation of FERC and the ISO to work together, along with the many other stakeholders involved in the process, to achieve electric reliability at just and reasonable rates. We do not believe the current forward capacity market in New England can be characterized as a functional, competitive energy market that meets these goals and protects consumers. Implementing incremental changes on a yearly basis as a byproduct of a transitioning energy sector do not justify drastic capacity rate increases. We also continue to question what exactly ratepayers are getting in return for these massive costs and whether capacity markets are the best construct to maintain electric reliability at just and reasonable costs all while achieving local, state, and regional energy policy goals.

The increased capacity prices beginning with FCA8 have not yet hit the ratepayers in New England, but they will soon. As such, we request your immediate consideration of our concerns

and urge action to engage local, state, and regional stakeholders to develop a better system for all parties involved.

Thank you for your consideration. We look forward to hearing from you.

Sincerely,



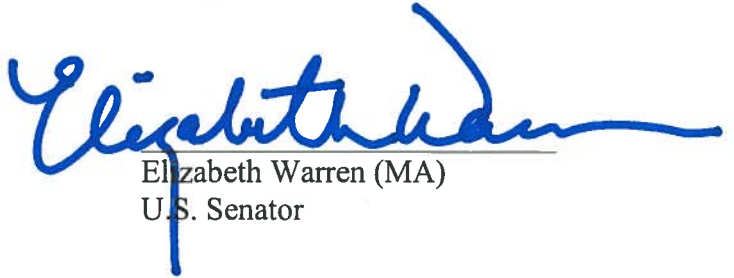
Joseph P. Kennedy, III (MA-04)  
Member of Congress



Edward J. Markey (MA)  
U.S. Senator



Richard E. Neal (MA-01)  
Member of Congress



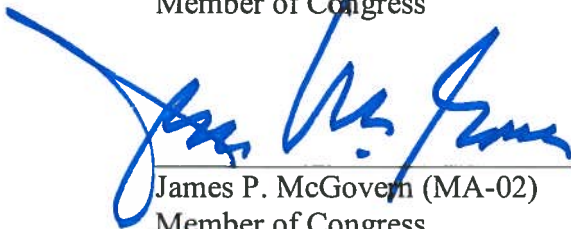
Elizabeth Warren (MA)  
U.S. Senator



William R. Keating (MA-09)  
Member of Congress



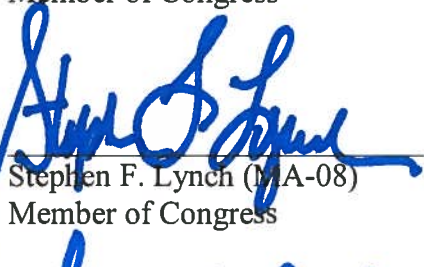
Bernard Sanders (VT)  
U.S. Senator



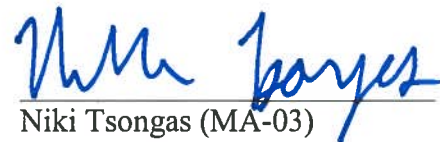
James P. McGovern (MA-02)  
Member of Congress



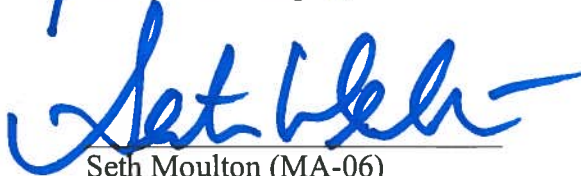
Michael E. Capuano (MA-07)  
Member of Congress



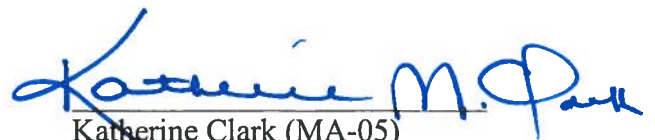
Stephen F. Lynch (MA-08)  
Member of Congress



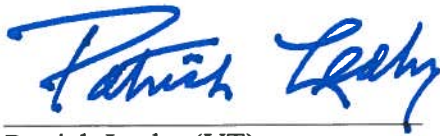
Niki Tsongas (MA-03)  
Member of Congress



Seth Moulton (MA-06)  
Member of Congress



Katherine Clark (MA-05)  
Member of Congress



Patrick Leahy (VT)  
U.S. Senator



Sheldon Whitehouse (RI)  
U.S. Senator



Richard Blumenthal (CT)  
U.S. Senator



Jack Reed (RI)  
U.S. Senator



Peter Welch (VT-AL)  
Member of Congress



James Langevin (RI-02)  
Member of Congress



David Cicilline (RI-01)  
Member of Congress