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January 19, 2024

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Re: *Alternative FCM Commitment Horizons: Feedback on Whether ISO Should Develop a Prompt Proposal and Introduce an Additional Delay for FCA 19*

The Massachusetts Attorney General's Office (AGO) would like to thank the ISO New England (ISO) team for taking advantage of the pause of the Resource Capacity Accreditation (RCA) initiative to consider broader reforms to the capacity market, and specifically, whether to pursue a prompt and/or seasonal capacity market. The AGO also appreciates the invitation to provide feedback on whether the ISO should develop a prompt proposal and introduce an additional delay for FCA 19 and submits the following feedback and recommendations.

ISO engaged Analysis Group (AG) to evaluate the tradeoffs associated with a move to a prompt and/or seasonal capacity market framework, and to recommend a path forward for the region.¹ While the AGO is still reviewing AG's findings, we reiterate our support for the development of a seasonal capacity market for FCA 19. A seasonal capacity market, among other benefits, would allow ISO to address the region's unique winter reliability challenges more precisely by separating reliability requirements for the summer and winter seasons.²

Additionally, the AGO continues to have significant concerns about ISO's proposed derating approach for accrediting non-firm gas resources because it would accredit non-firm gas resources differently from other resources, including over-accrediting some non-firm gas resources, and could dull incentives for resources to appropriately contract for firm fuel. Recent ISO presentations indicate that the development of a seasonal market construct for FCA 19 could obviate the need for ISO's proposed derating approach in favor of a fully marginal market constraint approach to non-firm gas resource accreditation.³ The opportunity to bypass ISO's

¹ See, e.g., https://www.iso-ne.com/static-assets/documents/100007/a08b_mc_2024_01_09_11_agi_presentation.pdf.

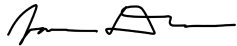
² See, e.g., *Capacity Resource Accreditation for New England's Clean Energy Transition, Report 2: Options for New England*, at 1, 5, Samuel A. Newell, Kathleen Spees, and John Higham, The Brattle Group (June 28, 2022). <https://www.brattle.com/wp-content/uploads/2022/06/Capacity-Resource-Accreditation-for-New-Englands-Clean-Energy-Transition-Report-2-Options-for-New-England.pdf>.

³ ISO Memorandum, Gas Resource Accreditation Under RCA Reforms (January 4, 2024). https://www.iso-ne.com/static-assets/documents/100007/a07b_mc_2024_01_09_11_gas_design_memo.pdf.

transitional derating approach would be a substantial benefit to the development of a seasonal capacity market proposal for FCA 19. Therefore, we request that as part of its February presentation regarding whether to develop a prompt proposal for FCA 19, ISO address, to the greatest extent possible, the feasibility of developing a prompt/seasonal proposal for FCA 19 that incorporates ISO's marginal market constraint approach.

While the AGO is still weighing the tradeoffs of a prompt market, the AGO recognizes that, ultimately, stakeholder support for any prompt (and prompt/seasonal) market design will depend on the market design details. Moreover, the AGO agrees with other stakeholders that implementing capacity market reforms in a single step would provide significant efficiencies compared to phasing in reforms incrementally across multiple auctions with transitional market designs in between. At the same time, we recognize that the expanding scope of capacity reforms could increase project implementation risk, and the difficult situation that could arise if FCA 19 is further delayed for the development of a prompt/seasonal market design that is not completed in time or rejected by FERC. Accordingly, once stakeholders vote on the ISO's recommendation, we encourage the ISO to release as much of its impending market design as quickly as possible for stakeholder review and feedback.

Thank you again for your efforts, and we look forward to hearing ISO's recommendation next month.



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