Via electronic submission

September 8, 2023

Mr. James Woods
Secretary, NEPOOL Markets Committee
ISO New England
1 Sullivan Rd.
Holyoke, MA 01040

RE: Deepwater Wind Block Island, LLC comments on Resource Capacity Accreditation in the Forward Capacity Market Considerations for Capacity Commitment Period 2028-29

Dear Mr. Woods,

I. Introduction

Please accept the following comments in response to the August 8th Markets Committee presentation regarding options for Resource Capacity Accreditation (RCA) in the Forward Capacity Market (FCM): Considerations for RCA for Capacity Commitment Period 2028-29 (CCP 19) (collectively FCA 19).

Deepwater Wind Block Island, LLC (Deepwater) owns and operates the 30MW Block Island Wind Farm located off the coast of Rhode Island which has been an active participant in the New England markets since 2016. Deepwater Wind Block Island, LLC is wholly owned by Ørsted Wind Power North America, LLC (Ørsted). Ørsted is committed to continuing to grow its presences in New England and is currently developing the 704 MW Revolution Wind offshore wind project in a joint venture with Eversource. This project will interconnect to Rhode Island and Connecticut. Both Block Island Wind Farm and Revolution Wind have capacity supply obligations from Forward Capacity Auction 17. Thus, Ørsted is impacted by any changes to the capacity market and offers the following comments based on potential impact to offshore wind resources.

ISO-NE has indicated that the changes are needed to the RCA to support the clean energy transition by implementing methodologies that will appropriately accredit contributions to resource adequacy.[1] Deepwater supports the need for the change and appreciates the opportunity to comment on the proposed changes put forth by ISO-NE. ISO-NE has laid out four options for how to move forward with FCA 19, which we summarize as:

- Option 1: Conduct FCA 19 according to the current rules and established timeframes.

[1] See Reliability Committee presentation at a07a_rca_raa.pptx (live.com)

- Option 2: Implement RCA for FCA 19 but hold FCA 19 in 2026.
- Option 2A: Implement RCA for FCA 19 by planning to hold FCA 19 in 2026 but decide in Q3 2024 whether to further delay FCA 19 by two more years such that the capacity market would become a prompt market in FCA 19.
- Option 3: Implement RCA for CCP 19 as well as a prompt/seasonal market design, running FCA 19 in early 2028 instead of the currently scheduled February 2025.

As discussed in more detail below, Deepwater favors option #3. Deepwater agrees with ISO-NE that the move to a seasonal market will further resource adequacy in New England and better recognize the contributions made by specific resources. We support Option #3 as it provides a clear path forward and ensures that the proposed changes will be implemented in a timely manner.[2]

II. General Comments

At the outset, it is important to note that no generation resource, either renewable or traditional, is available all the time. As such, reliability requires that there is sufficient resource adequacy to meet demand and that there is a diversity of fuel mix to provide the necessary attributes to the grid to meet electric system needs. Wind, solar and storage resources are often complementary and, when combined, have the potential to meet demand during most hours of the year. In addition, offshore wind has the potential to supply substantial amounts of clean energy to meet New England's power needs while creating jobs and addressing the climate crisis. Due to stronger ocean winds and larger turbines, offshore wind produces energy even when the wind is not blowing on land. Thus, the consistency and complementary nature of offshore wind power to other renewable resources will enhance reliability, which will prove critical for an increasingly climate-stressed grid. Ørsted has installed more than 1,500 turbines worldwide, many in Europe's North Sea, and we are confident in the ability of offshore wind farms to meet and exceed regional needs.[3] Importantly, offshore wind facilities are also able to perform during severe weather. Block Island Wind Farm has successfully weathered severe weather since coming online in December 2016.

Market rules need to ensure that all resources are able to participate in the markets on a comparable basis and are appropriately accredited for the capacity they contribute to meet the region's resource adequacy needs. At the same time, we recognize that markets need to accommodate state public policy goals. This includes over 8GW of offshore wind procurements in Massachusetts, Connecticut, and Rhode Island. Any new rules governing the region's capacity market should meet both these goals.

