February 17, 2023

VIA EMAIL

Massachusetts Department of Energy Resources
Attn: Joanna Troy (joanna.k.troy@mass.gov)
100 Cambridge St., 9th Floor
Boston, MA 02114

RE: Forward Clean Energy Market Design Proposal

Dear Ms. Troy:

Please find attached the comments of NRG Energy, Inc. in response to the Massachusetts Department of Energy Resources' request for comments concerning the Forward Clean Energy Market Design Proposal published on January 4, 2023.

Please feel free to contact me with any questions. Thank you,

Sincerely,



Neal A. Fitch
Sr. Director, Regulatory Affairs
NRG Energy, Inc.

Comments of NRG Energy, Inc. on the

FCEM Proposal Offered by the Massachusetts Department of Energy Resources

February 17, 2023

NRG Energy, Inc. ('NRG') appreciates the opportunity to provide these comments in response to the Massachusetts Department of Energy Resources' ('MA DOER') recently released proposal entitled "New England Forward Clean Energy Market, Proposed Market Rules, Version 1" ('Proposal').[1] NRG has long been a proponent of finding a systematic approach to including the clean energy attributes needed to accomplish the necessary decarbonization of the economy into the competitive market frameworks that have proven so successful at supporting innovation and lowering costs in the nation's Regional Transmission Organizations ('RTO'). In the absence of a comprehensive, economy-wide carbon pricing mechanism, the Forward Clean Energy Market ('FCEM') concept has consistently risen to the top when RTOs and stakeholders have considered options for better integrating decarbonization policies into markets.[2]

Since the fall of 2020, NRG has regularly convened meetings of representatives of non-governmental environmental, consumer and business organizations, as well as a wide range of current participants in the ISO-NE wholesale markets, all of whom are stakeholders in the eventual outcome of efforts to create and implement an FCEM in New England. NRG's purpose in convening those meetings has been to inform and advance, through dialogue with diverse interests, the development of an FCEM that would serve the New England region most effectively. The organizations listed in Attachment 1 to these comments are among those that have participated in those meetings and discussions. The widely varying perspectives, experience, and goals of these organizations and others have produced shared insights into the challenges that must be met to enable the creation and implementation of an FCEM. NRG has prepared and is submitting these comments strictly on its own behalf, but the ongoing dialogue with these organizations has informed and refined NRG's views reflected herein. NRG is enormously grateful for the insights and suggestions they have shared so generously.[3]

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[1] Massachusetts Department of Energy Resources "New England Forward Clean Energy Market, Proposed Market Rules, Version 1." ("Proposal") January 2023. https://www.mass.gov/doc/ma-doer-fcem-design-proposal/download

[2] *See, e.g.*, Analysis Group, "Pathways Study: Evaluation of Pathways to a Future Grid," April, 2022, https://nepool.com/wp-content/uploads/2022/02/NPC_20220426_Pathways_FULL_REPORT_FINAL.pdf; PJM, "CAPSTF [Clean Attribute Procurement Senior Task Force] Analysis, Status Update," January 31, 2023, https://www.pjm.com/-/media/committees-groups/task-forces/capstf/2023/20230131/item-05---capstf-analysis-update.ashx; Rocky Mountain Institute, "Scaling Clean: Assessing Market Options for Clean Energy and Capacity in PJM," July 28, 2022, https://www2.pjm.com/-/media/committees-groups/task-forces/capstf/2022/20220728/item-06---rmi-presentation.ashx

[3] Inclusion on this list does not imply any endorsement of NRG's comments by these organizations.

NRG applauds Massachusetts for taking the initiative to put forward a thoughtful articulation of an FCEM that encourages and can accommodate all the New England states' participation, regardless of each individual state's stage of policy transition toward decarbonization. The Proposal provides a comprehensive and valuable basis for starting the detailed negotiations among relevant institutions and stakeholders that will be necessary to produce an implementable market design.

Now that Massachusetts has put forward a detailed proposal for the design and implementation of an FCEM framework, the New England states should promptly begin a structured process to discuss, debate, and develop an FCEM design, with associated implementation agreements and documents, that are acceptable to all the New England states. To this end, NRG recommends that the states promptly initiate appropriate discussions among the states, ISO New England, NEPOOL, and other stakeholders as appropriate. The goal of those discussions should be to reach agreements by the end of 2023 regarding each entity's rights and obligations in the governance and administration of an FCEM, informed by a common understanding of the legal basis for the jurisdiction and governance of the FCEM.

