

4747 Bethesda Ave, Suite 1220
Bethesda, MD 20814
410-685-7950



Introduction

Hull Street Energy, LLC (“HSE”) appreciates the opportunity to comment on the New England states' review of Wholesale Market Design as part of the New England Energy Vision process. HSE recognizes the concerns outlined in the Vision Statement and further expressed in the two technical sessions. We share the states' goals to achieve a low-carbon future and support their interest in better aligning the competitive wholesale markets with the states' clean energy and climate-related laws.

HSE is a private equity firm founded in 2014 that specializes in deploying capital into the power sector as it transitions to a more sustainable future. Through its two portfolio companies, Central Rivers Power and Milepost Power Holdings, HSE currently controls 18 renewable and thermal assets totaling 329 MW throughout New England, which contribute 150 MW of dual-fuel ramping capacity and more than 1 TWh of carbon-free generation annually. HSE is committed to working with other stakeholders to ensure the value of our current fleet. Given the right market structures, HSE also remains optimistic about the possibility of significant future investment in the region.

Attracting Private Capital to Meet the Vision

The transformation envisioned by the New England States to achieve their clean energy goals will require major capital investments to add new clean generation to the region, to preserve and enhance the existing clean energy resource base and to sustain those resources that are critical to reliable system operations. Without a massive commitment of state taxpayer funds, it will be necessary to attract billions of dollars in private capital to meet the states' energy and climate-related legal requirements. However, missing entirely from the five principles enunciated in the vision

statement is the need to build a stable framework that will attract this needed private capital for many years to come. As an equity investor in clean energy resources, HSE is well-positioned to assist the New England States in meeting their clean energy goals, but only if the framework provides confidence to investors that capital investments will not be undermined by shifting state priorities and changes in energy policies that may come about with election cycles. To that end, HSE suggests that the states consider adding the following principle to those already expressly adopted in the Vision Statement.

Provide confidence to investors that their capital investments can be recovered over time with a fair expectation that state action will not impair such recovery.

Bringing together the state clean energy goals and the conditions that will attract the private capital necessary to meet those goals will require the new framework to incorporate careful consideration of the following issues.

1. Investment Opportunities Should be Open to All

HSE fully supports the Vision Statement's first principle: to "meet states' decarbonization mandates and maintain resource adequacy at the lowest cost by using market-based mechanisms." Essential to minimizing cost, however, is the need to incorporate environmental externalities within the market construct without excluding resources, either on the basis of technology or ownership, that can both reduce carbon emissions and maintain resource adequacy. Technology neutrality also provides an opportunity for society to adjust to technological change, which we know is often in flux. In short, a technology-neutral approach that is open to all potential merchant investors and does not favor some entities or technologies to the exclusion of others is essential to fulfilling this first principle. For the investors to have confidence in markets, they need to be overseen by a stable, independent body. One of the virtues of having an independent board at the ISO New England is that it gives investors confidence that their investments will be treated fairly by both the Board and management, regardless of shifts in the headlines or the political winds.

2. Existing Resources Must be Treated on a Par with New Investment

Many state renewable portfolio programs and solicitations for renewables have drawn a distinction between resources based on their vintage, i.e., the year they came into service. HSE believes this is a mistake. Meeting decarbonization mandates and maintaining resource adequacy at the least cost can not be accomplished if newer resources are advantaged so as to displace older resources whose contribution to decarbonization and resource adequacy is equivalent. It is essential to attract capital to sustain existing resources, even those with little or no fuel cost. As the owner and operator of a fleet of existing hydroelectric resources HSE is keenly aware of the need to make continuing investments and to commit capital to preserve the value and sustain the operation of these renewable resources. Investors reasonably expect that their capital investments today will be treated equitably alongside future infrastructure investments. This expectation is essential to maintaining investor confidence and attracting capital to preserve and sustain existing resources.

3. Market Design Should Integrate Both Installation and Operations

The regional conversation to date around a new market framework has brought much attention to the concepts of a Forward Clean Energy Market (FCEM) and Carbon Pricing. HSE remains open to learning more about how a FCEM could be developed to attract capital to support both new and existing resources in a fair and stable way. At the same time, however, it is vital to assure that system operations and dispatch somehow internalize the environmental externalities that are driving the need for reform. Monetizing externalities, such as carbon emissions, within the dispatch algorithm using numerical values seems both sensible and efficient, whether this is referred to as a carbon price or not. As the deliberative process moves forward HSE would like to understand better the nature of the state's view on how decarbonization mandates can be met at least cost without this sort of integration and without putting a quantitative value on reducing carbon emissions from the production of electricity. HSE would also like to understand whether the states' objections to Carbon Pricing can otherwise be addressed to allow this integration.

Conclusion

HSE appreciates this opportunity to comment on the states' review of Wholesale Market Design and the Vision Statement and looks forward to participating in the regional process to develop a new market-based framework.

Regards,

A handwritten signature in blue ink that reads "Michael Booth". The signature is written in a cursive, flowing style.

Michael Booth
Partner