



Gordon van Welie
President and Chief Executive Officer

February 27, 2020

The Honorable Sheldon Whitehouse
530 Hart Senate Office Building
Washington, DC 20510

The Honorable Edward Markey
255 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Bernard Sanders
332 Dirksen Senate Office Building
Washington, DC 20510

Dear Senators Whitehouse, Markey, and Sanders:

Thank you for your February 19 letter regarding the potential for the New England region to price carbon emissions through its wholesale electricity markets. I know we all share a significant interest in ensuring that the region is able to meet its electric reliability needs as New England states further their renewable energy and carbon reduction goals. I also appreciate the opportunity to meet with Senator Whitehouse on February 24 to discuss the benefits of carbon pricing as a mechanism to help fulfill the states' goals for economy-wide de-carbonization and deployment of renewable energy on a large scale.

As I mentioned in my November 21, 2019 letter, in general, pricing carbon through regional wholesale markets "is a simple and easily-implemented mechanism for reducing (or eliminating) carbon and sparking a clean energy transition." ISO New England has articulated its position on this issue for some time, including before a panel of the U.S. House of Representatives Committee on Energy & Commerce in July 2017, when I noted "for several years, ISO New England has voiced support for pricing carbon as an efficient means to meet carbon reduction goals while continuing to harness the benefits of competition through wholesale markets." Earlier in 2017, during the regional Integrating Markets and Public Policy discussions, ISO New England referred to a carbon price as faring well "on key market design criteria – simplicity, transparency, and cost-effectiveness."

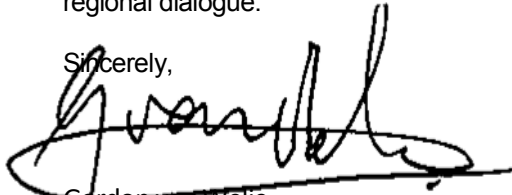
Pricing carbon could be implemented by state or federal policy including through the existing Regional Greenhouse Gas Initiative structure. In general, putting a realistic price on carbon emissions will raise energy market revenues, favoring the operation of resources that reduce carbon, thus driving the clean energy transition desired by states while improving the overall efficacy of the existing market structure. Carbon pricing has the potential to be a solution that is relatively seamless in implementation yet effective in helping states meet their renewable energy and carbon reduction goals. The relative ease of implementation is particularly attractive when compared to some of the more detailed market changes we have made in the past (and that may be required in the future) to protect market efficiencies as states take actions outside the wholesale market to meet their policy goals.

While we are supportive of carbon pricing, we are mindful of concerns raised by the New England states regarding a carbon price in the wholesale markets, including limitations on the states' ability to influence a federally-regulated carbon price. We take these concerns seriously and appreciate the relationships we have developed with the states and the New England Power Pool (NEPOOL) stakeholders over the last several decades. Therefore, any effort to study carbon pricing requires further discussion in the regional stakeholder process – a process that is improved with input (like this exchange) from members of the region's Congressional delegation.

In the coming weeks and months, we expect to engage with the New England states and stakeholders on a broader conversation about the future of wholesale electricity markets. I look forward to these discussions and receiving feedback on the optimal way for the region to move forward.

Thank you again for engagement on this issue and I will keep you updated on the progress of the upcoming regional dialogue.

Sincerely,

A handwritten signature in black ink, appearing to read 'G. van Welie', with a large, sweeping flourish at the end.

Gordon van Welie
President & Chief Executive Officer

cc: Heather Hunt, Executive Director, New England States Committee on Electricity
Nancy Chafetz, Chair, New England Power Pool Participants Committee

United States Senate
WASHINGTON, DC 20510

February 19, 2020

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

Dear Mr. van Welie:

We write to follow up on our letter discussing the collective concern that ISO New England (ISO-NE) is pursuing certain changes to the energy market at the expense of the region's environmental goals and related clean energy and energy efficiency policies. We appreciate that you continue to engage with us on this topic and for your response to our letter.

We understand that ISO-NE, the New England States Committee on Electricity (NESCOE), the New England Power Pool (NEPOOL), consumer-owned entities, and other electricity stakeholders continue to engage in dialogue on these critical issues. We are also aware that future reforms to the energy market will require consensus between New England states. We do, however, believe that ISO-NE can and should take a leadership role in developing and studying policies that it purports to support.

For example, in your response to our concerns about the Competitive Auctions with Sponsored Policy Resources (CASPR) program, you stated, "CASPR is a second-best solution and [we] have long advocated that the region instead adopt a carbon price, which is a simple and easily-implemented mechanism for reducing (or eliminating) carbon and sparking a clean energy transition."¹ ISO-NE has also taken the position that "[e]stablishing a realistic price on carbon would be an elegant and simpler way to achieve clean-energy goals through the markets without distortion."² With this in mind, we request ISO-NE study and disseminate results on policies that it appears to support. If ISO-NE believes that the region's clean energy goals can be addressed by integration of a carbon price into the energy market, what is stopping ISO-NE from studying this as a potential policy pathway and ensuring that New England stakeholders have accurate background on these policies?

Other grid operators are showing what can be done. The New York Independent System Operator (NYISO) is developing a proposal that would integrate carbon pricing into its wholesale energy markets. NYISO began this process by studying mechanisms and by engaging with their state's energy policy officials. It recently commissioned a report that found

¹ Gordon van Welie, "Response to your November 18 letter regarding the future of clean energy resources in New England." Received by Senators Whitehouse, Blumenthal, Sanders, Reed, Murphy, Markey, Warren, and King, November 21, 2019.

² Bruce Mohl, "Grid Operator Laments Lack of Action on Carbon Pricing," *CommonWealth*, February 20, 2019.

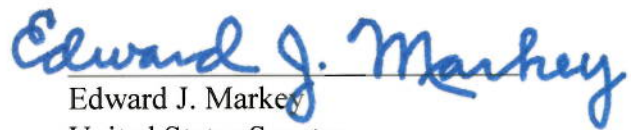
implementing carbon pricing in their wholesale market could decarbonize the region's electric grid by 2040, while providing billions of dollars in economic benefits to the state.³ Its proposal still must be reviewed by the PUC, state policymakers, and by the Governor, but this has not stopped NYISO from taking a leadership role in developing policy ideas that may help inform the debate for how the region can reach its climate targets. In fact, the policy-making role of these officials will be enabled and enhanced by rigorous expert professional recommendations from grid operators.

ISO-NE should commission a similar report to the one released by NYISO on carbon pricing in the energy market and should take a larger leadership role in engaging more proactively in policy development as it pertains to policies, including clean energy and energy efficiency programs, that can help our region meet our state climate targets. Thank you for your continued attention to these issues. We look forward to continuing the dialogue.

Sincerely,



Sheldon Whitehouse
United States Senator



Edward J. Markey
United States Senator



Bernard Sanders
United States Senator

³ Robert Walton, "Carbon Price Could Allay 'Astounding' Cost to Attain New York's Zero Carbon Target: Report," *Utility Dive*, October 4, 2019.