In the comments below, NRG expands on suggestions for structuring discussions in the coming year, responds to the questions posed by the MA DOER in its February 3, 2023 webinar, and identifies several high-level considerations regarding the ultimate design and implementation of an FCEM.

I. The FCEM Proposal Offered by Massachusetts is a Comprehensive and Thoughtful Basis for a Sustainable Clean Energy Future for the Region

The Massachusetts Proposal is an excellent step forward in the region's work on charting a sustainable path toward a low carbon electricity system. Massachusetts' effort to put forward a concrete proposal to implement a market-based platform for supporting the tremendous build-out of renewable and other non-emitting energy and capacity sources that will be needed to secure a reliable and affordable clean energy grid in the future provides a major impetus to regional development of a pathway to the urgently needed transformation of the region's energy supply.

The Proposal's Notice introducing the proposal captures the focus of Massachusetts on practical, implementable solutions. It says: "Throughout the development of this design proposal, Massachusetts DOER and its consultants have attempted to reflect and align [it] with the policy preferences, regulatory structures, and implementation mechanics that will make the FCEM a viable tool for all states and consumers across the New England region."[4]

This focus on a mechanism that is implementable and can effectively meet the objectives of the various states in the region is an important recognition that creation of an FCEM does not start with a

[4] Proposal at i.

'blank slate.' Advancing and accelerating the transition to a clean energy grid will require recognition and accommodation of the regulatory and policy frameworks that have been developed, state by state, during the early years of the transition.

Among the many positive aspects in the Proposal, NRG notes the following:

- In developing the Proposal, Massachusetts consulted with the other states in the region. The Notice refers to consultations with "staff and policymakers from the states of Connecticut, Maine, New Hampshire, Rhode Island, and Vermont."[5] Alignment and support from all states will be extremely important in securing committed engagement from all the region's stakeholders and in providing FERC with the confidence that an FCEM is truly a regional initiative for the benefit of all the region's states and consumers.
- The Proposal relies on leveraging existing 'institutional infrastructure' including existing regional markets and ISO-NE expertise in market administration, as well as existing NEPOOL qualifications as a representative body of interested stakeholders and its Generation Information System (GIS) for certificate creation and tracking. A proposal that would require the states to recreate these capabilities and infrastructure would be time-consuming, expensive, and fraught with operational uncertainty.
- The Proposal recognizes the need for states to commit to multi-year participation in the FCEM (once they opt in to use the platform) in the form of ten years of demand bids. FCEM buyers would need to honor their initial multi-year purchase commitments even if they otherwise reduce or cease their participation in future auctions. This is a necessary understanding to create confidence in resource developers and investors that the FCEM will be a durable marketplace.
- The Proposal would also offer multi-year 'price locks' for attributes produced by new generation, starting at 15 years, gradually reducing to 7 years. This recognizes the need to transition the renewable/non-emitting energy supply community from contract-based to market-based investment. While the phase-down of the new resource price lock from fifteen years to seven years over time provides a transparent transition mechanism, ideally it would be continued toward a single-year term for all sellers. That would be consistent with the current design of the FCM, and thereby provide a true 'merchant' model for all generation investments.
- While providing flexibility in the range of products procured in the FCEM, the Proposal recognizes that minimizing the number of products and creating more streamlined product definitions will ultimately produce the best results. These standardized products will provide

[5] Proposal at i.

more confidence for investors in resources and lower costs for consumers. With respect to including state-defined products, the Proposal says:

> "These state-defined rules need not match the rules applicable to similar regional FCEM-defined products. However, over time, the experience with innovative product offerings within the FCEM and across participating New England states may be mutually informative, improving the economic efficiency and efficacy of both state policies and the FCEM products."[6]

NRG fully expects that experience will show that the greatest efficiency and lowest cost can be achieved by minimizing the number of different products transacted through FCEM and maximizing the size of the market and the range of eligible suppliers that can provide non-emitting energy and power sources.

