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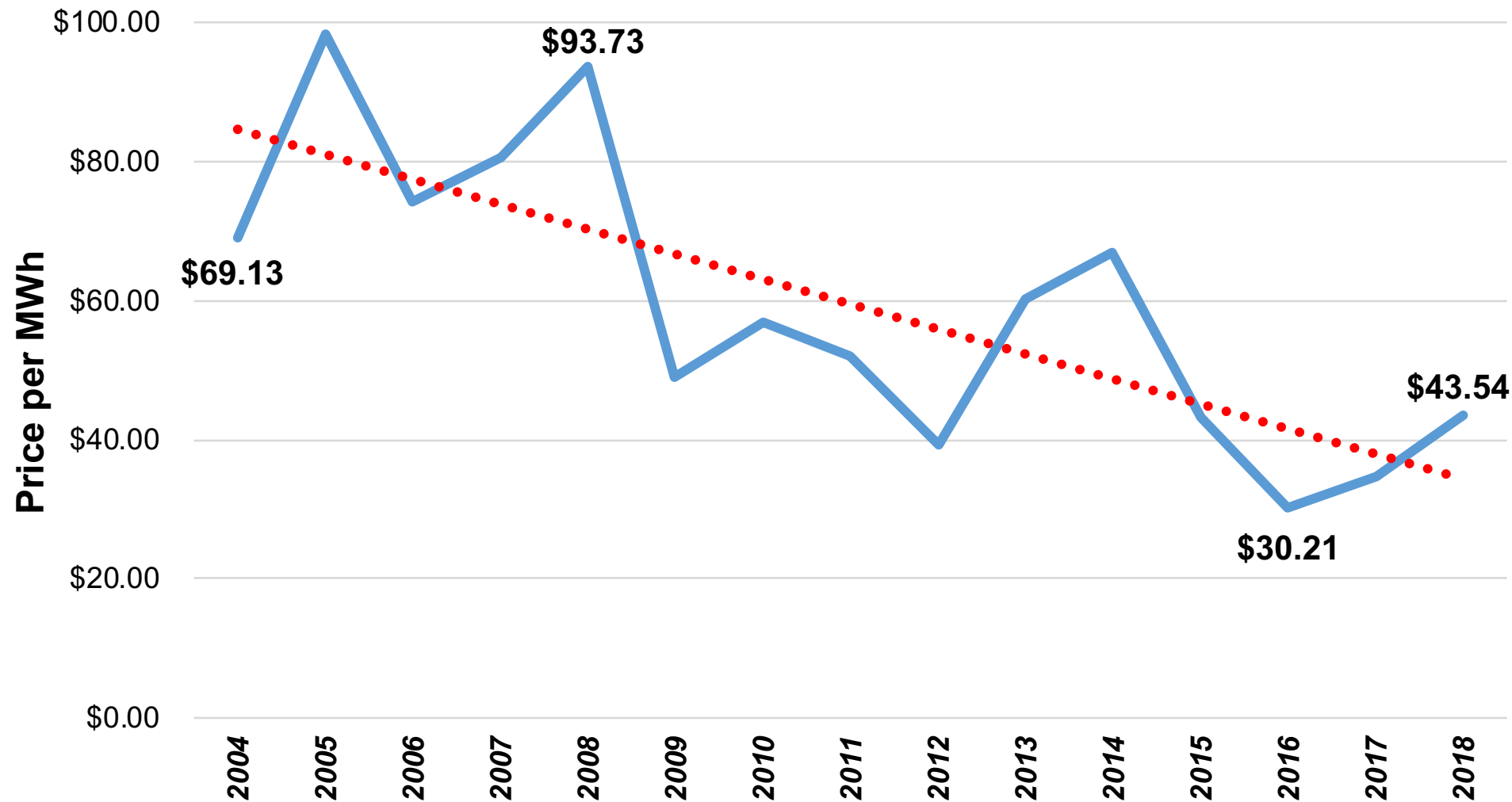
Decline in Revenues: Impact on Generators and Utilities and Options for Response

Harvard Electricity Policy Group

Dan Dolan

October 1, 2019

New England wholesale energy prices have declined by 56% since 2008



Source: https://www.iso-ne.com/static-assets/documents/2019/03/20190312_pr_2018-price-release.pdf; Adjusted to 2018 dollars

With low energy prices coupled with plant retirements, capacity market costs have increased

