



REGIONAL ENERGY SECURITY REMAINS A CONCERN

The cold snap occurring this winter highlighted some of the persistent shortcomings in New England's energy security situation. The energy security problems we face arise from a variety of causes, but most notably from our increased reliance on natural gas for electric power generation, coupled with a failure to increase natural gas pipeline capacity into New England. This means the energy security issue is and can also be referred to as a fuel security issue, with the primary focus being access to natural gas. Pipeline capacity proposals have been successfully opposed by competitors that use fuel other than natural gas and some environmental organizations.

Moreover, some argue that the energy market rules developed in part by and through the New England Power Pool ("NEPool") processes, and in part by the regional grid operator, ISO-New England, have not provided the right economic incentives for power plant units to make firm fuel arrangements. Such firm fuel arrangements are costly, and some stakeholders believe that the current market rules and structures would not necessarily provide an opportunity for recovery of those costs.

There have already been discussions about this problem, and a major market change discussed several years ago is being implemented beginning in this month, at a significant cost to consumers that was intended to improve energy security. However, in the time between when this major market change was ruled upon and now implemented, it is generally perceived that energy security challenges have increased and changed, such that additional adjustments are needed.

The big question is whether adding additional market rules will actually solve the energy security/fuel security problem, or whether resort must be made to contracts and long-term planning to solve it. To get at this question, market rule changes are again being considered and discussed through ISO-New England and NEPOOL processes, which discussions have been dubbed the "Chapter 3" dialogue on energy security. "Chapters 1 and 2" are occurring now, and leading to proposed individualized agreements seeking to retain the Mystic Generating Station in Massachusetts (Chapter 1, OCC has intervened in the resulting Federal Energy Regulatory Commission ("FERC") proceeding and questioned the expense level), or a program for future individualized agreements with plants that need to be retained for fuel security (Chapter 2). The "Chapter 3" effort would seek to craft market rules that address winter fuel-security concerns and appropriate market approaches to improve energy security in the region without requiring out-of-market arrangements. OCC is open to the Chapter 3 discussion, but

has doubts and concerns about the potential design, expense, and effectiveness of any new market rules.

For more information, please see the [2018-06-20 Joint MC and RC A02 Regional Energy Security: Market-Based Approaches](#)

Presented By: Mark Karl and Christopher Parent, ISO New England at the following link:

<https://www.iso-ne.com/committees/key-projects/operational-fuel-security-analysis>



Please visit

[OCC's website.](#)