

Heather Hunt, Executive Director  
NESCOE  
655 Longmeadow St.  
Longmeadow, MA 01106

May 28, 2014

Dear Ms. Hunt

I would like to take this opportunity to provide the feedback of Direct Energy to the Governors' Infrastructure Initiative, also known as the Incremental Gas for Electric Reliability (IGER) concept.

Direct Energy, with its acquisition of Hess Energy Marketing, is in a unique position to provide feedback and help NESCOE evaluate the viability of the IGER concept. The current IGER concept leaves many critical elements unaddressed. To help both Direct Energy and other market participants better understand how the Capacity Manger role will work under the IGER concept, as well as to better understand the viability of the IGER concept, Direct Energy would ask NSECOE to address the following questions.

1. Reliability Questions:
  - a. Does NESCOE see the investment in firm capacity under the IGER as the entire answer to the electric reliability and natural gas generator needs of ISO-New England? If so, how will this capacity accomplish that? If not, what else is NESCOE considering to address any remaining electric reliability needs?
  - b. Even with the aggressive project and regulatory timeline proposed, the very earliest that incremental gas capacity will be available via the IGER is expected to be 2017 (and in reality probably later than 2017). What will the generators be able to do in the meantime to address the electric reliability concerns
2. Contracting Entity:
  - a. Some of the electric distribution companies have offered to serve as "contract entities" in order to move the financing of the IGER forward. What is the value of using multiple distribution utilities as the contract entities rather than one credit worthy counterparty?
  - b. How will capacity obligations be allocated among the contracting entities? Using what criteria?
3. Pipeline Specifics:
  - a. What are the proposed pipeline delivery and receipt points? How were those determined to be the best points?
  - b. How many generators will be able to access gas from the points of receipt?
  - c. How will the pipeline route be determined?

- d. Will the pipeline be connected to any laterals or gas distribution companies?
  - e. If the delivery point is a gas distribution company, how do you assure that the gas distribution company will provide firm service to gas generators? Will you require generators to also have firm distribution service? If not, how does the proposal enhance reliability?
4. Capacity Allocation:
- a. How do you see capacity being allocated to generators?
  - b. Is it only allocated to generators that clear the capacity market?
  - c. Is gas allocated pro-rata or to the highest bidder?
  - d. Will generators be allowed to use the IGER if they are burning gas to sell electricity outside of ISO-New England?
5. Role of the Capacity Manager:
- a. Who is responsible for resulting pipeline penalties when there are over-burns or under-burns due to inaccurate forecasts by the generators on critical days?
  - b. Who gets the benefit of released capacity payments?
  - c. What happens in a force majeure, are there any payments required, and by whom?
  - d. Does the Capacity Manager do the gas nomination solely, or is it dependent on generation bids?
6. Other Issues
- a. Does storage come into play with the IGER?
  - b. What happens if significant amounts of LNG enter into the system, displacing natural gas or making it more expensive?
  - c. If FERC doesn't allow for the recovery of costs through the ISO Tariff, is there agreement amongst the States to recover the costs through the local electric distribution company tariffs, or will the costs be borne by the gas utility customers?
  - d. Finally, the timeline shows the RFP process beginning in June 2014 and being complete in September 2014. Will all of the above questions be answered at the beginning of the RFP process in order for bidders to consider them in their bid preparation?

We look forward to receiving answers to the above questions. If you require clarification on any of them, please feel free to contact Ron Carrier, our regulatory affairs representative for New England. His email is: [ron.carrier@directenergy.com](mailto:ron.carrier@directenergy.com).

Sincerely,



John Schultz  
President  
Hess Energy Marketing, LLC  
Cc: ISO-New England Board of Directors