

Consumer Liaison Group Meeting Summary

March 1, 2018

Introduction

The **Consumer Liaison Group (CLG)** is a forum for sharing information between ISO New England (the ISO) and electricity consumers in New England. The CLG meets quarterly and attracts a diverse group of roughly 75-100 attendees at each meeting. Meetings are free and open to the public. Participants generally include consumers and consumer representatives (including state consumer and ratepayer advocates), state business and industry associations, chambers of commerce, individual businesses, trade groups, nonprofit organizations, and other end users. Several New England Power Pool (NEPOOL) members and state regulators are also regular, active participants in CLG discussions.¹ The focus of the CLG is on the concerns and needs of commercial, industrial, and nonprofit electricity end users.

CLG meetings generally follow the same format:

- **Opening remarks** from a keynote speaker—typically, an industry or business executive, policymaker, or regulator—who provides a unique perspective on a particular topic or issue
- **A representative from the ISO**, who provides an update on regional energy issues and initiatives that have or will be taking place at NEPOOL and ISO stakeholder meetings that can have an impact on electricity prices
- **A panel discussion**, often representing industry, the ISO, regulators, and consumer perspectives, facilitated by a moderator

The following is a brief summary of the meeting held on **March 1, 2018** in New Castle, New Hampshire. The topic, keynote speaker, moderator, and panelists were selected by the Consumer Liaison Group Coordinating Committee (CLGCC). The meeting summary is intended to capture the general discussions that took place at the meeting, but does not necessarily reflect the views of the ISO or the CLGCC.

March 1: How Have the Region's Wholesale Electricity Markets Evolved Over Time? Why Should Consumers Care?

Meeting objective: Discuss the evolution of New England's wholesale electricity markets and their impacts on consumers

Welcoming Remarks: Rebecca Tepper, the chair of the Consumer Liaison Group Coordinating Committee (CLGCC) and chief of the Energy and Telecommunications Division at the Massachusetts Attorney General's Office, offered welcoming remarks. She said the Coordinating Committee had recently held a retreat to discuss the group and that they came away with three main goals. First, they intend to send post-meeting emails to the CLG distribution list providing a summary of the meeting and links to all the meeting materials. Second, they want to explore different ways for the CLG to create additional opportunities for members of the CLG to talk more directly with ISO New England staff. And, third, the group wants to

¹ NEPOOL is a group formed in 1971 by the region's private and municipal utilities to foster cooperation and coordination among the utilities in the six-state region for ensuring a dependable supply of electricity. Today, NEPOOL members are ISO stakeholders and market participants. More information is available at www.nepool.com.



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enhance its social media presence using its new Twitter handle. The CLG can be followed on Twitter at @CLG_NE.

Opening Remarks: Michael Giaimo, Commissioner, New Hampshire Public Utilities Commission

Michael Giaimo, Commissioner at the New Hampshire Public Utilities Commission, shared remarks titled, "Observations from the Past Decade: A Look at the CLG and the Regional Power System." New Hampshire Governor Christopher Sununu appointed Giaimo to the post in August 2017.

Giaimo said that the CLG was founded to help inform and engage the consumers who use and pay for electricity in the region, but that ISO New England itself also benefits from direct communications with consumers and their advocates because it allows the ISO staff to better understand issues of concern to the people who use the electric system.

The CLG has accomplished a lot in a "relatively short timeframe," Giaimo said, citing the following statistics: in nine years, the CLG has hosted 36 meetings, with a total of approximately 2,000 attendees and 150 speakers and presentations. Five FERC commissioners have addressed the group, as have two governors, one state treasurer, one attorney general, and one U.S. Representative. Giaimo also noted that in addition to the quarterly meetings the ISO provides a variety of publications that can be helpful to consumers, including the annual report of the CLG, the monthly issues memo to the states, and analyses of wholesale and retail electricity rates. He also made three suggestions for the CLG to be even more successful in the future:

- Try co-hosting with state and local chambers of commerce
- Consider outreach to members of the local energy bar associations and renewable and sustainable energy associations, and other pertinent groups
- Consider inviting members of germane legislative committees

Giaimo said that the wholesale markets have benefitted the region as a whole, and that those markets and the six states' public policies have changed the region's resource mix. A key reason the region restructured was to empower consumers, he said. Competitive markets have also resulted in billions of dollars being invested in New England and shielded ratepayers from bad investment decisions, he said.

"The system of captive ratepayers being susceptible to stranded costs has been replaced by developers and their shareholders bearing the risk and reward associated with the building, operating, and maintaining a generating resource," he said.

Giaimo concluded his presentation with a quiz that tested participants' knowledge of the region and the bulk electric system. His presentation is available on the ISO [website](#).

Giaimo also took questions from the audience on topics including renewable energy and negative pricing in the wholesale energy markets.

