

New England States
Committee on Electricity

To: Michelle Gardner
From: NESCOE
Date: January 4, 2012
Subject: Comment & Suggested Edits on Long Term Framework

Thank you for your efforts to prepare and distribute the *FCM Framework Document* on December 30, 2011 in preparation for the January 6, 2012 meeting.

The New England states have reviewed the document and offer the following suggested edits. New language in **bold**; deleted language in ~~strikethrough~~.

1) Long Term Framework Design Principle No. 2.

The Capacity Market should be modified to promote **competitive** market-based **prices** that ~~stable and predictable prices and to avoid rate shocks or the potential for overall rate shock. In particular, the Capacity Market needs to be designed to address stated concerns that, absent a price collar, the present market will result [or may result] in bimodal prices that fluctuate between a price below \$1.00 when supply is greater than ICR and \$12.00 when there is a need for new supply.~~

Rationale: The changes to the first sentence above is simply to make clear that prices will be set by competitive markets, in which prices paid to individual resources will not necessarily be stable and predictable at all times but will be relatively stable for the market overall.

The states do not necessarily disagree with the concern expressed in the second sentence but believe it is not a principle.

2) Long Term Framework Design Principle No. 3

The Capacity Market should provide ~~greater assurance to potential investors of a predictable revenue stream from which to recover their investment to assist~~ **developers in obtaining financing.**

Rationale: The changes maintain the point of the principle as we understand it – the need to attract investment - but make clear that prices

will be set by competitive markets, which do not by definition provide assurance.

3) Long Term Design Principle No. 6

The purpose of this principle is not clear. It needs to be explained or revised.

4) At Page 9, Section II, Long Term “Agreement” should be redefined as Long Term “Framework”

Rationale: The Long Term components of this discussion will necessarily be less well defined than the subject matter of the Short Term Agreements and will by definition require further discussion. It is therefore more appropriate to consider the Long Term components a framework.

5) Elements of the Long Term Framework Appropriate to consider for FERC filing.

The states believe that, assuming the region reaches agreement on the framework, any FERC filing should include only the design principles and not the position statements, which require significant discussion and are not ripe for filing.