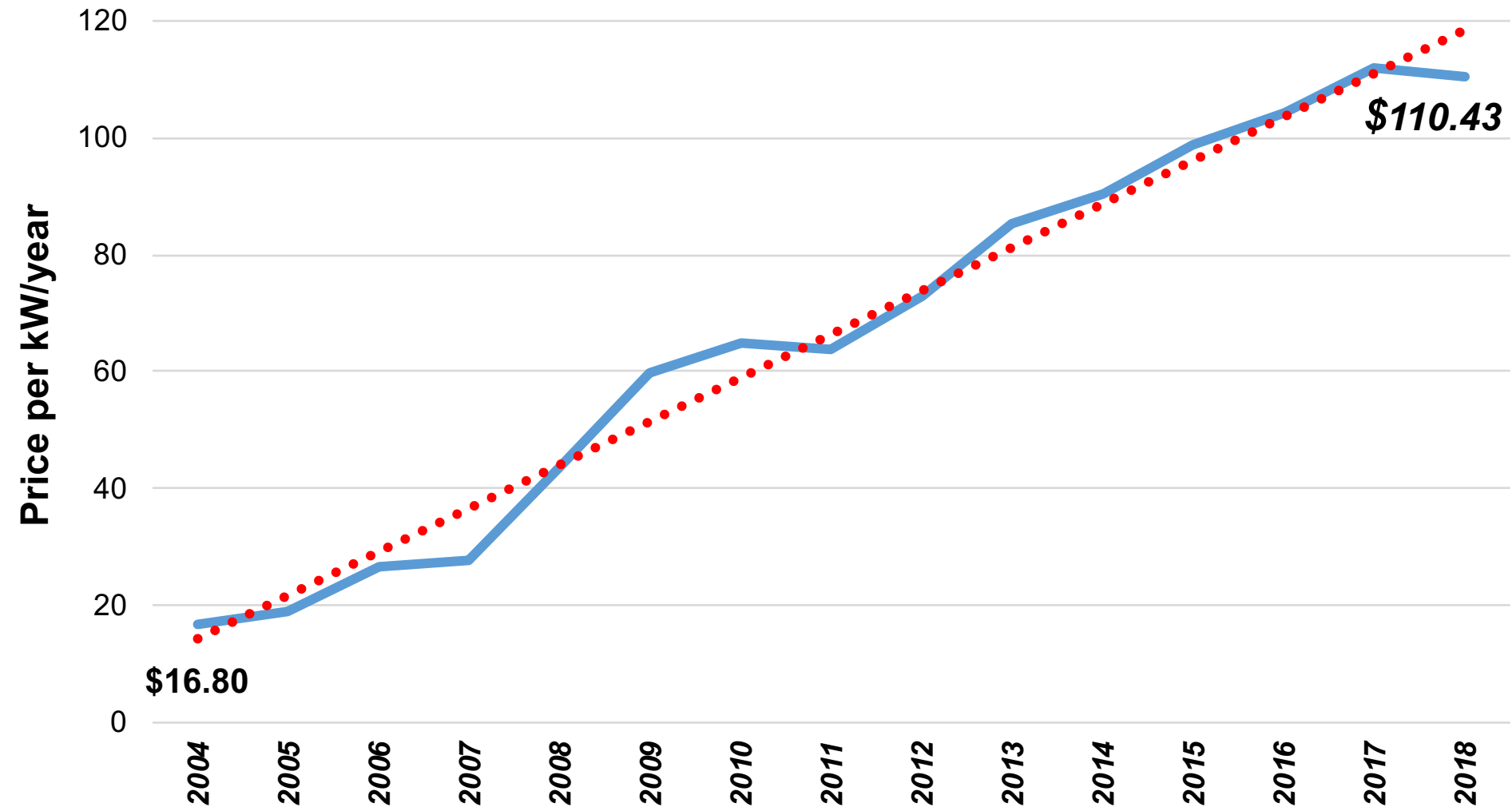
Annual Value of Wholesale Electricity Markets



*Data are subject to adjustments.