NRG applauds Massachusetts' leadership in putting forward a FCEM design and will continue to engage in regional discussions to refine the framework contained in the Proposal. NRG looks forward to more detailed discussion with relevant institutions and interested stakeholders of the individual design elements and how they work together as a comprehensive whole. NRG shares the goal of implementing a regional, market-based mechanism, one that works within the applicable federal and state statutory and regulatory frameworks, to provide a means to properly value the attributes of existing and new emission-free resources, and is confident that the FCEM framework can provide that mechanism successfully.

II. The States Should Promptly Convene Structured Discussions to Refine, Adopt, and Implement an FCEM

Consideration of FCEM and other potential options for valuing clean energy attributes in the wholesale markets began as far back as 2016[7] and discussions in the intervening years have continually pointed to FCEM as the most viable approach to incorporating states' clean energy and decarbonization goals into the region's competitive market structures in a systematic and sustainable way. Now that Massachusetts has put forward a specific proposal for an FCEM design and implementation framework, the region should promptly set up a structured process for relevant institutions to discuss, debate, and finalize an FCEM design and associated implementation agreements and documents.

The recently released Massachusetts Clean Energy and Climate Plan for 2050[8] indicates a desire to have the FCEM in place by 2026. To meet that target the region will have to move expeditiously and

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[6] Proposal at 15.

[7] NEPOOL initiated the "Integrating Markets and Public Policy" process in 2016. *See*, *https://nepool.com/zimapp/*

[8] https://www.mass.gov/info-details/massachusetts-clean-energy-and-climate-plan-for-2050

with a unified purpose to implement an FCEM. The sooner structured discussions toward that end begin, the better the chances of success.

The Massachusetts FCEM Proposal should serve as a starting point for a process that will lead to the development and eventual implementation of a fully functional FCEM. While the MA DOER consulted with other states and drew on other sources in developing it, the Proposal has not had the benefit of a full airing with the other five New England states, as well as other important institutions, such as ISO New England, NEPOOL and its members, and the many potential buyers and sellers and other stakeholders in a FCEM. From this perspective, it is encouraging that the Notice introducing the Proposal includes a commitment by the state of Massachusetts, namely, that it "looks forward to continued engagement with NESCOE and member states, as well as with other stakeholders and the public to refine and implement the FCEM."

With that commitment in mind, the Proposal should provide the impetus for the states to convene a formal and purposeful process that will lead to confirmation of the jurisdictional and governance structures of an FCEM, and initial agreements among the various parties defining their respective roles and responsibilities necessary to implement and operate an FCEM. That process should have several specific objectives.

The first objective should be to develop a solid legal grounding for the operation of the FCEM under the authority of the Federal Energy Regulatory Commission (FERC) and the Federal Power Act. Securing a common understanding among the relevant institutions that the FCEM can be structured through a FERC-jurisdictional tariff (as contemplated in the Proposal) is a prerequisite to finalizing governance agreements and other structural considerations for the FCEM. Confidence in such an understanding can be achieved through dialogue among and analysis by the legal experts from the relevant institutions and would be enhanced by obtaining an advisory ruling from the FERC (for example, through a Request for Declaratory Order).

At the same time, the second objective should be to reach agreement on the design and creation of a new entity to serve as the governing body for the FCEM (described in the Proposal as the FCEM-NE).[9] Whether the FCEM is structured as FERC-jurisdictional, or if an alternative jurisdictional model is determined to be superior, the FCEM-NE entity will be necessary for the states to centralize and formalize their oversight of the regional market. An agreement among the states on its structure, governance, and budget authority, early in the process, would be a powerful signal of the states' collective commitment to the use of the FCEM to advance the region's decarbonization efforts.

[9] NRG has previously discussed options for appropriate jurisdictional approaches in the whitepaper found here: https://www.nrg.com/assets/documents/white-papers/moving-forward-approaches-for-state-federal-cooperation-in-a-decarbonizing-electricity-sector.pdf

To organize and facilitate the accomplishment of these two objectives, the states should rely on NESCOE to convene and manage the discussions and analysis necessary to achieve them. NESCOE is well positioned to manage the process of obtaining clarity on the jurisdiction of the FERC by coordinating the necessary legal analysis and the potential request for FERC guidance. Likewise, it is well-positioned to manage the discussions among the states to reach agreement among them on the design and creation of the new FCEM-NE.

