



TO: NEPOOL Stakeholders
October 26, 2020, NEPOOL Markets Committee Meeting

FROM: Bruce Anderson, VP, Market and Regulatory Affairs
New England Power Generators Association, Inc.

DATE: October 23, 2020

RE: NEPGA Proposed Amendments and Estimated Impact on Net CONE Value

NEPGA is proposing several amendments to ISO-NE's proposed Net CONE value for effect beginning in FCA 16, most recently at the October 8 NEPOOL Markets Committee meeting. Several NEPOOL stakeholders have asked NEPGA to estimate the impact each NEPGA amendment, if adopted, would have on the Net CONE value. NEPGA has identified the estimated Net CONE impacts for certain amendments, which are identified in the table below. These estimates are preliminary and in draft form and should not be taken to represent a final NEPGA position on its amendments in the NEPOOL process or in any filing with the Federal Energy Regulatory Commission. For NEPGA's other amendments, it does not presently have estimated Net CONE impacts to provide, as discussed further below.

NEPGA will be available to discuss these estimated impacts at the October 26 NEPOOL Markets Committee meeting, at subsequent NEPOOL meetings, or off-line with any interested stakeholder. NEPGA will make a presentation on each of these amendments (unless adopted by ISO-NE) at the November Markets Committee meeting and a NEPGA Member sponsor intends to ask for a vote on each of these amendments at the November Markets Committee meeting and the December Participants Committee meeting.

NEPGA is also posting to the October 26 NEPOOL Markets Committee materials, a modified version of the discounted flow model used by Concentric Energy Advisors (CEA) in this current Net CONE recalculation process to show the numerical inputs NEPGA proposes as amendments to the Bonus Depreciation line item. NEPGA's numerical inputs derive from analysis and conclusions drawn by Advantage for Analysts (on behalf of NEPGA). As numerical inputs to the model, their calculation cannot be re-produced by stakeholders within the discounted cash flow model – NEPGA thus is providing these values (and their impact on Net CONE) to stakeholders should they wish to look to re-produce any of NEPGA's analysis. NEPGA invites any party to contact Bruce Anderson if it would like to schedule a time to further discuss the discounted cash flow as modified by NEPGA.

I. NEPGA Amendments for Which it Has Estimated the Net CONE Impact

Amendment	Impacted cost inputs and/or revenue offsets	Note	Positive impact on Net CONE (\$/kW-month)
Costs for gas compression on site, including an accounting for a reduction in qualified capacity due to compression parasitic load	Capital Cost Energy revenues Nominal output	The reference unit requires gas compression.	\$0.31
Owner's development costs	Capital Costs	Owner's development costs is a routine line item for developers and other RTO/ISOs.	\$0.33
Owner's late-stage development contingency	Capital Costs	Represents five percent of project costs and subject to change if there any further adjustments to the capital cost estimate.	\$0.39
Bonus Depreciation	Model changes to cash flows	Assumes the Project Sponsor is able to carry forward net operating losses to monetize bonus depreciation.	\$0.15 - \$0.25
Electrical Interconnection	Capital Costs	Based on actual cost estimate of identical scope.	\$0.27

II. Other NEPGA Amendments

NEPGA is awaiting feedback from ISO-NE (or further evaluating modifications ISO-NE has made) before offering an estimated Net CONE impact on the following NEPGA amendments. In the event NEPGA continues to pursue these amendments it will report on their estimated Net CONE impact prior to the November NEPOOL Markets Committee meeting.

1. Gas pipeline upgrades;
2. Network upgrades;
3. Unit degradation;
4. Distance to interconnect.