Source: https://iso-ne.com/static-assets/documents/2019/03/2019_reo.pdf

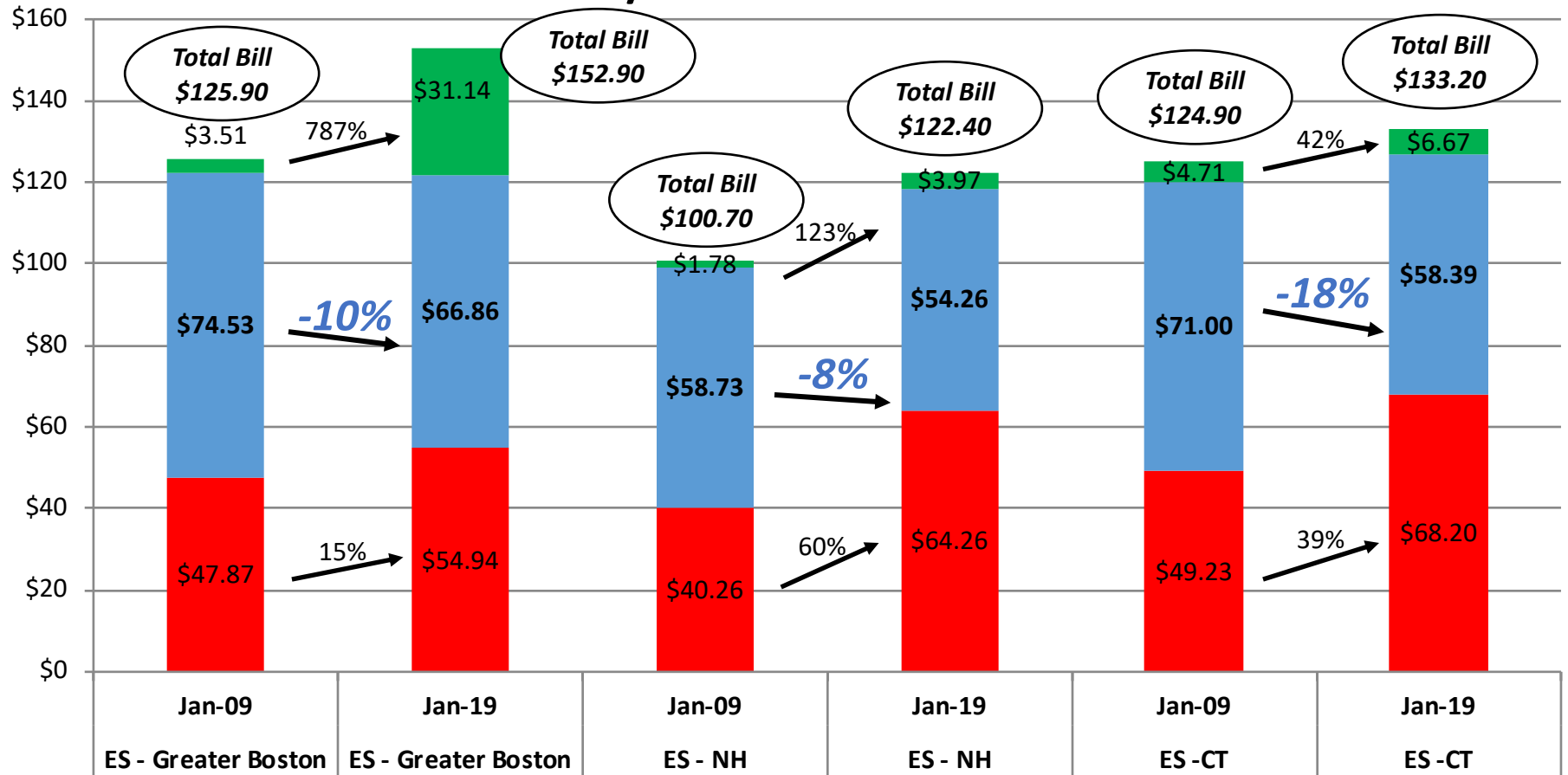
New England transmission rates have increased more than 650% since 2004



Source: <https://iso-ne.com/static-assets/documents/2018/12/section2-rate-summary.xls>

Breakdown of *New England* Electricity Bills

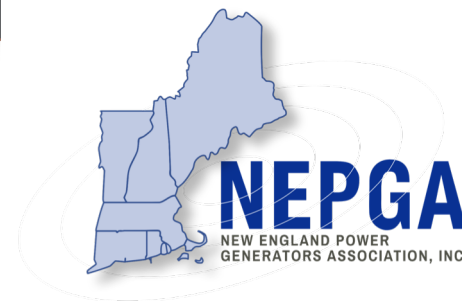
Monthly Bill for Eversource Customers in MA, NH, & CT Using
600 kWh/mo in Jan-09 & Jan-19



**Wholesale Power Market costs have gone from making up
~60% of a consumer's bill to now being ~40%**

OPINION

A dangerous tipping point for New England's wholesale electricity market



AUTHOR
Dan Dolan

The following is a Viewpoint from Dan Dolan, president of the New England Power Generators Association (NEPGA).

