



memo

**To:** NECPUC

**From:** Eric Johnson, Director, External Affairs, ISO New England

**Date:** June 30, 2023

**Subject:** Update on Recent and Upcoming Regional Activities

The ISO's External Affairs Department prepares this memo to provide updates on regional energy issues. It includes stakeholder and industry meetings that may be of interest.

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### **Reports from ISO Chief Executive Officer and Chief Operating Officer**

The ISO's chief executive officer (CEO) and chief operating officer (COO) provide regular reports at the monthly NEPOOL Participants Committee (PC) meetings. The CEO report provides an opportunity for NEPOOL stakeholders and public officials to hear directly from, and ask questions of, ISO CEO Gordon van Welie regarding recent board meetings and activities. On June 27, the CEO report summarized ISO board and board committee meetings since the last Participants Committee Meeting (Pg. 6 of the [Composite Materials](#)). Items discussed at board and board committee meetings included the ISO's financial performance against the 2023 budget, and the preliminary 2024 operating and capital budgets; market performance during December and February cold weather events; the Internal Market Monitor's draft annual markets report; the External Market Monitor's draft annual markets report; and the Company's strategic plan.

The [June COO report](#) by Vamsi Chadalavada, Executive Vice President and Chief Operating Officer, provided a summary of May market values, Day-Ahead and Real-Time Prices, Transactions, Net Commitment Period Compensation (NCPC), Monthly Price-Responsive Demand (PRD), and Forward Capacity Market (FCM) highlights.

At the June PC Meeting, Dr. Chadalavada also provided a Resource Capacity Accreditation (RCA) Update. Chadalavada reviewed and discussed the ISO's stated objectives, and solicited preliminary stakeholder feedback on potential options for proceeding forward. The update coincides with the [RCA Update and Options memo](#) that was shared with the NEPOOL Participants, Markets, and Reliability Committees on June 14.

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### **FERC Convenes Second New England Gas-Electric Forum in Portland, Maine**

FERC convened a [Commissioner-led forum](#) on June 20 in Portland, Maine to discuss possible solutions to the electricity and natural gas challenges facing the New England region. The forum continued conversations from the first gas-electric forum held in September 2022. FERC invited ISO New England senior leadership and staff to present on several panels, including presentations and discussions on analysis of upcoming winters of 2023/24 and 2024/25, the Operational Impacts of Extreme Weather Events analysis conducted in coordination with the Electric Power Research Institute (EPRI), potential infrastructure development solutions, potential market design solutions, and key takeaways from the panel discussions. At the June PC meeting, stakeholders, states and the ISO discussed the forum and next steps on additional analysis and potential paths to mitigate energy adequacy risks. More information about the forum is available on the [FERC website](#).

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### **Federal Energy Regulatory Commission (FERC) Update**

#### *FERC Issues Request for Extreme Weather Vulnerability Assessments*

FERC [adopted a reporting requirement](#) for transmission providers to file one-time informational reports describing their current or planned policies and processes for conducting extreme weather vulnerability assessments. Reports should include how transmission providers plan to establish a scope, develop inputs, identify vulnerabilities and exposure to extreme weather hazards, and estimate the costs of impacts in their extreme weather vulnerability assessments, as well as how they use the results of those assessments to develop risk mitigation measures.

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### **Federal Affairs Update**

#### *Debt Ceiling Legislation Passes and Requires Interregional Transmission Planning and Permitting Reforms*

On June 3, President Biden signed legislation to raise the nation's debt ceiling to avoid default on the federal government's debt. Related to energy, the legislation requires the North American Electric Reliability Corporation (NERC), as the Electric Reliability Organization (ERO), to conduct a study of total transfer capability between transmission planning regions, in consultation with the regional entities and transmitting utilities that are defined in the Federal Power Act. Also included in the legislation are permitting reform provisions that set two-year time limits for environmental impact statements required under the National Environmental Policy Act (NEPA), and one-year time limits for environmental assessments.

#### *House Energy and Commerce Hearing with FERC Commissioners*

On June 13, the House Energy and Commerce Committee's Subcommittee on Energy, Climate, and Grid Security held a [hearing](#) with all four FERC Commissioners entitled "Oversight of FERC: Adhering to a Mission of Affordable and Reliable Energy for America." Issues discussed included federal siting authorities related to electric transmission, reliability challenges related to the evolving mix of grid resources, interconnection queue policies, and the role of ancillary services.

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### **ISO New England Presented Preliminary 2024 Budget to State Agencies**

On June 23, ISO New England presented its preliminary 2024 operating and capital budgets to the New England states, with a follow up meeting scheduled for August 11. The ISO will also be presenting the budget to the NEPOOL Budget & Finance Subcommittee on August 11. The New England states have opportunities to submit questions and comments on the proposed budget before the ISO submits its final proposal to FERC in October. The ISO's budget year follows the calendar year.