[2] Our analysis and our recommendations to ISO-NE is based on the information available to date. Should the release of revised and more detailed RCA information in the system impact analysis significantly impact our analysis then we would appreciate the opportunity to communicate our preferences directly with ISO-NE at a future date.

[3] Our experience in the North Sea has shown that there is enough wind to generate electricity 91% of the time.

III. Option #3 is the best path forward for New England as it will allow the implementation of RCA and the move to a seasonal market simultaneously while providing sufficient time for a robust stakeholder process

Deepwater supports implementation of RCA values for all resources and moving the region to a seasonal market in the shortest amount of time.[4] Of the options put forth for comment, Option #3 appears to provide the best path forward as it provides the certainty in process as well as the time to develop and implement new rules. Under this approach, RCA would be implemented for FCA19; a seasonal market would be created; and the auction would be held in 2028. Below we provide more detail on why we believe implementation of RCA values for all resources and moving the region to a seasonal market in the shortest amount of time are important and why we think option #3 is the best solution.[5]

First, Deepwater recognizes that there is a need to amend the methodology for calculating capacity contributions of resources given the changing resource mix. Given state policy goals and the increasing number of clean energy resources seeking to participate in the ISO-NE markets, changes to the capacity market need to be implemented sooner rather than later. Option #3 would make it certain that RCA would be in place for FCA19. This approach provides regulatory certainty which assists with the ability to make long-term investment decisions. On the other hand, option #1 would not implement RCA for FCA19, and it is unclear when RCA values would go into effect. Based on this lack of a clear process, option #1 would lead to unnecessary market uncertainty and hamper long-term investment decisions.

Second, in recent years, ISO-NE has engaged in comprehensive studies of the winter reliability concerns in the region. Those studies have demonstrated that, with the addition of renewables, new transmission service from the New England Clean Energy Connect line, the region will be able to operate in future winter months with minimal reliability risk.[6] ISO-NE has also informed stakeholders that with increases to electrification to both the transportation and heating sectors, the region can expect to become a winter peaking system by sometime in the 2030s.[7] With these changes and the evolution of the fuel mix to one increasing comprised of clean energy resources, the capacity market should value resources that can contribute to meeting winter demands. The best way to do this is to transition the current annual FCA to a seasonal market with separate winter (8 months) and summer (4 months) periods. This will allow the formation of price signals that will help incentivize resources with the ability to provide capacity to meet both summer and winter peaks.

Third, an efficient capacity market should sufficiently compensate resources able to provide capacity when it is needed the most. Although the newly updated impact analysis results are not yet available, the initial impact analysis presented by ISO-NE to date indicate

[4] Deepwater reserves the right to opine on the value of a prompt vs. forward market construct for a future date.

[5] If ISO-NE chooses not to move forward with Option #3, then Option #2A should be selected as it provides a path forward for moving to a seasonal construct.

[6] See ISO-NE's August 15, 2023 presentation to the Reliability Committee here: a10_operational_impact_of_extreme_weather_events.pdf (iso-ne.com)

[7] See ISO-NE's March 30, 2023 presentation here: PowerPoint Presentation (iso-ne.com).

that offhsore wind resources will be able to offer and clear more capacity under the RCA design than under the current capacity accreditation design.[8] Therefore, it appears that implementing RCA in FCA 19 may likely allow offhsore wind resources to clear a greater amount of capacity in that auction than under the existing capacity accreditation methodology. Moreover, CCP 19 will be the first capacity commitment period where offhsore wind resources are not administratively limited in the FCA due to the "minimum offer price review" (MOPR). The combination of incorporating RCA and the removal of the MOPR in CCP 19 will enable offshore wind resources the opportunity to compete with other existing resources on a more even playing field. Ratepayers will benefit from these changes by increasing the amount of capacity being provided from clean energy resources. Given the important role that offshore wind resources will play in maintaining resource adequacy in New England, Deepwater supports the adoption of RCA values for FCA19.

IV. Conclusion

As noted above, Deepwater supports moving to implement RCA for FCA19 and moving to a seasonal capacity market expeditiously. Based on the information currently available, Option #3 provides the best path forward to meet these goals.

Respectfully Submitted,

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[8] https://www.iso-ne.com/static-assets/documents/2023/04/a05f_mc_2023_04_11-13_rca_impact_analysis.pptx