While performing these tasks, NESCOE can also help the states provide regular and ample opportunities for stakeholders and potential participants in the FCEM-NE's markets, including NEPOOL and its members, to provide input on the design and operation of those markets. These consultations should have specific and measurable milestones for decisions to ensure that these consultations are directed toward a tangible, implementable FCEM platform.

Thus, the goal of these efforts should be to confirm, by the end of 2023:

- that a regional FCEM would be FERC-jurisdictional;
- that the states will act through a newly formed FCEM-NE entity to oversee an FCEM market;
- that the roles and responsibilities of ISO-NE in administering the FCEM and of NEPOOL in advising FCEM-NE and ISO-NE on the design and operation of the market are fully defined in written agreements; and
- that a target date is established for filing tariff proposals at the FERC to implement the FCEM.

NRG anticipates that the details and specifics of the Proposal's market design will no doubt undergo revisions. Nevertheless, the states and relevant institutions should acknowledge from the outset that the market will be designed to accomplish the goals of the New England states and that, through the institution of the FCEM-NE, the states would retain significant decision-making authority with respect to the operation of the FCEM markets, subject to the oversight and approval of the FERC.

At the same time, the process should acknowledge that ISO-NE will retain all its existing authority and responsibilities with respect to the administration of the wholesale energy, capacity, and ancillary services markets and its mandate to ensure the reliability of the regional power grid. When completed, the agreements among the parties should include a process for promptly resolving any situation in which ISO-NE believes that a policy or action requested or approved by the FCEM-NE would put ISO-NE's authorities and responsibilities at risk of default or impairment.

While this process is underway, the region's stakeholders should recognize that some agreements will need to be negotiated on a bilateral basis without formal participation by market participants or other interested stakeholders. This is most obviously the case regarding agreements between the states and ISO New England on administration of the FCEM market. The parties to those bilateral negotiations should

enable the region's stakeholders, to the greatest extent practicable, to identify, understand and comment on the proposed rights and obligations of the parties to those agreements.

III. Elements of the Proposal Warranting Special Focus

While NRG is supportive of an FCEM framework and applauds Massachusetts for providing a concrete proposal, two issues in the Proposal stand out. There are undoubtedly other issues in the Proposal on which NRG will raise concerns or seek changes as the regional discussions progress, but these two warrant consideration at the outset.

Multiple Products and 'Sub-Markets'

First is the issue of multiple products. All parties that have discussed FCEM over the past several years understand the greatest efficiency in advancing emission-free energy production would be achieved through a single product defined simply as "energy produced with no direct GHG emissions." Adding further constraints or segmenting the market into multiple products will necessarily be less efficient at achieving the decarbonization objective.

The Proposal, however, consciously adopts a framework with four potential regional products and the potential to add further state defined products "with no maximum limit on the number." Designing the FCEM to include multiple products, potentially with no limitation on the number of such products and sub-markets, has the potential to introduce significant complexity and lead to increased costs for consumers relative to the ideal, single-product FCEM. If the FCEM platform is used simply as a centralized forward marketplace for the full suite of existing clean energy attribute products in the region, it will have far less impact on improving the region's pace and cost of decarbonization than if it leads to consolidation and streamlining of clean attribute product definition.

The goal of FCEM is to achieve the targets of the clean energy transition via investment in clean energy production and the displacement of carbon emissions from the power grid. The more constraints placed on how, and with what technologies, vintages, and characteristics suppliers provide that clean energy and emission displacement, the more it will cost.

The efficiency contribution of the FCEM can also be measured by the extent to which a single product will satisfy the requirements of multiple states. For competitive LSEs serving consumers and having RPS compliance obligations in multiple states, the ability to manage energy supplies and attribute certificates on a portfolio basis is extremely valuable. A primary consideration in the creation of new regional FCEM products should be to maximize their applicability to satisfy RPS and similar requirements in multiple states, or conversely, for states to confirm that the regional FCEM product(s) satisfy their individual state RPS requirements.