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### **ISO 101 Training for Public Officials Scheduled for October 3**

Preparations are underway for the annual "ISO 101" training for public officials and staff covering the ISO's major responsibilities. The ISO will host the session Tuesday, October 3 at the ISO's facilities in Holyoke, Massachusetts. Additional details, including registration information, will be available soon. Please contact Marissa Ribeiro Dahan with any questions ([mrbeirodahan@iso-ne.com](mailto:mrbeirodahan@iso-ne.com)).

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### **New England States Propose Collaboration with U.S. Department of Energy for Interregional Transmission Planning**

All six New England states plus New York and New Jersey submitted a joint [request](#) to the U.S. Department of Energy (DOE) to establish a "Northeast States Collaborative on Interregional Transmission" to explore increased interconnection between regions, with a focus on offshore wind. The request includes technical expertise as well as funding from the DOE to support increased interconnectivity between the signatories. The Northeast ISOs (ISO-NE, NYISO and PJM) submitted a [joint letter](#) to DOE offering to assist DOE and the states in support of the proposed Collaborative.

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### **ISO Adds Net Imports, Emissions, and Behind-the-Meter Solar Information to Mobile App**

With recent updates to the [ISO to Go](#) mobile app, users can now view net imports, as well as estimates of behind-the-meter solar production and power system emissions. Previously this information was only available on the [ISO Express dashboard](#). More information on these changes is available on [ISO's Newswire](#).

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### **ISO New England Launches Educational Campaign**

ISO's new educational campaign called "[We are ISO New England](#)" is designed to help explain how the region's power grid works and how, by working together, we will get to our clean energy future. Two animated videos were created to jumpstart this awareness campaign - visit [iso-ne.com/learn](https://iso-ne.com/learn) to view the videos and learn more.

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### **Internal Market Monitor Issues Primer on New England Wholesale Markets**

The Internal Market Monitor (IMM) recently published "[An Overview of New England's Wholesale Electricity Markets](#)," a primer explaining the fundamentals of New England's wholesale energy markets. Over the course of a year, the IMM publishes four quarterly reports and an annual report, which provide detailed and comprehensive analyses of New England's wholesale energy markets. At times, the complexity of these reports can make them challenging to comprehend and some readers may need additional background information. This primer aims to bridge that knowledge gap by explaining the fundamentals of the various markets and products covered in those reports.

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### **Internal Market Monitor Releases 2022 Annual Markets Report**

On June 6, the ISO's IMM released its [2022 Annual Markets Report \(AMR\)](#). Each AMR assesses the state of competition in the wholesale electricity markets operated by the ISO. The report addresses the development, operation, and performance of the wholesale electricity markets and presents an assessment of each market based on market data, performance criteria, and independent studies.

Report highlights include:

- The annual average day-ahead price of \$86/MWh was almost 90% higher year-to-year, and was the highest since the market was implemented in 2003;
- The price of natural gas, \$9.32/MMBtu, was more than double the previous year's price, and was the highest average price since 2008. Prices were driven by a combination of market conditions and events at the national and international level;
- The total wholesale cost of electricity was \$16.7 billion, the equivalent of \$140 per MWh of load served. This increase was driven by higher energy costs, which represented 70% of wholesale costs, an increase from 55% share in 2021; and
- Net interchange (imports) averaged 1,914 MWs per hour, a year-to-year decrease of 11%.

The IMM includes economists, engineers, statisticians, and analysts. It functions independently of ISO management and reports directly to the ISO Board of Directors' Markets Committee. Along with regular market assessments and reporting, the IMM is responsible for the daily detection and mitigation of the effects of any anti-competitive behavior in the wholesale electricity markets or market products. In

addition to the AMR, the IMM issues quarterly markets reports. All reports are available publicly on the IMM webpage. On June 12, the ISO's IMM, Dave Naughton, provided state and federal regulators an annual review of the operations of the wholesale electricity markets administered by the ISO covering the most recent operating year – January 1 to December 31, 2021.

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### **Markets Committee Update**

The NEPOOL Markets Committee (MC) met on [June 6](#). The meeting included presentations discussed in detail below along with a [discussion](#) on the Internal Market Monitor's 2023 Winter Quarterly Markets Report. Meeting materials are available on the [MC webpage](#).

