



Via Electronic Mail

August 25, 2023

To: James Woods, Secretary, Markets Committee, ISO New England
cc: NEPOOL Markets Committee

Re: Considerations for RCA in Capacity Commitment Period 2028-29 (CCP19)

Dear James,

New Leaf Energy ("New Leaf") and SYSO Inc. ("SYSO") appreciate the opportunity to provide feedback as ISO-NE contemplates how to proceed with RCA in CCP19. New Leaf (participating in NEPOOL through affiliate Accelerate Renewables, LLC) is a national developer of solar and energy storage facilities. We are actively developing new resources in multiple ISO-NE states at both the distribution and transmission level and have a New England development pipeline of over 2 GW of new, clean energy resources. SYSO Inc. provides asset and market operations services for renewable and energy storage facility owners in ISO-NE and across the country. Across FCAs 16 and 17, SYSO cleared more new generation resources in the Forward Capacity Market than any other ISO-NE Lead Market Participant.

Following the thoughtful presentations from ISO-NE staff at the last two Markets Committee meetings and subsequent stakeholder discussions, New Leaf and SYSO would like to articulate our support for proceeding with "Option 1: Proceed with FCA 19 for CCP 19 as scheduled under currently-approved market rules, without RCA." We believe it is the best way to ensure that new resources continue to be developed in a timely, cost-effective fashion. We have substantial concerns about the other choices and believe they will have negative consequences for the region.

Delaying FCA 19 Will Impair New Resource Development in New England

ISO-NE capacity market revenues represent a significant portion of any new resource's overall expected revenues, and this is particularly true for energy storage. In New England, as in other markets, new resources must obtain the rights to sell capacity (i.e., secure Capacity Network Resource Interconnection Service (CNRIS)). In most markets these rights are obtained through the normal course of the interconnection process. In New England, however, the reliability screening for capacity rights is integrated into the Forward Capacity Market qualification process, and generators secure the rights via clearing in the FCA. Postponing the FCA without a replacement process for generators to secure these rights will prevent new resources from knowing whether they can access the capacity market, threatening the financial viability of these projects as well as the pace of the clean energy transition.

As currently proposed, options 2, 2A, and 3 would postpone the above process for approximately **1-3 years**, depending on the option selected. In a move to a prompt structure, the delay will be longer, as a new capacity deliverability process will need to be embedded in the interconnection process. During that time, new resources that have yet to clear an FCA will be unable to have their capacity deliverability studied and secured. This will make new resource development in New England even riskier, as developers will have no way of knowing whether a project can sell capacity or not. Given

the importance of capacity revenues to overall new resource viability, developers will be unlikely to make substantial investments during this period and projects will be put on hold until the new capacity deliverability process is rolled out. Many projects may not be able to bear the delay and will cease development. We appreciate the early conversations that ISO-NE has facilitated on these concerns.

Any new resources that *do* continue development will likely require more revenue from outside of the ISO-NE markets. This will increase costs for consumers and will have negative consequences for most New England states' clean energy procurements. It will also make the development of any new state programs that interact with ISO-NE markets more difficult, and states will need to continue relying on existing thermal resources to serve their capacity needs. Delaying FCA 19 while switching to a prompt structure could also lead to a backlog of projects that need to go through the new capacity deliverability process once implemented, potentially causing additional delays to other interconnection customers. The slowdown in development of new resources in New England may also have significant negative consequences for system reliability, as many new resources will be required to meet rising forecasted peak demands.

As a case in point, when PJM in 2015 first delayed its Base Residual Auction ("BRA") for 2018/19 to implement Capacity Performance, PJM's analog to Pay-for-Performance, a precedent was set that ultimately led to 3 additional BRA delays to implement various other capacity market reforms. All of these delays created significant market uncertainty, which then led to a slowdown in new project development. When that uncertainty was resolved, a flood of backlogged new projects entered the queue and caused significant delays that persist to this day and are predicted to not be resolved for at least several years. As a reference, we point the ISO to the whitepaper published by PJM on February 24, 2023, titled "Energy Transition in PJM: Resource Retirements, Replacements & Risks", which highlights the reliability concerns PJM is facing from these development delays.