While the proposal to establish up to four new regional products creates some level of segmentation in the market, the policy objectives underlying them are clear and have an intuitive basis that may justify the potential loss of efficiency. The broadest interest in non-emitting energy is represented by the NE-CEAC, for which any non-emitting source could qualify. This single product would produce the greatest level of competition and the lowest costs to decarbonize. The NE-REC product would have a narrower focus specifically on renewable resources, which is a close analog to most states' Class 1 RECs and may be a useful proxy for buyers to obtain compliance with those RPS obligations. Including this product recognizes that state RPS laws still apply and the FCEM will provide a more efficient marketplace for compliance than currently exists. The NE-GHG product represents an understandable interest in the time-shifting capabilities of energy storage and demand response that can also contribute to emission reductions that are otherwise not captured in the two products denominated in energy terms of MWh. NRG is more skeptical of the NE-CCC clean capacity product. To our knowledge, no state or other entity in the New England region has decarbonization goals stated in capacity terms, so this product seems less applicable in the New England context, as well as being less obviously useful and relevant in producing actual emission reductions.

In addition to the regional products, states may determine that the individual policy objectives to be met through additional products and sub-markets in the FCEM are worth the extra cost. An important benefit of a market-based platform like FCEM is that the incremental cost of these extra constraints will be visible, enabling policy makers to fully assess the trade-offs involved.

The real risk of cost increases will arise if states do not adopt these regional products as meeting the compliance requirements of LSEs for one or more categories of existing RPS obligations. Some parties have estimated that the New England states currently have as many as 37 different categories of environmental attribute credits. Clearly, if states elect to 'list' all 37 of their requirements through FCEM, the market will be extremely fragmented and the benefits of a centralized market platform would be greatly diminished, especially if state-submitted demand for these 'niche' products reduces demand for the broader regional products, reducing the size and appeal of those products for potential sellers.

To address likely concerns about complexity and the potential proliferation of many products on the FCEM platform, NRG suggests the initial implementation of FCEM include only one or two of the regional products, the NE-REC and the NE-CEAC. The NE-REC represents a close analog for states' Class 1 RECs, and the NE-CEAC expands eligibility to non-emitting resources that do not meet current renewable definitions, such as nuclear. Defining demand and implementing a market for these products would be the most straightforward and least challenging approach, allowing the region to develop a foundation of experience in the least complex case. The NE-GHG product, which adds the dimension of temporal energy production and impact on system emissions, could then be added. Only after some initial

experience with the regional products should FCEM-NE entertain requests to add further products to the platform, and requests should be evaluated using lessons learned and projections of liquidity of the new product(s), to ensure the maximum efficiency and effectiveness of the overall suite of products.

The Role of Competitive Load Serving Entities

The Proposal describes how the costs of 'rate-authorized' demand bids by distribution utilities or state agencies would be allocated to competitive load serving entities (LSEs) serving customers within the affected territory, which presumes that LSEs would not have the primary role of managing their compliance.[10]

As one of the leading suppliers of competitive energy services to retail customers across the New England region, NRG strongly recommends that competitive LSEs should have control of their own compliance strategies and positions in an FCEM structure. Companies in any competitive endeavor, including retail electricity supply, pride themselves on their internal processes and strategies to minimize costs and maximize efficiency in providing their consumers with products and services. An LSE's customers may desire to over-comply via the LSE based on individual or corporate goals versus state mandated targets. Similarly, LSEs may wish to purchase and bank credits associated with FCEM products for utilization in particular retail products or future compliance efforts. If, as suggested in the Proposal, LSEs will, in the first instance, simply be allocated a share of the costs incurred by the states or their agents in procuring FCEM certificates, it eliminates a significant source of value and innovation that competitive markets are intended to foster.

NRG recommends that LSEs either be given primacy to procure and manage FCEM certificates to meet their obligations, or that LSEs be able to affirmatively opt out of the proposed cost allocation mechanism. While the Proposal describes a notional mechanism by which LSEs could hedge their positions through bilateral transactions outside of the FCEM, it would be far preferable and more efficient to empower LSEs to interact with the FCEM directly.

IV. DOER's Webinar Questions

In the webinar presentation on February 3, 2023, MA DOER presented several questions on which it requested specific commenter input. NRG offers the following responses.

Are there key aspects of the FCEM Design Proposal that have advantages or disadvantages over the status quo?

[10] Proposal at 26.

