

January 18, 2022

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Dear Mr. van Welie and Chair LaFleur:

We write regarding ISO New England’s (“ISO-NE”) December 23, 2021 reply to Connecticut Department of Energy and Environmental Protection Commissioner Dykes’s December 17, 2021 inquiry to ISO-NE regarding power system reliability in New England, which ISO-NE shared publicly on January 5, 2022 (“ISO-NE Letter”).<sup>1</sup>

The ISO-NE Letter describes steps ISO-NE has taken over the last decade to execute its core responsibilities of regional grid operation, market administration, and power system planning to address energy supply challenges in the winter months. We appreciate ISO-NE’s history of proactive work to develop proposals to address its reliability concerns, including prior temporary programs to protect against winter power disruptions while ISO-NE developed more lasting reforms. The New England states have prioritized work on reliability-related proposals as well, in addition to clean energy and energy efficiency investment that reduces winter demand and diversifies the resource mix.

The ISO-NE Letter raises several issues that warrant more discussion in a different forum. Notably, further discussion about ISO-NE’s Energy Security Improvements (“ESI”) proposal may be instructive to planned work in 2022-2023 to develop Day-Ahead Ancillary Services Improvements (“DASI”). While the ISO-NE Letter discusses the ESI filing with the Federal Energy Regulatory Commission (“FERC”), it does not make reference to the New England state-initiated, NEPOOL-supported alternative to the ESI proposal that, in our view, would have achieved ISO-NE’s core ESI objectives more cost-effectively. With an eye toward DASI taking shape in a way that satisfies ISO-NE’s goals and cost consciousness, it would be useful in the near-future to revisit how ISO-NE weighed reliability, market purity, and consumer costs in deciding to reject the ESI alternative that would have addressed winter energy supply concerns.

However, there is one issue that requires immediate consideration: ISO-NE’s different, and concerning, approach to current winter challenges. ISO-NE’s temporary winter programs have now expired. The next interim program will take effect two years from now for the 2023-2024

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<sup>1</sup> [https://www.iso-ne.com/static-assets/documents/2022/01/isone\\_ct\\_deep\\_combined\\_ltrs.pdf](https://www.iso-ne.com/static-assets/documents/2022/01/isone_ct_deep_combined_ltrs.pdf).

winter. The ISO-NE Letter identifies *immediate* risks of sustained cold weather – an otherwise unremarkable occurrence for New Englanders – without any analysis of the magnitude of risk or any proposed way ISO-NE, the entity responsible for regional planning and system reliability, will act to address them.<sup>2</sup> This leaves a multi-winter gap.

To be clear, the immediate risk ISO-NE is warning about is not the potential “low-probability, high-impact extreme weather events” ISO-NE is beginning to study. It is not the 2030 timeframe, when the ISO-NE Letter notes the heating and transportation transition to the electric grid will cause winter peaking. It is not about bringing online long-duration balancing resources that the ISO-NE Letter states the U.S. Department of Energy is now researching. It is a risk (so far unspecified) here and now, and next winter, if New England has the sustained cold weather we’ve all experienced in the Northeast.

Without timely ISO-NE analysis about the current risks, no one can make a reasoned judgment about whether a winter reliability program, a market mechanism, or some type of state action is necessary or would be effective to fill any reliability gap. Nor could one determine the type, level or duration of incremental investment needed to protect system reliability. It’s like asking homeowners to buy additional flood insurance on the eve of a storm without knowing how intense the storm will be, how long it’s expected to last, and what their current flood insurance covers.

ISO-NE states it is “confident that we have exhausted the options that are within our scope of authority.”<sup>3</sup> This raises a number of serious questions. For example, ISO-NE explains that FERC had expressed concern regarding ISO-NE’s use of temporary winter reliability programs. However, that concern came well before ISO-NE’s recent public warnings about the potential for rolling blackouts<sup>4</sup> that would put public health and the economy at risk, and when FERC understood ISO-NE to be working on sustained market reforms. The ISO-NE Letter states that “short of receiving different direction from the FERC . . . the ISO has no plans to reinitiate” a temporary winter program.<sup>5</sup> This leaves unanswered the important question of how ISO-NE would propose addressing what it has identified as reliability risks associated with sustained New England-style cold winter weather.

We do not share the view that passively waiting for FERC direction amounts to ISO-NE exhausting its options. More fundamentally, ISO-NE’s decision to wait for unsolicited direction from FERC seems to flip the role of the regulated and the regulator. In fact, FERC’s order rejecting ISO-NE’s longer-term energy security proposal (the ESI filing) invited ISO-NE to “propose to the Commission other steps it believes are warranted to address fuel security,” such as short and longer-term programs.<sup>6</sup>

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<sup>2</sup> It would be helpful to see and understand the analysis that led to the following statement in the ISO-NE Letter: “However, as described below, we do not believe that it is realistic, or cost effective, to fully mitigate energy-adequacy risks through the wholesale electricity market.”

<sup>3</sup> ISO-NE Letter at 1.

<sup>4</sup> ISO-NE, *Harsh Weather Conditions Could Pose Challenges to New England’s Power System This Winter: Fuel supply issues may threaten ability to meet consumer demand if the region sees extended periods of extreme cold weather*, Dec. 6, 2021, available at [https://www.iso-ne.com/static-assets/documents/2021/12/20211206\\_pr\\_winteroutlook2122.pdf](https://www.iso-ne.com/static-assets/documents/2021/12/20211206_pr_winteroutlook2122.pdf).

<sup>5</sup> ISO-NE Letter at 4.

<sup>6</sup> *ISO New England Inc.*, 173 FERC ¶ 61,106 at P 63 (2020).

As the ISO-NE Letter notes, the region has made some progress in addressing market transparency and visibility about market risks. We need to build on this work, and as always, we stand ready to prioritize work with ISO-NE to address analysis-based, reliability risks to the regional power grid. The immediacy and seriousness of the asserted risks warrant ISO-NE's prompt attention.

Sincerely,

NESCOE Managers

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Katie S. Dykes

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cc: FERC Chairman Richard Glick  
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