Delaying FCA 19 Introduces New Timeline Risks

If RCA suffers further delays, it could delay the next FCA even further. Under option 2, ISO-NE has approximately one year to file an annual RCA structure at FERC. The ISO's work "to make the necessary improvements to the winter risk model, rerun the impact analysis, and seek feedback from stakeholders" is still ongoing and likely to take several more months, making it entirely possible that we will be contemplating another delay to FCA 19 one year from now. We should strive to avoid such cascading delays which hinder Market Participant's ability to forecast the future and undermine efficient market operation.

We believe it's important to again point the ISO to PJM's experience in this regard, as several of PJM's reforms necessitated iterative FERC filings, so there was a knock-on effect that exacerbated timeline risks, such that PJM and its members were frequently parallel processing on pre-auction activities—one path if FERC approved PJM's follow-up compliance filings, one if it did not. Additionally, PJM was forced to compress or cancel numerous pre-auction deadlines and requirements, which strained the resources of both PJM staff and member companies.

Even options 2A and 3, which target a prompt/seasonal capacity market for CCP19 starting June 2028, face significant timeline risk. The ISO's timelines indicate pre-auction processes for a prompt CCP19 auction should start in Q1 2027, Thus, a logical schedule might target filing proposed tariff



changes with FERC no later than Q2 2026 to allow for sufficient Commission review and potential time for subsequent required revisions. That gives the region less than three years to complete outstanding RCA work, fully evaluate and decide on a switch to a prompt/seasonal structure, design it, bring it through the stakeholder process, and file the changes at FERC.

While New Leaf and SYSO have confidence that stakeholders will do their best to get a new prompt/seasonal MRI-based capacity market design implemented in time for CCP19, if that is the path chosen, no one really knows how long it will take or if we have enough time. There are numerous risks to the project timeline that are beyond stakeholders' control and the region would be better off keeping our existing capacity market structure in place until a replacement is much closer to implementation than it currently is. Additionally, as evidenced by the experience in PJM, even the best-intentioned and well-reasoned delay ultimately sets a precedent for future delays and unintended consequences, reducing stakeholder confidence in the stability of the market.

Delaying FCA 19 Raises Stakeholder Process Considerations

It would also be unusual for ISO-NE to postpone FCA19 due to stakeholders' "stated interest in exploring a change from a forward to a prompt capacity market construct" without a NEPOOL vote. The existing FCM, while imperfect, was established via an extensive initial stakeholder process, has been refined via over a decade of ISO-NE/NEPOOL collaboration, and has been deemed by FERC to be just and reasonable over seventeen auctions so far. It would be surprising if the FCM, which ISO-NE has deemed to be an important component of regional reliability for the last fifteen years, has suddenly become unnecessary such that it can be suspended without a replacement in sight and without any potential impact to system reliability. Such a conclusion seems particularly speculative when we consider the ISO's forecast of increasing peak demands and the regional concerns around the natural gas system's ability to support our electric generation fleet.

Given the risks to the region associated with the other options, we recommend ISO-NE proceed with FCA 19 as currently scheduled using current market rules. Notwithstanding the foregoing, should ISO-NE ultimately seek a delay of FCA 19, we alternatively recommend the development of a thoughtful transition mechanism that addresses the issues raised herein. Thank you for your consideration of these points, and we look forward to continued collaboration with ISO-NE and other NEPOOL stakeholders on these important topics.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Alex Chaplin".

Alex Chaplin
Manager, Utility-Scale Policy and Business Development
New Leaf Energy

A handwritten signature in black ink, appearing to read "Doug Matheson".

Douglas Matheson
Director, Energy Markets
SYSO Inc.