



NEW ENGLAND POWER POOL

Joel S. Gordon, Chairman

NEPOOL Participants Committee

October 2, 2016

Ladies and Gentlemen,

We need you to provide feedback to your officers on next steps in our NEPOOL IMAPP process (on Monday, if you are able).

With a number of conceptual proposals now before us for integrating markets and public policy, we asked through NESCOE that state officials provide us their preliminary reactions at the October 6 IMAPP meeting. The NESCOE summary of their preliminary reactions is included with this transmittal.

My take away from the summary — we have much work to do.

When NEPOOL took on this challenge, it was because we recognized that our markets were not designed to achieve the public policy objectives that have been the attention of many of the states' legislatures over the past few years. And, as in any industry, if we are not meeting our customers' needs, they will go elsewhere.

When NEPOOL took on this challenge, we adopted a very aggressive schedule. We wanted to demonstrate to the region's policy makers that we recognized the growing dichotomy between our market objectives and the states' policy objectives. We wanted to show a path that would continue to provide the consumers of all New England states the benefits of a regional competitive wholesale market while helping the states meet their goals, whether legislatively mandated or through agreement among themselves. And we did this because many of us very close to our markets began to recognize that the scale and scope of individual states actions, when taken together, could significantly undermine the workings of the very markets we have worked to create and that have benefited the consumers of New England enormously.

I have often been asked about the schedule we put forth for this IMAPP Initiative and how hard we needed to push. My response had been, "we will push this initiative as hard as we can, but not until it breaks." I believe that what we are doing is critically important to the ultimate success of our markets and what we are doing needs to be done if our markets are to survive. Now, based upon the feedback from NESCOE, perhaps we have pushed too hard and too fast. I do not think we have broken the process, but I do believe we need to step back, to take a breath, to ease off from the break-neck speed we have been traveling, and to recalibrate our efforts together.

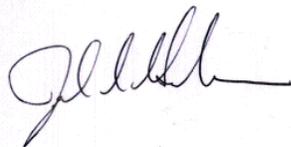
Our job remains, as it was at the beginning, to chart a path that integrates markets and public policy -- to refine, to clarify, to educate, to analyze, to advocate, and ultimately to persuade. I still believe that the *status quo* is not the best option for our customers and their consumers. There is no "silver bullet."

Full integration will not happen immediately, and as reflected in the summary, state officials will require more time to work through the enormous complexities of the path we are following, and to understand the tradeoffs between regional markets and state-specific planning. In the meantime, state officials will continue their efforts to advance the policies set forth by their executives and legislators.

Thus, as part of our October 6 agenda, we will add a discussion on the continued efforts of NEPOOL under the schedule we've established. I do believe that it is important to continue our efforts to understand, through constructive input, what is needed to appreciate, to analyze and to further assess the various proposals and to better define a regional public policy objective that all states can support.

What I believe does come through in the NESCOE summary is continued support for our competitive markets. I am encouraged by Executive Order 569 from Governor Baker in Massachusetts to "continue to lead on reform of regional wholesale electric energy and capacity markets to ensure state mandates for clean energy are achieved in the most cost effective manner." As we've experienced with many of our transformative market design proposals, they take more time to percolate and evaluate than we might prefer. What we are attempting is new, bold and impactful. Sometimes the consequences of inaction need to be experienced to clear obstacles, but I hope through the continued, collaborative efforts of NEPOOL, the ISO, the states, and all our electric industry stakeholders, we can chart a course that takes us through this transitional, and perhaps, transformational, undertaking.

Again, please reach out to your NEPOOL officers with your perspectives as soon as you can. As always, I appreciate the level of engagement and look forward to continuing to work with all of you going forward.

A handwritten signature in black ink, appearing to read 'Joel Gordon', with a long horizontal stroke extending to the right.

Joel Gordon,
Chairman, NEPOOL Participants Committee