

To: NEPOOL Markets Committee

From: Mark Karl – Vice President, Market Development & Settlements

Date: September 9, 2021

Subject: Minimum Offer Price Rule (MOPR) Elimination – Stakeholder proposals

In the ISO's May 17, 2021 memo, *Elimination of MOPR and Maintaining Competitive Pricing*, the ISO stated that it would work with the New England states and NEPOOL stakeholders to make a filing with the FEREC to eliminate the MOPR in time for Forward Capacity Auction (FCA) 17. The ISO also noted that the solution space for this filing would be constrained by the time available to finalize the necessary design details in time for a Q1 2021 filing, and the ability to implement changes for FCA 17. At the same time, the ISO also acknowledged further changes are anticipated in the capacity market and the energy and ancillary service markets and those future projects would be undertaken separately.

While the ISO's current proposal underway at the Markets Committee is focused on elimination of the MOPR and addressing related market risks, participants have also raised a notable number of market proposals during the committee discussions. Over the last few months, the ISO has consulted with and provided feedback to each of the sponsors of various conceptual stakeholder proposals. Some proponents have removed their proposals from the MOPR discussions onto separate tracks, while others primarily consist of feedback rather than developed conceptual proposals at this point. Three conceptual proposals still being offered by participants as part of the MOPR stakeholder process are the focus of this memo summarizing the ISO's perspectives.

It is not the ISO's intent with this memo to completely dispense any further discussion of these proposals. Rather, the intent of this memo is to concisely articulate why the ISO needs to discontinue its further conceptual and design feedback at this time within the MOPR elimination stakeholder discussions underway.

FirstLight

The latest version of FirstLight's Capacity Portfolio Performance proposal, presented on August 31, is relatively complex relative to the time available to finalize the necessary and important design details in time for a Q1 2021 filing, and the ability to implement those changes for FCA 17. While the merits of this concept are not yet fully studied, the proposal appears to be independent of the elimination of the MOPR. That is, the proposal does not appear to hinge on the elimination of the MOPR. For these reasons, the ISO does not support including this proposal as a part of its Q1 2022 MOPR filing, and cannot commit to provide further conceptual and design feedback as part of the MOPR elimination stakeholder discussions without risking delays in the planned Q1 2022 filing.

CMEEC/Energy Market Advisors (EMA)

The Balancing Resource Constraint proposal is relatively complex relative to the time available to finalize the necessary and important design details in time for a Q1 2021 filing, and the ability to implement those changes for FCA 17. Furthermore, this proposal appears to be independent of the elimination of the MOPR. That is, the proposal does not appear to hinge on the elimination of the MOPR. The ISO has also indicated this subject would be better addressed when discussing Resource Capacity Accreditation. For these reasons, the ISO does not support including the Balancing Resource Constraint proposal as a part of its Q1 2022 MOPR filing, and cannot commit to provide further conceptual and design feedback as part of the MOPR elimination stakeholder discussions without risking delays in the planned Q1 2022 filing.

The second item brought forward by EMA, covering transition mechanism concepts, lacks sufficient detail at this time, and hence whether or not there is sufficient time available to finalize the necessary design details in time for a Q1 2021 filing, and the ability to implement those changes for FCA 17. While the ISO is open to stakeholder development of and interest in transition mechanisms, the ISO does not support re-instating a price floor mechanism as an alternative to eliminating the MOPR, and could not support that as a part of any transition proposal.

Jericho Power

Several areas of consideration and feedback have been offered by Jericho Power during the committee discussions. The Demand Curve Scaling Factor proposal and the Pay for Performance (PFP) and accreditation modifications discussed are relatively complex relative to the time available to finalize the necessary design details in time for a Q1 2021 filing, and the ability to implement those changes for FCA 17. Furthermore, these proposals appear to be independent of the elimination of the MOPR. That is, the proposals do not appear to hinge on the elimination of the MOPR. The ISO has also indicated accreditation would be better addressed when discussing Resource Capacity Accreditation. For these reasons, the ISO does not support including this proposal as a part of the Q1 2022 MOPR filing, and cannot commit to provide further conceptual and design feedback as part of the MOPR elimination stakeholder discussions without risking delays in the planned Q1 2022 filing.

The ISO appreciates and welcomes stakeholder feedback on its proposals, and is open to considering alternative approaches. It balances this input in light of the scope and timing of the MOPR elimination project, which seeks to be responsive to the conditions it observes in the region. The ISO looks forward to future forums and discussions that may provide additional opportunities to continue the dialogue.