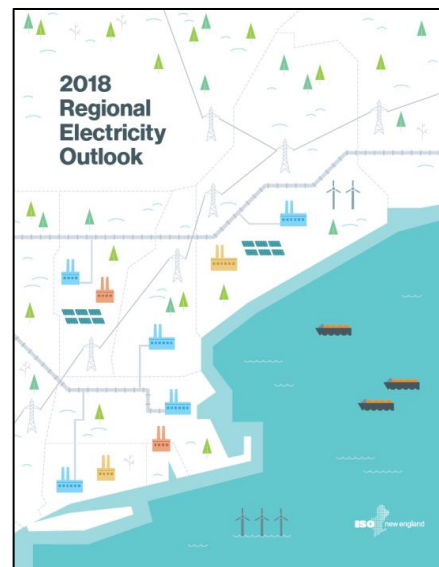
ISO New England Update

Anne George, Vice President for External Affairs and Corporate Communications at ISO New England, provided the ISO New England update. Her entire presentation is available on the ISO [website](#), and highlights include:

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- **Publications** — Several new publications are now available, including:
 - **2018 Regional Electricity Outlook**, which provides an in-depth look at New England's biggest challenges to power system reliability, and the solutions the region is pursuing
 - **The New England Power Grid Profile**, which provides key grid and market stats on how New England's wholesale electricity markets are securing reliable electricity at competitive prices
 - **New England State Profiles**, which provide state-specific facts and figures relating to supply and demand resources tied into the New England electric grid and state policies transforming the resource mix in the region
 - The **2017 Report of the Consumer Liaison Group**, which includes meeting summaries, priorities of the CLGCC, and an analysis of wholesale and retail electricity rates



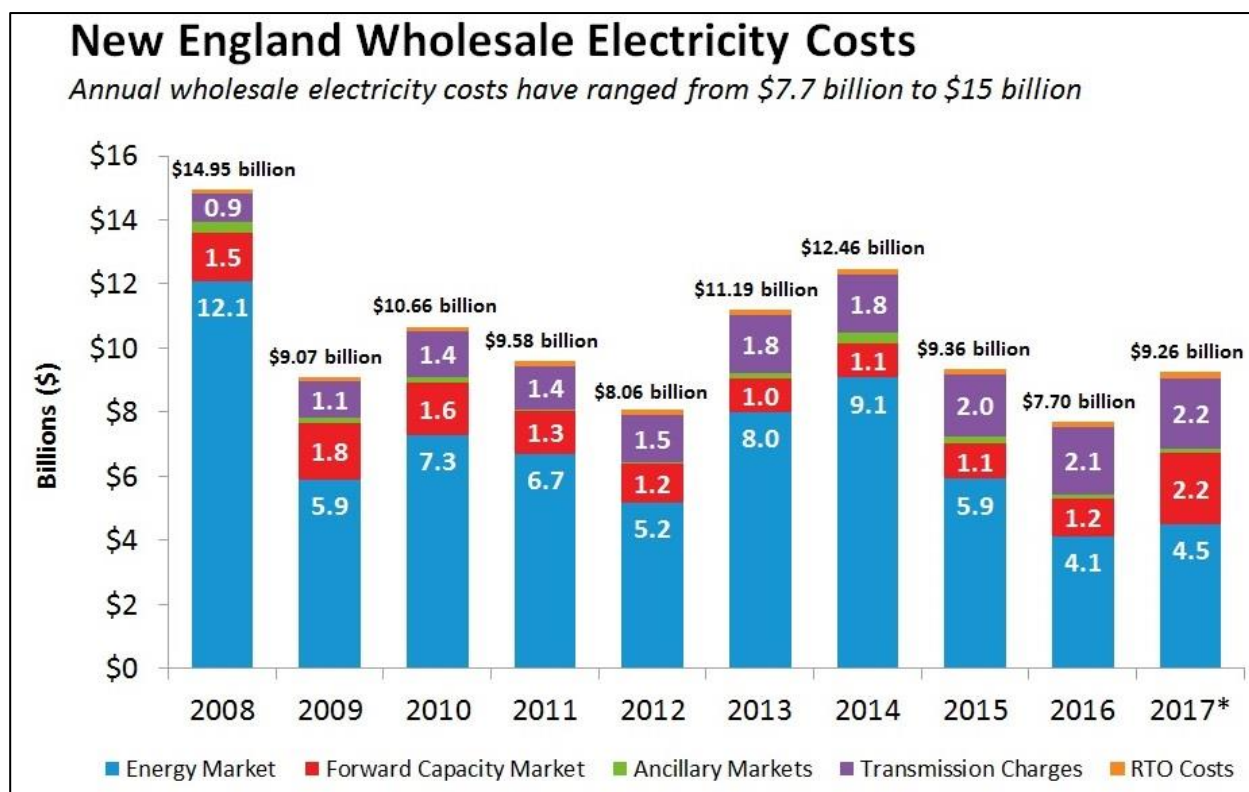
- ISO New England's **Operational Fuel-Security Analysis** — In January, the ISO released the results of its Operational Fuel-Security Analysis, a study assessing whether possible future resource combinations would have enough fuel to ensure bulk power system reliability throughout an entire winter. The results indicate that maintaining reliability is likely to become more challenging, especially if current power system trends continue. In particular, there were six major conclusions:
 - **Outages:** The region is vulnerable to the season-long outage of any of several major energy facilities.
 - **Stored fuels:** Power system reliability is heavily dependent on LNG and electricity imports; more dual-fuel capability is also a key reliability factor, but permitting for construction and emissions is difficult.
 - **Logistics:** The timely availability of fuel is critical, highlighting the importance of fuel-delivery logistics.
 - **Risk trends:** All but four scenarios result in fuel shortages requiring rolling blackouts, indicating the trends affecting New England's power system may intensify the region's fuel-security risk.
 - **Renewables:** More renewable resources can help lessen the region's fuel security risk, but are likely to drive coal and oil-fired generation retirements, requiring higher LNG imports to counteract the loss of stored fuels.
 - **Positive outcomes:** Higher levels of LNG, imports, and renewables can minimize system stress and maintain reliability; to attain these higher levels, delivery assurances for LNG and electricity imports, as well as transmission expansion, will be needed.
- **Forward Capacity Auction #12** — The ISO filed with the Federal Energy Regulatory Commission (FERC) its finalized results of the 12th Forward Capacity Market (FCM) auction (FCA #12), which was conducted on February 5 and 6. The auction procured 34,828 megawatts (MW) of capacity for 2021–2022. The auction acquired 30,011 MW of generation, including 174 MW of new generation, primarily in increased output at existing power plants. The auction also procured