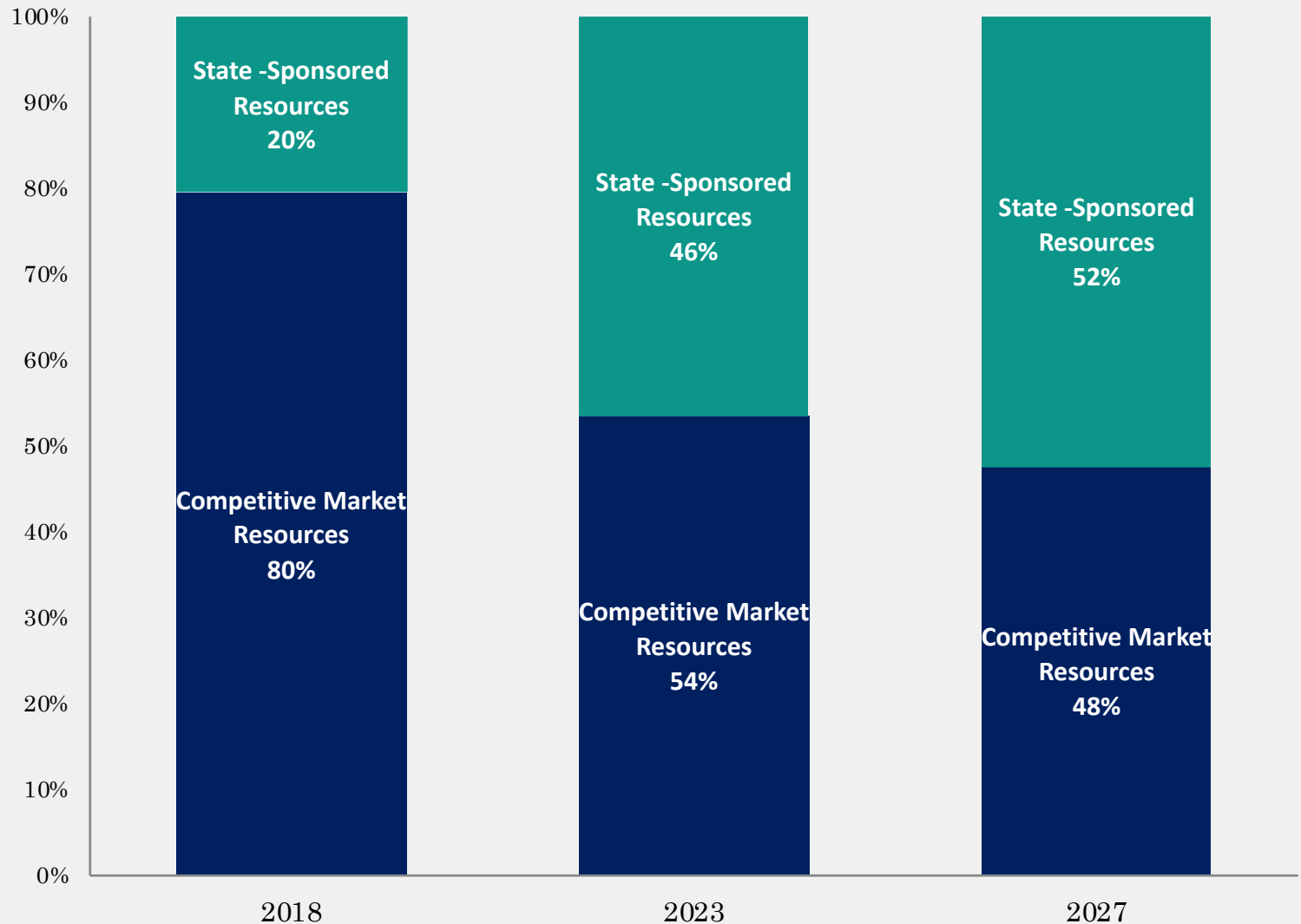
“The New England wholesale electricity market is reaching a crisis point having failed to meet the needs of individual states they serve, and the electricity resources the markets are supposed to support.”

“State subsidies will beget reliability subsidies, driving consumer costs ever higher and doing away with future market-based investments for new or existing power generation.”

