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May 30, 2014

Ms. Heather Hunt
Executive Director
New England States Committee on Electricity
655 Longmeadow Street
Longmeadow, MA 01106

RE: Supplemental Comments of the Industrial Energy Consumer Group for NESCOE's IGER and EDC Concepts and Related Efforts Focused on Relieving New England's Natural Gas Pipeline Capacity Constraints

Dear Heather:

On May 23, 2014, the Industrial Energy Consumer Group (IECG) filed comments on NESCOE's conceptual proposal for relieving New England's gas pipeline capacity restraints. In those comments we expressed, and continue to express here, our support for and appreciation of the governors' joint effort to address the grave threat to the economic viability of many industrial and commercial employers posed by the lack of any adequate market response to gas infrastructure deficiencies that are causing, and will continue to cause economic dislocation, loss of employment, environmental deterioration, and multiple other ills if not addressed promptly and with vigor. The IECG offers these supplemental comments to address a single technical aspect with respect to the role of the administrator in the allocation of pipeline capacity which may be acquired pursuant to the IGER proposal. We hope this suggestion will be constructive in assisting NESCOE and others in formulating an approach that stands the greatest chance of success in the shortest timeframe.

The IECG believes that the capacity procured pursuant to IGER should be held by an independent non-profit sole purpose entity (the "Administrator"). With respect to the Administrator's role in allocating the capacity purchased or acquired, it should act as far as possible, as a purely passive holder of firm capacity that does no more than post the capacity for release under applicable FERC rules and thereafter receive and make payments to amortize the costs of the investment. We believe reliance on existing FERC rules is appropriate because these regulations already contain provisions for posting and releasing capacity to the market that are well understood by the industry and designed to assure competitive access to capacity. In terms of the overall economic benefit to be achieved, the basis differential will be reduced regardless of which entity makes use of the capacity. Generators or other market participants can acquire released capacity as secondary firm or interruptible service. Their payments for such capacity will partially offset the original cost of the acquisition.

Unlike other capacity released to the market, these amounts will not be subject to recall by the firm rights holder since the administrator will not schedule gas flows on its own behalf.

To the extent receipts from the purchase of released capacity by secondary or interruptible shippers reduce the cost of initial acquisition, it may be possible to either 1) accelerate the amortization of the original investment or 2) reduce the contribution needed from ratepayers under the ISO administered tariff.

We believe this structure is preferable to any attempt by the states to re-invent or seek waivers of the Commission's regulations on capacity release. Those regulations already make it difficult for any party to hoard capacity unless it is being utilized. As long as gas is actively scheduled into New England utilizing such capacity, it should serve to lower the basis differential and/or be available for use by generators. Attempts by the administrator to pick winners and losers in the market or to side step existing FERC regulations could unduly complicate the process and are unlikely to substantially increase the benefits received by ratepayers. For all of these reasons we think the wisest course is to have the Administrator act purely in the passive role described above in terms of allocation of acquired capacity.

We appreciate the opportunity to offer these supplemental comments.

Very truly yours,

Donald J. Sipe (pwb)

Donald J. Sipe
Counsel to the Industrial Energy Consumer Group