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Re: Addressing Capacity Accreditation Earlier under the CAR Work Plan

At the October 16, 2024, Markets Committee meeting, ISO-NE presented the CAR project's scope, schedule, and potential future roadmap. We would like to thank and extend our appreciation to the ISO for considering previously submitted feedback specifically as demonstrated by its addition of scope to further assess the accreditation framework and consider potential improvements. In that presentation, ISO-NE shared a preliminary schedule that envisioned developing prompt auction reforms from the beginning to the end of 2025, and seasonal and accreditation reforms from the end of 2025 to the end of 2026.¹ ISO-NE's preliminary schedule estimates that initial impact analysis results would be available at the beginning of 2026 at the earliest, with final results not available until the end of 2026, right before ISO-NE files the seasonal and accreditation reforms at FERC.

While we understand the significant task the region has ahead of it and the complexity of scheduling a large project, we believe the accreditation reforms will require more time than ISO-NE has devoted in its preliminary schedule and we have significant concerns about the proposed timeline. In light of the time that has passed since ISO-NE last provided education, the complexity of the topic, and the profound impact accreditation results will have on consumer costs and incenting a low-carbon resource mix, we strongly recommend that ISO-NE commence work on the accreditation topics in Q2 of 2025. In addition, ISO-NE should adjust its schedule so

¹ [*Capacity Auction Reforms: Discussion of Project Scope, Schedule, and Introduction of Future Roadmap*](#), ISO-NE (October 16, 2024), slides 26-27.

that it can share final Impact Analyses by Q2 2026, as ISO-NE's previous Impact Analysis on accreditation is no longer applicable.

While ISO-NE has completed early work on accreditation, we believe accreditation will continue to be the most complex and impactful piece of the CAR project. It took ISO-NE and stakeholders over two years to arrive at an initial proposal in the summer of 2023, and even after those years of discussion, many stakeholders felt there were gaps in the design, analysis, and education regarding the proposal. In many stakeholders' eyes, one of the benefits of delaying FCA19 would be an opportunity to continue to hone the RCA design, addressing these gaps and providing stakeholders the opportunity to offer additional feedback.

Furthermore, ISO-NE has not provided stakeholder education on this issue since accreditation reforms were paused roughly one year ago. Education is vital because the accreditation methodology under consideration is complex and highly dependent on data inputs and assumptions that stakeholders do not readily have accessible, especially given that stakeholders have previously expressed interest in, and concern about, understanding the underlying drivers of the significantly derated accreditation values for certain resource classes (i.e. energy storage, demand response, hybrids, and DERs serving as Active Demand Capacity Resources ("ADCRs")).



We believe the region would benefit from sessions early in the process reviewing two fundamental topics: resource adequacy modeling (including a discussion of the available tools and the data flow from the inputs to the outputs of the models) and marginal reliability impact generally (without a detailed discussion of the design). Like how the technical sessions in the fall of 2021 and the initial framework discussions in the spring of 2022 contextualized the design discussion for the RCA project, a review of these topics in early 2025 will set a solid foundation for conversations regarding the detailed design. This education could take place prior to more detailed design work by ISO-NE staff. We are concerned that the time allocated to design accreditation alongside seasonal considerations will not give this topic the committee time for the education and discussion it deserves.

While we recognize that aspects of accreditation cannot move forward without an informed prompt and seasonal design, there are many aspects of the current accreditation framework that will remain relevant and applicable. We do not object to ISO-NE's proposal to begin with prompt auction reforms and file them separately. Using committee time earlier in 2025 to re-establish the educational groundwork on accreditation will ensure that stakeholders and staff are well prepared to move quickly on accreditation under a seasonal market design once the prompt design is completed. Other stakeholders beyond the undersigned organizations across NEPOOL also expressed this view during previous Market Committee meetings and again during the sector meetings with the Board and state officials this week.

Shifting the final Impact Analysis closer in time and beginning accreditation discussions sooner would have several additional benefits. First, it would provide greater certainty for projects determining their commercial viability before proceeding into the market and result in more efficient market entry. Second, if unexpected complications arise during the initial results of the Impact Analysis, as has previously occurred, or should stakeholder discussions warrant additional committee time, then there will be a modest buffer period to reach resolutions. Finally, given the complexity of the topic and sheer amount of committee time spent on accreditation in years past, additional time will result in better feedback and stakeholder engagement, improved market design, and minimized risk of litigation at FERC. Stakeholders need to have a solid foundation in ISO-NE's proposal (particularly for a new market concept), time to understand the potential impacts, and the opportunity to meaningfully engage with ISO-NE and other stakeholders, including the opportunity to present amendments. Based on the amount of discussion of a seasonal construct garnered at the last MC, we anticipate that this would be a monumental effort to undertake in just a year for just the seasonal portion of the CAR project, let alone seasonal and accreditation. We are concerned that a significant portion of the time that ISO-NE has proposed to allocate towards this topic will need to be dedicated to education and presenting impacts given their complexity, which will leave little time for stakeholder advocacy. Bringing the timeline forward will mitigate this risk.

In conclusion, we urge the ISO to reconsider the timeline and commence work on accreditation topics in Q2 2025 and consequently share the results of the impact analysis by Q2 2026. We note that the ISO has built in time later this year for a "Design Reset/Refresher" under the CAR scope as a whole.² It is our hope that the ISO can use this opportunity to consider this feedback and modify the capacity accreditation timeline under the work plan before the project work commences. Thank you for considering this feedback and for all of the ISO's continued work and commitment to making improvements to the capacity market.

Sincerely,

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² *Id* at slide 27.

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