Pascoag Utility District commends the Department of Energy for holding a regional meeting of the Quadrennial Energy Review to examine infrastructure constraints in New England. Pascoag, together with many local regulatory and government officials, is increasingly concerned that the structure and business model that characterizes New England’s energy supply system does not ensure reliable, efficiently-priced energy during periods of high demand—especially the winter months.

Pascoag urges DOE to focus on the role of the wholesale electric market structure as the QER moves forward in examining regional infrastructure concerns. New England’s wholesale market is one of the markets operated by a Regional Transmission Organization (RTO), in our case, ISO-NE. These RTOs operate markets for electricity, capacity and ancillary services that are increasingly becoming hampered by complex and frequently changing rules. Such rules appear to be moving away from price signals which encourage least-cost, environmentally sensitive and *reliable* solutions. As an example, New England’s wholesale market is characterized by a structure that has resulted in an over-reliance on natural gas-fired generation without also requiring an adequate transportation system for delivery of this fuel source during high winter load conditions. This recent winter saw market prices which were often 10 times higher than the average prices from past periods or even from other regions of the country during this same period, all due to the lack of adequate pipeline capacity to fuel the New England generation fleet.

One of our main concerns is focused on the centralized forward capacity market that has demonstrated it has been a poor vehicle for achieving an optimal mix of diverse resources to provide reliability in a least-cost manner. Even more problematic is that public power entities such as Pascoag Utility have been subjected to rule changes that do not allow us to purchase or build long term resources without the fear of paying for both the cost of the resource and a capacity market clearing price at the same time. This recent removal of public power’s self-supply option has been extremely troublesome and has negated our ability to provide the most cost-effective and reliable solutions for our customers. Our ability to take our fate into our own hands for the benefit of our consumers has been removed by the recently evolved capacity market structure.

Because of the high costs to consumers and an inability to address our individual resource needs, Pascoag and the various public power associations have called for restructuring of the RTO capacity markets to allow for bilateral contracting through competitive solicitations under the jurisdiction of state and local entities, with encouragement for resource adequacy while incentivizing a diverse mix of resources which will operate *when most-needed*. Pascoag urges DOE to recognize the importance of reforming the RTO markets as one piece of the puzzle in addressing the infrastructure needs facing New England. Consideration of the cost to the consumer, which seems to have been lost in the debate, should be one of the guiding principles during this reform.