#### *Resource Capacity Accreditation (RCA) in the Forward Capacity Market (FCM)*

ISO staff provided a [status update](#) on the RCA in the FCM project. The ISO identified a GE software error that significantly understated the amount of liquefied natural gas (LNG) allocated to gas generators in the winter risk model. This error affects several months of work on the ISO's proposed gas resource accreditation approach and also invalidates the initial results of the impact analysis shared with stakeholders in April. Based on this error and the need for a comprehensive modeling review, the RCA project schedule is delayed and Forward Capacity Auction 19 implementation is impacted. The ISO is performing a further review to ensure there are no other issues. On June 14 the ISO released a [memo](#) to provide an update and potential options for next steps, which was discussed at the June Participants Committee summer meeting. The RCA project proposes improvements to the ISO's accreditation process in the Forward Capacity Market to further support a reliable, clean-energy transition by implementing methodologies that will more appropriately accredit resources based on their contributions to resource adequacy as the resource mix changes.

#### *Day-Ahead Ancillary Services Initiative (DASI)*

ISO staff continued [discussion](#) on proposed revisions to Market Rule 1, including responses and updates to stakeholder questions, and continued discussion of proposed tariff changes. ISO staff additionally [discussed](#) proposed mitigation enhancements for the co-optimized day-ahead energy market, including mitigation-related tariff language addressing stakeholder feedback on cost recovery and consultation provisions. With DASI, the ISO seeks to procure and price the ancillary service capabilities needed to meet real-time energy demand and deliver a reliable, next-day operating plan with an evolving generation fleet.

#### *Forward Capacity Market Retirement Reforms: Bid Price Flexibility*

ISO staff continued [discussion](#) on proposed revisions to Market Rule 1 to incorporate bid price adjustment flexibility for Retirement and Permanent De-List Bids. The proposed changes consist of three elements for retirement and permanent de-list bids, which are: 1) downward price adjustments; 2) conforming changes to summer reliability review groups; 3) conforming changes to the timing of FERC filings. The [MC voted](#) unanimously to recommend that the Participants Committee support the proposed revisions related to incorporating downward bid price adjustment flexibility for retirement and permanent de-list bids. The Participants Committee is expected to vote on the proposed revisions at the June meeting.

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### **Reliability Committee Update**

The NEPOOL Reliability Committee (RC) met on [June 13](#). Discussion included a variety of topics including a Power Supply Planning Committee working group update, generator and transmission applications, proposed plan applications, qualified reactive resource requests, and operating procedures. Meeting materials are available on the [RC webpage](#).

#### *Day-Ahead Ancillary Services Initiative (DASI)*

ISO staff continued [discussion](#) of Tariff-related changes associated with the DASI proposal that fall under the purview of the RC (following the MC meeting). This includes modification of two defined terms and three tariff provisions. DASI will apply new constraints, and procure new products, within the day-ahead market clearing to satisfy key reliability requirements of a secure next-day operating plan. The RC-jurisdictional proposed changes are expected to be voted at the July meeting, with a PC vote anticipated for August. The proposed DASI effective date is March 2025.

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### **Planning Advisory Committee Update**

The Planning Advisory Committee (PAC) met on [June 15](#). The meeting included the presentations discussed in detail below as well as several asset-replacement proposals by the Transmission Owners. Meeting materials are available on the [PAC webpage](#).

#### *Net Installed Capacity Requirements, Representative Net ICRs, and Operable Capacity Analysis*

ISO staff provided an [overview](#) of the results of recently completed Installed Capacity Requirement (ICR)/Net ICR and Operable Capacity (OpCap) Analysis. The analysis included a review of system-wide ICR and Net ICR, Capacity Supply Obligations (CSO) procured in the Forward Capacity Market, and meeting long-term resource adequacy needs. The analysis also included a review of System-Wide OpCap under 50/50 and 90/10 Seasonal Demand Peaks.

#### *Economic Planning for the Clean Energy Transition (EPCET) Pilot Study*

ISO staff provided an [update](#) on the EPCET Pilot Study policy scenario results. The goal of the EPCET study is to prepare ISO models, tools, and processes such that informative and actionable results can be more readily produced in future Economic Study cycles. Under the policy study scenario, the ISO modeled future years (>10-year planning horizon) based on satisfying New England region and other energy and climate policies. The EPCET study will continue to be discussed at the July and August PAC meetings.

#### *RSP Project List and Asset Condition List June 2023 Update*

ISO staff provided an overview of the June 2023 Update to the [RSP's Project and Asset Conditions Lists](#) (RSP project list). The discussion highlighted cost estimate changes since the March 2023 update, and five system upgrades placed in-service since March 2023. The ISO updates the RSP Project List three times per year, in support of the regional planning process.