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514 MW of new energy-efficiency (EE) and demand-reduction (DR) measures. In all, about 3,600 MW of EE and DR cleared. The FERC filing includes a list of resources that have an obligation to be available in 2021–2022. The auction clearing price was \$4.63 per kilowatt-month (kW-month) for all resources within New England and imports from New York. Most imports from Québec will be paid \$3.70/kW-month and imports from New Brunswick will be paid \$3.16/kW-month. The estimated cost of the capacity market in 2021-2022 will be approximately \$2.07 billion.

- Wholesale Electricity Costs in New England** —New England’s wholesale electricity prices in 2017 were the second-lowest in 15 years, following 2016, which holds the record for the lowest average annual price since 2003. As described in the chart below, capacity market costs increased in 2017 due to higher clearing prices in FCA #8 amid significant resource retirements. (FCA #8 was held in February 2014 to procure the capacity resources needed in the 2017-2018 timeframe.)



Source: 2017 Report of the Consumer Liaison Group

* 2017 data is preliminary and subject to resettlement

At the conclusion of her presentation, George took questions on topics that included the future of baseload generation, the recent fuel-security analysis, and the ISO’s role in the electric generator retirement process.

Panel Discussion

Gus Fromuth, Managing Director of Freedom Energy Logistics and member of the CLG Coordinating Committee, moderated a panel of energy industry representatives to discuss the evolution of New England’s wholesale electricity markets and their impacts on consumers.

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Panelists included: Senator **Andy Sanborn** (R-Bedford), Chairman, Ways and Means Committee, NH State Senate; **Carl Gustin**, Senior Advisor, Salient Point LLC; **Jonathan Peress**, Senior Director, Energy Market Policy, Environmental Defense Fund; and **Tanya Bodell**, Executive Director, Energyzt.

Their presentations can be found in their entirety on the ISO [website](#).

Andy Sanborn said that the majority of people's business challenges originate with elected officials, and he encouraged those in attendance to engage in the legislative process so their needs are better addressed. He said that the Governor's Office of Strategic Initiatives is close to finishing the state's updated 10-year energy plan and he believes that it will focus on making energy more affordable for the businesses and residents of the Granite State. He also cautioned energy developers against trying to use eminent domain to build their projects.

Carl Gustin discussed the ways the electric system will need to change in order to meet the carbon reduction goals of the New England states. He said it can be difficult to plan for long-term needs because often forecasts and studies are not able to predict what change politics and innovation will produce. Also, as state officials attempt to find ways to achieve their carbon reduction goals, he said that utilities are well suited to invest in renewable energy because of their access to private capital and their relationships with consumers.

Jonathan Peress noted that environmental concerns often go hand-in-hand with the needs of consumers. He said that the natural gas markets lack transparency, do not value variability, and are structured in a way that do not allow for an efficient buildout of infrastructure to serve natural-gas-fired generators. The natural gas markets need to evolve, he said, so that it can make more business sense for natural-gas-fired electric generators to pay for natural gas infrastructure.

Tanya Bodell said that energy prices are significantly lower than twenty years ago, but retail prices have increased. She said that the retirement of baseload generators in the region has given way to many new, more efficient resources, but that the New England states will not be able to reach their carbon reduction goals without addressing the heating and transportation sectors. She said that markets are working, and changing technologies will alter the operation of energy resources. These developments will drive change in business models and market rules. She also said that consumers will be able to play bigger roles in the energy markets in the future.

A question and answer session followed, touching on the role of markets in ensuring reliability and the details of the ISO's Forward Capacity Market.