

New England States' Preferred Framework – Order 1000 Public Policy Projects  
Draft for Discussion

New England States  
Committee on Electricity

**To:** NEPOOL Order 1000 Work Group & ISO-NE  
**From:** NESCOE  
**Date:** January 9, 2012  
**Subject:** New England States' Draft Framework for Public Policy Projects &  
Associated Cost Allocation Under FERC Order 1000

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The New England States are pleased to provide to NEPOOL's Order 1000 Work Group and ISO-NE the states' draft framework to address FERC Order 1000's provisions concerning public policy projects and associated cost allocation. The framework reflects compromise on behalf of all states and underscores the states' collective interest in addressing our challenges as a region.

The draft framework is set forth in sufficient detail to enable discussion of its specifics. It is not styled as a tariff. Over the coming months, we look forward to input from stakeholders and ISO-NE and further refinement of the framework's details.

**New England States' Draft Framework**

**FERC Order 1000 – Public Policy Projects & Associated Cost Allocation**

1. Notwithstanding the states' right to request an Economic Study on an annual basis pursuant to Attachment K, ISO-NE shall allocate to NESCOE no less than one study ("Public Policy Study") not less than once every two years to enable analysis of the potential implications of legislative and regulatory requirements ("Public Policy Requirements") and/or public policy targets that the states collectively identify and communicate to ISO-NE and the Planning Advisory Committee ("PAC") pursuant to the procedures set forth below.
2. Prior to communicating to ISO-NE the scope of such Public Policy Study and related parameters and assumptions, NESCOE will solicit stakeholder input on which, if any, Public Policy Requirements drive transmission needs and are appropriate to consider in regional planning.

NESCOE will accept such stakeholder input through written comment on such Public Policy Requirements to NESCOE, which comments shall be made publicly available on NESCOE's and ISO-NE's website, and/or through a stakeholder input session held in connection with one or more PAC meetings.

NESCOE shall make the final determination of which transmission needs driven by Public Policy Requirements, if any, ISO-NE will analyze in such Public Policy Study for potential solutions.

NESCOE will communicate its decision concerning what transmission needs driven by Public Policy Requirements ISO-NE will analyze in the Public Policy Study to ISO-NE and the PAC in writing and post such communication on its website. In this

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communication, NESCOE will explain why ISO-NE will not evaluate other needs identified by stakeholders in the Public Policy Study.

To the extent that the states do not reach consensus in connection with a Public Policy Study scope or assumptions, NESCOE shall reach such determinations pursuant to NESCOE's voting mechanism.

3. The PAC will provide input to NESCOE and ISO-NE on proposed study parameters and assumptions and on draft Public Policy Study results.
4. ISO-NE's Public Policy Study conducted to analyze public policy requirements and/or public policy targets that NESCOE identifies shall include transmission project cost estimates.
5. NESCOE will review ISO-NE's final Public Policy Study analysis, including the transmission project cost estimates.
6. After ISO-NE publishes the final Public Policy Study results, upon NESCOE's written request, which shall be posted on NESCOE and ISO-NE's websites, ISO-NE will perform one or more detailed transmission studies according to parameters and assumptions identified by NESCOE or developed with NESCOE approval (i.e., specific resource scenarios). NESCOE will discuss the scope and assumptions associated with such detailed transmission studies as identified by NESCOE with the PAC.

To the extent Public Policy Requirements and market efficiency or reliability needs may align, the detailed transmission studies may include analysis of potential solutions that may address market efficiency and/or reliability needs in addition to Public Policy Requirements. ISO-NE will make a preliminary determination about the extent to which a proposed transmission solution is needed for reliability and communicate that preliminary determination to the states and to PAC in writing.<sup>1</sup> If Participating States

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<sup>1</sup> i.e., a transmission facility of a certain size that would meet reliability needs but could

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agree that the portion of the transmission project ISO-NE determines is not needed for reliability meets the Participating States' public policy needs, then the balance of the transmission project may be considered a public policy project for cost allocation purposes. Participating States are those states that determine that a transmission project meets their public policy objectives.

7. Because public policies, e.g., RPS, include cost-benefit considerations, a public policy project will require states to evaluate a proposed project's costs and benefits. Such a project could only move forward if Participating States conclude that expected benefits outweigh expected costs. This evaluation requires mechanisms for cost control (e.g., firm contracts, risk sharing mechanisms), and assurance of delivery of benefits (e.g., RECs) to enable Participating States to approve and commit to a project. Power purchase agreements or other contractual arrangements will be needed to ensure that commitments are in place to address these and other key elements of public policy projects. Accordingly, the tariff will require that in order to be classified as a public policy project under the ISO tariff, any such contracts<sup>3</sup> and/or inclusion of transmission costs associated with public policy projects<sup>4</sup> be approved by the applicable state regulatory authority under the applicable law of each Participating State (including that there be a mechanism of appeal as appropriate within each Participating State, and/or avenue to resolve any dispute over state policy within the Participating State).

Upon approval of such agreement or inclusion of transmission costs associated with public policy projects by each applicable state regulatory authority, ISO-NE shall include public policy projects in the RSP and provide for the recovery of transmission and other applicable costs of such projects by means consistent with the decision or decisions of the applicable state regulatory authorities of the Participating States, which decisions may

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also help achieve public policy objectives by moving wind power if sized differently.

<sup>3</sup> i.e., a power purchase agreement reflecting the "all-in" delivered cost of energy, capacity, RECS, and transmission or separate contracts for one or more of these.

<sup>4</sup> For example, a separate agreement may provide for recovery of transmission costs through the tariff.

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include approval of a cost allocation mechanism (to be determined) that is set forth in the regional tariff. The use of the term “regional tariff” does not imply that any customers in the region other than the Participating States would be subject to any charge.

The absence of approval by two or more states that a public policy project satisfies Public Policy Requirements as described above does not preclude any one or more states from determining that a project satisfies their states' public policy objectives and, consistent with other elements of the ISO-NE tariff or otherwise permitted by law, assigning some or all of the costs of the project to the customers of the states making such a determination.