“In the face of this looming crisis, ISO New England’s changes to the market design have been inadequate. Instead of pushing to aggressively meet state policies through markets, the ISO has sought to incorporate out-of-market actions.”

“It is time for ISO New England to make a deliberate shift away from its historic cycle of out-of-market triage and toward a durable market that provides competitively-priced reliability while working with the states and their public policy mandates.”

Estimated energy production sources (MWh) based on existing New England state authorities



Promoting Competitive Power Markets and Growing Zero-Emission Resources in New England



By: A. Joseph Cavicchi

“There are two key concerns that make the ability of existing resources to remain financially viable over the longer-term an important consideration. First, it is expected that **ISO-NE will require a significant number of flexible (dispatchable) resources** to respond to growing ramping requirements. In particular, resources will be needed to both ramp to respond to changes in net-load variation, and start and stop with greater frequency.

“While it may currently be the case that **little concern has been given to the long-term viability of existing flexible resources**, many of these facilities are aging and will require capital investment to remain viable over the **longer term**. Second, existing resources that have high going forward costs to avoid shutdown, **such as a nuclear station, cannot be assumed to operate indefinitely if market revenues are insufficient to recover ongoing costs.**”



Welcome
to
California



New England Governors' Commitment to Regional Cooperation on Energy Issues

March 15, 2019

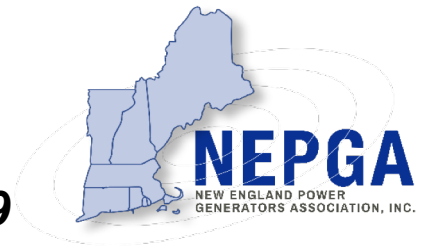
“Recognizing that the entire New England region has a stake in ensuring a reliable energy system that also produces affordable outcomes for consumers, the New England Governors commit to work together, in coordination with ISO New England through the New England States Committee on Electricity (NESCOE), to evaluate **market-based mechanisms that value the contribution that existing nuclear generation resources make to regional energy security and winter reliability.** In addition, to the extent a state’s policies prioritize clean energy resources, those states commit to work together on a mechanism or mechanisms to value the important attributes of those resources, while ensuring consumers in any one state do not fund the public policy requirements mandated by another state’s laws. **The New England states have demonstrated leadership in advancing market-based approaches** such as the Regional Greenhouse Gas Initiative and we are hopeful collaboration can address this important issue as well.”

NESCOE Letter to ISO-NE – July 16, 2019

“This is to request that ISO-NE plan to dedicate market development and planning resources in 2020 to support states and stakeholders in analyzing and discussing **potential future market frameworks that contemplate and are compatible with the implementation of state energy and environmental laws.**”

<http://nescoe.com/resource-center/2020-workplan-jul2019/>

NEPGA Letter to ISO-NE – August 13, 2019



“**NEPGA strongly supports the NESCOE request** for such discussions in the region and highlights the need to ensure that the future wholesale electricity market design preserves electric reliability, resource adequacy and other needed services in a robust competitive, market-based manner.”

“**Simply put, the wholesale markets as currently designed today do not provide sufficient revenue opportunities to maintain adequate investments in merchant power supply necessary to maintain reliability in New England in the face of the coming wave of contracted resources...** NEPGA is concerned that these retirements could lead ISO-NE to take additional out-of-market action to maintain reliability, further damaging the competitive marketplace.”

<https://nepga.org/2019/08/letter-to-iso-ne-on-review-of-the-future-of-the-new-england-wholesale-markets/>

So, now what?

- **Identify the products needed to meet reliability through competitive markets while integrating the changing resource mix**
 - Expanded reserves
 - Value of stand-by resources (i.e. capacity)
 - Increased flexibility – Ramping???
- **Value the main driver of state-mandated procurements – CO₂**
 - State's representing 80% of New England's electricity load have economy-wide mandates to reduce CO₂ emissions by 80% by 2050.
 - NEPGA supports putting a meaningful price on CO₂ in the electricity markets.
 - Must also be done to help drive electrification in transportation and heating.



NEW ENGLAND POWER GENERATORS ASSOCIATION.

The trade association representing competitive electric generating companies in New England NEPGA's member companies represent approximately 26,000 megawatts (MW) of generating capacity in the region.



www.NEPGA.org

[@NEPowerGen](https://twitter.com/NEPowerGen)