

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

ISO New England Inc. and New England)	Docket Nos. ER14-2407-000
Power Pool Participants Committee)	ER14-2407-001
)	ER14-2407-002
)	

**MOTION TO INTERVENE AND COMMENTS OF THE
NEW ENGLAND STATES COMMITTEE ON ELECTRICITY**

Pursuant to Rules 212 and 214 of the Federal Energy Regulatory Commission’s (“Commission” or “FERC”) Rules of Practice and Procedure (the “Rules”), 18 C.F.R. §§ 385.212 and 385.214 (2012), and the Commission’s July 11, 2014 Combined Notice of Filings #1 and July 14, 2014 Combined Notice of Filings #1, the New England States Committee on Electricity (“NESCOE”) hereby files this Motion to Intervene and Comments in the above-captioned proceedings.

On July 11, 2014, ISO New England Inc. (“ISO-NE”) and the New England Power Pool (“NEPOOL”) Participants Committee (together, the “Filing Parties”) jointly filed with the Commission proposed Tariff¹ revisions that seek to maintain system reliability by ensuring fuel adequacy in the 2014-2015 winter period (the “2014/2015 Winter Program”).² Through the 2014/2015 Winter Program, ISO-NE intends to address risks to reliable operation arising from recent and expected retirements of large non-gas fired generators and difficulties experienced last winter by generators attempting to replenish oil inventories or secure natural gas during periods

¹ Capitalized terms not defined in this filing are intended to have the meaning given to such terms in the ISO-NE Transmission, Markets and Services Tariff (the “Tariff”).

² ISO New England Inc., Winter 2014-15 Reliability Program (Part 1 of 2), Docket No. ER14-2407-000 (filed July 11, 2014) (the “Winter Program Filing”). On the same day, ISO-NE made the second part of its filing in Docket No. ER14-2407-001 (filed July 11, 2014). On July 14, 2014, ISO-NE made an errata filing in Docket No. ER14-2407-002.

of severe pipeline constraints.³ NESCOE supports this year's proposed program as an appropriate response to threats to reliable service that ISO-NE has identified for the upcoming winter.

I. COMMUNICATIONS

Pursuant to Rule 203, 18 C.F.R. § 385.203 (2012), the person to whom correspondence, pleadings, and other papers in regard to this proceeding should be addressed and whose name is to be placed on the Commission's official service list is designated as follows:

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II. MOTION TO INTERVENE

NESCOE is the Regional State Committee for New England. It is governed by a board of managers appointed by the Governors of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont and is funded through a regional tariff that ISO-NE administers.⁴ NESCOE's mission is to represent the interests of the citizens of the New England region by advancing policies that will provide electricity at the lowest reasonable cost over the long-term, consistent with maintaining reliable service and environmental quality.

The instant proceeding has system reliability, consumer cost and environmental implications. NESCOE has a direct, immediate, and substantial interest in this proceeding, which will not be adequately represented by any other party. In addition, NESCOE's

³ Winter Program Filing at 6.

⁴ *ISO New England Inc.*, 121 FERC ¶ 61,105 (2007).

participation in this proceeding as the representative of the New England Governors will serve the public interest. NESCOE respectfully requests leave to intervene in this matter.

III. BRIEF DESCRIPTION OF THE 2014/2015 WINTER PROGRAM

The 2014/2015 Winter Program includes a number of components intended to maximize the capability of specific electric generators, primarily dual fuel units, to meet system needs next winter. The proposed program provides compensation for unused oil inventory measured as of March 15, 2015.⁵ In addition, compensation is available for generators to offset costs for commissioning dual fuel capacity or recommissioning such capacity to the extent it has not been operational since December 1, 2011 or earlier.⁶ To provide the operators of dual fuel resources with greater certainty in managing fuel supply and inventory, certain verification requirements applicable to periods of approaching convergence between natural gas and oil prices would be removed.⁷ Finally, like last year's winter program, the 2014/2015 Winter Program would compensate dual fuel generators for successful tests of their ability to switch to oil.⁸

In addition to these components, demand response resources and resources that contract for liquefied natural gas (LNG) are eligible to receive compensation under the proposed program. Similar to the program in place last year, a limited number of demand response resources would be paid for helping to maintain the Thirty-Minute Operating Reserve.⁹ For those resources capable of using LNG, the program provides limited cost recovery to remove a disincentive for generators to contract for this fuel-type. Under the proposed program,

⁵ Winter Program Filing at 11.

⁶ *Id.* at 13.

⁷ *Id.* at 17-19. The Filing Parties propose this as a permanent change, extending beyond the 2014/2015 Winter Program expiration date. *Id.* at 18. *See also id.* at Testimony of Robert V. Laurita on Behalf of ISO New England Inc. at 14.

⁸ Winter Program Filing at 19-20.

⁹ *Id.* at 14-16.

generators will be paid for certain unused LNG contract volumes, up to a maximum aggregate of 6 Bcf and subject to other conditions.¹⁰

According to the Analysis Group, which ISO-NE retained in connection with the 2014/2015 Winter Program proposal, the high end range of total program costs is estimated at approximately \$98 million.¹¹ These costs would be allocated to Real-Time Load Obligation.¹²

IV. COMMENTS

The need for a second consecutive winter program underscores the continued operational threat caused by natural gas pipeline infrastructure constraints.¹³ Additional stress will no doubt be placed on this gas infrastructure network—and system operations—when hundreds of megawatts of nuclear and coal facilities are no longer available to meet system demands next winter due to retirements. In fact, the capability of these retired resources is greater than the entire output procured in last winter’s program.¹⁴

ISO-NE took appropriate action in proposing the 2014/2015 Winter Program. According to ISO-NE, last year’s program “was critical to keeping the lights on.”¹⁵ This year’s program was proposed with the same fundamental purpose in mind. The program should provide needed fuel supply security this winter.