### *2023 Public Policy Transmission Upgrade Process*

ISO staff [reviewed](#) the steps that have been taken in the 2023 Public Policy Transmission Upgrade (PPTU) process and explained the ISO's determination that a Public Policy Transmission Study (PPTS) is not required for 2023.

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### **Transmission Committee Update**

The NEPOOL Transmission Committee met on [June 23](#). The meeting included discussion of updated [Regional Network Service \(RNS\) rates for 2023 and 2024](#), a [presentation](#) on two proposed conforming Tariff changes associated with the Day-Ahead Ancillary Services (DASI) proposal, as well as an overview of [new features in the ISO mobile app](#).

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### **Consumer Liaison Group Discusses the Challenges of Long-Duration Storage**

The [second quarterly meeting](#) of the [Consumer Liaison Group](#) (CLG) in 2023 took place in Peabody, Massachusetts on June 8. A virtual attendance option was also available. The meeting featured an update from the ISO on regional energy issues and initiatives, and a panel discussion focused on challenges and opportunities of long-duration energy storage, a topic selected by the CLG Coordinating Committee. Meeting materials are posted on the CLG [webpage](#), including the speakers' presentations, a recording of the event, and a summary of the meeting.

The next quarterly meeting of the CLG will take place in Vermont on September 21. Registration will be available on the ISO's website in the coming weeks.

The CLG is a forum for the exchange of information between ISO New England and electricity consumers in New England. Meetings are free and open to the public. Attendees include consumers and consumer representatives (e.g., state consumer and ratepayer advocates), state business and industry associations, chambers of commerce, individual businesses, trade groups, nonprofit organizations, and other end users.

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### **LMPs, Gas Prices Down from Previous Month and Down from Previous Year**

The Average Day-Ahead and Real-Time energy prices for May were \$25.03/MWh and \$23.12/MWh, respectively. Real-Time prices were down compared to the previous month's average (-15% from April 2023) and down from May 2022 (-69%). Day-Ahead prices were lower than the previous month (-13%) and down from the previous year (-67%). Year-over-year, Average Real-Time Load was down slightly (-8%). The average natural gas price in May was \$1.65/MMBtu, down (-16%) from \$1.98/MMBtu in April 2023 and from the previous year (-79% from May 2022). Average Natural Gas Price represents the volume-weighted average price of four ICE indices: Algonquin, Algonquin non-G, Portland, and Tennessee.

The following table illustrates a number of inputs (fuel prices, average temperature, and average real time load) and their impact on electricity price and cost for May 2023, the prior month, and the prior year.



*May 2023 Market Performance Highlights*

INPUTS	Fuel Prices					
	Natural Gas			#6 Fuel Oil		
	\$1.65/ MMBtu	▼(16%)	▼(79%)	\$14.91/ MMBtu	▼(10%)	▼(41%)
	May '23 Avg. Price	vs Apr '23	vs May '22	May '23 Avg. Price	vs Apr '23	vs May '22
OUTPUTS	Weather			Electricity Use		
	Temperature			Avg. Real Time Load		
	59°	▲(16%)	▼(3%)	11,047 MW	▼(2%)	▼(8%)
	May '23 Avg. NE Temp	vs Apr '23	vs May '22	May '23 Avg. Load	vs Apr '23	vs May '22
OUTPUTS	Electricity Prices and Costs					
	Day Ahead LMP			Real Time LMP		
	\$25.03/MWh	▼(13%)	▼(67%)	\$23.12/MWh	▼(15%)	▼(69%)
	May '23 Avg. Hub Price	vs Apr '23	vs May '22	May '23 Avg. Hub Price	vs Apr '23	vs May '22
OUTPUTS	NCPC			Wholesale Electricity Costs		
	\$1.3 m (0.6% energy payments)	▲(7%)	▼(72%)	\$379 m	▼(10%)	▼(61%)
	May '23 Total Payments	vs Apr '23	vs May '22	May '23 Total Costs	vs Apr '23	vs May '22

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**Upcoming NEPOOL Committee Meetings and NECPUC Call Schedule**

Upcoming meetings are now a mixture of in-person meetings and teleconferences; please see committee webpages for more information.

Month	Participants Committee	Markets Committee	Reliability Committee	Planning Advisory Committee	Transmission Committee	NECPUC Conference Call
July	No mtg	11	18, 19	25	18, 19	No mtg
August	3	8, 9, 10	15, 31	16	22	18
September	7	12, 13, 14	19	6, 20	27	22

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**External Conferences and Meetings of Interest**

*July 11, 2023*

Reuters U. S. Offshore Wind Conference

Boston, MA

*ISO Speaker:* Al McBride, Director, Transmission  
Services & Resource Qualification

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