As described above, the FCEM framework, and many of the specifics of the MA DOER Proposal, are entirely aligned with increased efficiency, lower costs, and more rapid achievement of decarbonization of the power sector. The status quo is characterized by a complex set of portfolio standards that have significant variation from one state to another, and by an *ad hoc* contract-based procurement regime that recognizes that the portfolio standards alone cannot support investment in new clean resources. Consolidating the region's decarbonization objectives into a centralized platform will increase consistency and transparency in the RPS compliance marketplace, as well as provide an opportunity for government, commercial, and non-profit entities to also procure cost-effective clean energy in support of their own objectives.

As shown in the NEPOOL Pathways Study,[11] there are substantial economic benefits to be gained by standardizing and centralizing the procurement of clean energy, not to mention the reduced burden of designing, administering, and ultimately approving contracts secured through *ad hoc* procurements.

Are there design aspects that are key to financing a portfolio of new clean energy resources and supporting the Commonwealth meeting emission reduction targets?

As described above, NRG supports the initial use of a price lock at the outset of the FCEM as a bridge between the current use of long-term contracts and the ultimate goal of a merchant model for investment. At the beginning of the restructuring of the electricity markets more than two decades ago, the first combined cycle plants were built with long-term contracts due to the novelty of the technology and the wholesale markets. Over time, resource developers in multiple RTO markets – and their financial backers – have become comfortable investing on the basis of market revenues alone, and FERC recently eliminated the 7-year price lock in ISO-NE's Forward Capacity Market. It may take not take as long for the clean energy resource development and finance communities to adapt to reliance on the FCEM and the ISO-NE markets, but neither should anyone expect them to be able to adapt immediately. NRG suggests that the schedule should contemplate ultimately eliminating the price lock altogether, to make FCEM consistent with ISO-NE's FCM.

The Proposal is also sensitive to the need for confidence that the broader FCEM will be a durable platform and a reliable source of revenue into the future. Elements such as the commitment by a state to at least ten years of participation upon opting in to the FCEM and the explicit commitment to honor multi-year purchase obligations are vital to demonstrate to developers and financiers that they can invest with confidence.

[11] Analysis Group, "Final Pathways Study: Evaluation of Pathways to a Future Grid," April 28, 2022, https://www.iso-ne.com/static-assets/documents/2022/04/schatzki-et-al-pathways-final.pdf

Will there be sufficient interest from both buyers and sellers for an FCEM?

NRG is not aware of any empirical evidence to address this point, but certainly the on-going interest in the FCEM construct by parties representing both buyer and seller interests suggests that there will be sufficient liquidity on both sides of the market to sustain it. The question of demand interest is largely a question of whether the states, in their roles as the primary proponents of the clean energy transition, are able to develop and agree to an FCEM design that is sufficiently flexible to meet their individual needs and to recognize the efficiency benefits for their consumers of using a centralized and standardized market platform. Additionally, many corporations, municipalities and other organizations are actively seeking energy supplies that minimize or eliminate emissions and impacts on the climate. On the supply side, the tremendous interest of investors in all forms of clean energy resources is well documented, from the ISO-NE interconnection queue to popular press coverage.[12] As long as the FCEM is perceived to be governed according to economic principles that produce prices consistent with supply and demand dynamics, states should be confident that suppliers will show up to participate in the FCEM.

What processes would help achieve effective implementation of a clean energy market design?

NRG outlines above a recommended structure to begin the process of implementing a clean energy market, focused on NESCOE to convene and manage the discussions among the various parties. The first goal is to confirm that an FCEM can be constructed and administered as a FERC-jurisdictional market under the Federal Power Act. NRG recommends that the states engage with experts in the FPA and FERC practice to develop the legal path for establishing such jurisdiction, including informal or formal consultations with FERC to confirm the approach.

NESCOE should also coordinate and facilitate discussions among the states, ISO-NE, and NEPOOL to define roles and responsibilities, and develop agreements on an institutional level among the parties. At the same time, NESCOE should establish a regular schedule of stakeholder meetings to provide for open discussion and input on the institutional relationships as well as market design development.

NRG anticipates that these initial objectives and processes will set a solid foundation for finalizing and implementing a robust FCEM platform.