NESCOE supports the change to this year’s program whereby resources would be compensated for oil inventory that remains unused at the end of the winter, rather than basing payment on inventory at the start of the winter season. NESCOE agrees with ISO-NE that this

¹⁰ *Id.* at 11-13.

¹¹ *Id.* at 21.

¹² *Id.* at 21-22.

¹³ *See, e.g., id.* at 6 (noting that ICF International’s updated New England gas study “reduced projections of available gas during winter 2014-15 by about 500 MMcf/d [and] concluded that winter peak day gas supplies will be barely adequate or slightly in deficit through 2020, *as long as there are no major contingencies . . .*”) (emphasis in original).

¹⁴ *Id.*; *See also id.* at Testimony of Peter Brandien on Behalf of ISO New England Inc. at 7.

modification provides an appropriate incentive for generators to secure inventory at the outset of the season, which is especially important given the challenges some generators experienced in trying to replenish supply during colder winter months with greater demand and transportation difficulties.¹⁶ This design change, which sets compensation based on the lesser of a unit's December 1 and March 15 inventory, could also benefit consumers if a substantial portion of oil inventory held at the beginning of the winter period is used but not replenished.

The 2014/2015 Winter Program also improves upon last year's program by recognizing that, in the short-term, LNG can mitigate the effects of infrastructure constraints. However, there is room for improvement in this area in any subsequent ISO-NE-administered winter program. Last year, ISO-NE agreed that, to the extent future single-winter procurement programs were needed, they should be fuel-neutral.¹⁷ The addition of some level of LNG as an eligible fuel-type is a positive step.

ISO-NE has suggested that future winter programs may be needed until the implementation, later this decade, of the Pay for Performance ("PfP") structure in the Forward Capacity Market which "will serve in lieu of supplemental winter programs."¹⁸ To the extent ISO-NE believes that a winter program will be needed over the next several years, NESCOE encourages ISO-NE to commence program development and stakeholder discussions as soon as possible for a comprehensive, rather than year-by-year approach, to solve near-term winter constraints. Further, to the extent that ISO-NE believes that the implementation of the PfP structure, by itself, will negate the need for winter reliability measures, ISO-NE should provide proposed metrics that would enable periodic stakeholder reviews to assess the degree of

¹⁶ Winter Program Filing at 6, 10.

¹⁷ ISO New England Inc., Winter 2013-2014 Reliability Program, Docket No. ER13-1851-000 (filed June 28, 2013) at 7.

¹⁸ See Winter Program Filing at 5.

confidence that PfP will provide the expected outcomes for future winter programs after Pfp is implemented. The ability of Pfp to address longer-term winter constraints will be predicated upon assumptions of market actor behavior, assumptions that may not play out in practice. Accordingly, NESCOE believes that a more comprehensive approach to solving short-term winter constraints, and a periodic review of Pfp expectations to address these constraints in the long-term, is warranted.

NESCOE supports the suite of solutions reflected in the 2014/2015 Winter Program. While NESCOE believes that the Winter Reliability program should be implemented and is necessary to preserve reliability, it is not a long-term solution. NESCOE does not believe that the Pfp program will incent any generators to contract for incremental gas pipeline capacity. NESCOE is concerned that the reliance on dual fuel, both in the Winter Reliability Program and the Pfp program, will result in higher costs and higher emissions than using natural gas, contrary to the environmental and energy policy goals of the states. Longer-term solutions are needed to address the root cause of the identified reliability risks and the related price spikes that are already translating to double digit cost increases for consumers and placing New England at a competitive disadvantage.¹⁹ NESCOE looks forward to continuing to work with ISO-NE, market participants, and other stakeholders on such longer-term solutions.

¹⁹ For example, at the U.S. Department of Energy's April 21, 2014 Quadrennial Energy Review meeting held in New England, executives from Northeast Utilities and National Grid testified that their retail electric customers saw increases to the commodity portion of their bills of 30% and 35%, respectively. *See* Prepared Statement for Thomas May, Northeast Utilities, U.S. DOE Quadrennial Review Meeting, Apr. 21, 2014, at 2, *available at* <http://www.energy.gov/epsa/downloads/ger-public-meeting-new-england-regional-infrastructure-constraints>; Prepared Statement for Tom King, National Grid, U.S. DOE Quadrennial Review Meeting, Apr. 21, 2014 ("King Statement"), at 3, *available at* <http://www.energy.gov/epsa/downloads/ger-public-meeting-new-england-regional-infrastructure-constraints>. On behalf of National Grid, Mr. King further testified that he expects an additional 40% increase next winter. King Statement at 3.

V. CONCLUSION

For the reasons stated herein, NESCOE respectfully requests that the Commission (i) grant its Motion to Intervene, and (ii) consider the above comments in this proceeding.

Respectfully submitted,

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Date: August 1, 2014

CERTIFICATE OF SERVICE

In accordance with Rule 2010 of the Commission's Rules of Practice and Procedure, I hereby certify that I have this day served by electronic mail a copy of the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Boston, Massachusetts this 1st day of August, 2014.

Respectfully submitted,

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