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Dear DOER Stakeholder,

The Massachusetts Department of Energy Resources (“DOER”) is releasing this Forward Clean Energy Market (“FCEM”) design proposal to integrate clean energy within the regional wholesale market design. We hope this proposal will contribute to our regional discussions with the New England partners and power sector stakeholders and advance an implementable market proposal. This design proposal is built to capture the benefits of an FCEM but also address many of the questions raised in initial discussions. To develop this proposal, the Brattle Group and Sustainable Energy Advantage (“SEA”) worked with DOER, the New England States, and other energy stakeholders to design a market that meets the needs of not only Massachusetts, but also other states while supporting the financing of new and existing clean energy resources. DOER intends to use the release of this design proposal today to initiate a new stakeholder process. We welcome stakeholder review and conversation of the many complex components of this proposal. While this proposal is representative of a significant effort by the Brattle Group and SEA coordinated by DOER we acknowledge that additional work will be required to analyze, refine, and reach consensus on a design that the New England States can move forward to implementation.

Conceptual FCEM market designs have been discussed in New England for a few years. In October 2020, the six New England states released a Vision Statement outlining the six New England states vision for a clean, affordable, and reliable 21st century regional electric grid. To support a modern regional electric grid for the whole region, the Vision Statement asserted that there will need to be significant changes in three core segments of our shared energy system, including wholesale electricity market design. Integration of clean energy as a fundamental component of New England’s power market is needed to support the clean energy goals of multiple states. The existing market structure in New England cannot fully support states pursuit of clean energy and associated legal requirements.

Following a public process supported by the New England States Committee on Electricity (“NESCOE”) to inform the development of any proposals related to the Vision Statement, in

July 2019, NESCOE requested that ISO-NE and the New England Power Pool initiate a process to analyze and discuss potential future market frameworks that contemplate and are compatible with the implementation of state energy and environmental laws. ISO-NE began the Future Grid Initiative Key Project in 2020 which includes the Pathways to the Future Grid (“Pathways Study”) analysis evaluating potential market frameworks that may help support the evolution of its power grid. This Pathways Study includes the comparison of multiple market structures for achieving clean energy goals, including a version of the FCEM, net carbon pricing, and a hybrid with both structures. The Pathways Study found that although all four policy approaches can achieve substantial levels of decarbonization, transitioning from the status quo would result cost savings. DOER is interested in investigating the benefits of a regional FCEM as the market structure that may most effectively meet clean energy goals.

While the concept of the FCEM has had support, the idea has lacked specificity on key issues related to design and governance. Included in the design proposal today are details regarding governance, the definition of market products, the composition of buyers, and the administration of the market. Flexibility is a key design feature of the FCEM and participation in the FCEM as a buyer will be completely voluntary and states that chose not to participate will not see any costs associate with the market. In addition to states, the market will be open to voluntary buyers seeking cost-effective clean energy products for their customers. Costs for fulfilling the states’ demand bids could be recovered through new rate authorization, allowing states to meet clean energy goals cost effectively through energy supply rather than contracts between developers and electric distribution companies. All these design elements work together in the design proposal to create an optimized market with flexibility that creates financing for projects while supporting states’ clean energy goals.

DOER welcomes feedback from stakeholders on the FCEM design proposal. DOER plans on providing opportunities for public sessions about this design proposal and solicit written comments. Using this stakeholder feedback, DOER will support the Executive Office of Energy and Environmental Affairs’ (“EEA”) report on the advantages and disadvantages of using or participating in regional or multi-state market-based mechanisms, structures, systems, or competitive solicitations to facilitate the development of clean energy generation resources by March 2023, as required in Massachusetts’ 2022 Climate Act. Following this initial feedback to the FCEM, DOER is eager to discuss and refine the FCEM design with other New England states through NESCOE to identify additional areas of analyses, including a legal analysis, and eventually come to consensus on an FCEM design that can be implemented.

Thank you to all our regional partners and energy stakeholders for working on this important topic. Wholesale energy market design can achieve significant benefits for the region. We hope this FCEM design proposal prompts conversation and helps identify areas for further refinements.

Sincerely,



Patrick C. Woodcock  
Commissioner