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[12] *See, for example,* ISO-NE COO Report to NEPOOL Participants Committee, February 2, 2023 (slides 50-54), https://www.iso-ne.com/static-assets/documents/2023/01/february-2023-coo-report.pdf; Bloomberg, 'Clean Energy Sets $1.1 Trillion Record That's Bound to Be Broken,' January 26, 2023, https://www.bloomberg.com/news/articles/2023-01-26/clean-energy-fossil-fuel-investment-tied-for-first-time-in-2022?leadSource=uverify%20wall.

Are there other clean energy market reforms that could be considered as alternatives or operate with an FCEM?

NRG agrees with the conventional wisdom that the most efficient way to achieve the necessary decarbonization of the economy is to adopt a comprehensive, economy-wide valuation for carbon emissions. Other than such a carbon pricing mechanism, NRG is not aware of other constructs that would function as a better option or as a complement to an FCEM. FCEM was first discussed as an option in 2016 and in the subsequent years no viable alternatives have been identified. NEPOOL undertook a comprehensive assessment of options for addressing the region's decarbonization challenge in 2020 which did not identify any options that were judged to be superior to FCEM at meeting both the state's decarbonization goals and the market's economic principles.[13]

Are there any other state policy goals that overlap with the FCEM Design Proposal?

While the states have a wide range of policy interests and objectives, NRG is focused on the key goals that an FCEM is intended to address and/or respect: producing the quantities of clean energy that are necessary to meet state requirements desired to address the climate challenge, doing so at the lowest reasonable cost, and maintaining reliable supplies of electric energy throughout the transition. FCEM is explicitly designed to achieve the former two goals, and by integrating its design and administration with ISO-NE's existing markets it will leave in place and respect the role of those markets in ensuring reliability.

How should DOER proceed to engage with regional stakeholders to progress clean energy market reforms?

As described above, NRG recommends that DOER work with the other states to organize their stakeholder engagement through NESCOE in order to leverage the existing organization that represents all the states in the region. Having alignment and support from all the states on NESCOE's role to advance the structure and design of an FCEM will be meaningful in demonstrating to the region's institutions, stakeholders, and FERC that the region is committed to working toward implementation of a centralized platform for achieving decarbonization. Nothing in that initial commitment should bind any state to use the platform, but agreement at the outset to develop and support the structures and detailed design that would be necessary to ultimately implement the FCEM is needed to bring forth committed engagement from all affected parties.

[13] Felder, "NEPOOL's Pathways to the Future Grid Process Project Report," January 6, 2021, https://nepool.com/wp-content/uploads/2021/01/NPC_20210107_Felder_Report_on_Pathways_rev1.pdf

V. Conclusion

The Massachusetts FCEM Proposal is a powerful and important step toward a sustainable clean energy future for the region. NRG encourages all stakeholders to engage constructively in its refinement and ultimate implementation, beginning with a process in 2023 to confirm regulatory jurisdiction and to define the institutional relationships that will be necessary to implement and administer a successful FCEM.

To initiate that engagement, NRG urges the states to act together, through NESCOE, to initiate discussions with ISO-NE and with NEPOOL that would address the legal, jurisdictional, and institutional dimensions of an FCEM. At the same time, NRG urges those entities to consult regularly and extensively with the region's stakeholders, ideally through a formal stakeholder engagement process, with defined objectives and timelines, to solicit and consider their concerns and suggestions regarding the development of an implementable FCEM design and governance structure that can effectively serve the region.

NRG expects that other parties filing comments in response to DOER's request will identify areas of concern and perhaps outright disagreement with elements of the Proposal. As we have seen in the region over recent decades, market design is not simple and must address critical tensions among a wide variety of stakeholders. This history has shown that balancing those tensions can ultimately produce a well-functioning competitive marketplace which more than justifies the efforts required to achieve it.

Attachment 1

Stakeholder Organizations Participating in Discussions on FCEM – Partial List

Acadia Center

Advanced Energy United

Connecticut Business & Industry Association

Connecticut Office of Consumer Counsel

Conservation Law Foundation

CPower Energy Management

Environmental Defense Fund

LS Power

Maine Office of the Public Advocate

Michaud Law Group CT

National Grid

Natural Resources Defense Council

New England Power Generators Association

New England Power Pool

New Leaf Energy

Northeast Clean Energy Council

Power Options

Union of Concerned Scientists