New England States Committee on Electricity

To: **Michael Henderson, ISO-NE & the Planning Advisory Committee**
From: **New England States Committee on Electricity**
Date: **August 5, 2010**
Re: **Comments on Draft Regional System Plan, 2010**

The New England States Committee on Electricity (NESCOE) appreciates the opportunity to provide comment on ISO-NE's Draft Regional System Plan 2010 (Draft RSP 10). NESCOE comments focus on three substantive areas. They include: 1) presentation of information in the RPS as required by Attachment K, Section 3.1, (iii) and (iv), including specification of the physical characteristic of the physical solutions that can meet the needs defined in needs assessments; 2) conclusions regarding renewable portfolio standard compliance in the year 2020 based on resources in ISO-NE's interconnection queue today; and, 3) energy efficiency assumptions in the load forecast. Finally, NESCOE identifies areas that require clarification or correction.

1. The RSP Should Reflect Requirements Set Forth in Attachment K, Section 3.1 (iii) and (iv), Including the Specification of the Physical Characteristics of the Physical Solutions that Can Meet Needs Defined in Needs Assessments

> **Reference:** Page 11, Subsection 2.1.1.3, Developing Options to Address System Needs and Page 62, Section 6.4, Transmission System Performance Needs Assessment and Upgrade Approvals

First, Section 2.1 identifies the main objectives of the regional system planning process and Section 2.1.1.3 discusses the development of options to address system needs. (Draft RSP 10 at page 11) The tariff text box quotes Attachment K, Section 3.1(iv), which states that the RSP shall:

> (iv) provide sufficient information to allow Market Participants to assess the quantity, general locations, operating characteristics and required availability criteria of the type of incremental supply or demand-side resources, or merchant transmission projects, that would satisfy the identified needs or that may serve to modify, offset or defer proposed regulated transmission upgrades.

In the accompanying narrative, the Draft RSP 10 states: "using information developed during the ISO system planning process, a variety of established signals from ISO-administered markets and other factors, stakeholders assess their options for satisfying system needs and commit to developing projects. These developments could result in modifying, offsetting, or deferring proposed regulated transmission upgrades." (Draft RSP 10 at page 11). Attachment K Section 3.1 (iv) states that the RSP shall provide such information, not that such information be able to be ascertained from some point during the planning process, or be available through examination of other signals and factors. As NESCOE noted in RSP 09, future RSPs should set this information out clearly for the benefit of states and stakeholders.

Second, the description of the approach to regional system planning in Section 2.1 omits an important related Attachment K requirement, which provides that the RSP shall:

> (iii) specify the physical characteristics of the physical solutions that can meet the needs defined in the Needs Assessments and include information on market responses that can address them;

Section 2.1's discussion of the regional planning process should include Attachment K Section 3.1 (iii).

Third, in the Draft RSP 10's transmission section, the tariff text box states that the information in Attachment K Section 3.1 (iii) (immediately above) is "addressed in the detailed study documents referenced" throughout Section 6. (Draft RSP 10 at page 62). Attachment K states that such information shall be specified in the RSP, not just addressed in various other study documents.[1] Clear presentation of this information in the RSP would provide useful information to states and other stakeholders that would be especially valuable as proposed solutions to identified needs seek support, approvals and state permits. As noted in comments to RSP 09, NESCOE is not requesting that the RSP

[1] Section 12.3.2 *RSP Planning Process Updates* at page 177-178 should be revised to reflect that incorporation of information specified in Attachment K Section 3.1 (iii) was also discussed during the PAC's regional planning process discussion on March 8, 2010 as ISO-NE's presentation materials at that meeting also did not include Section 3.1 (iii).

2010 be revised to include such information but looks forward to RSP 11 and subsequent plans specifying such information in the RSP per Attachment K.

Finally, the Draft RSP 10 explains that there has been interest in ISO-NE providing more information relative to non-transmission alternatives. (Draft RSP 10 at pages 177-178). It further states that ISO-NE plans to discuss with the PAC what other information would be of greatest use to stakeholders and notes that certain changes could require modifications to ISO-NE's tariff. (Id.) An RSP that clearly and comprehensively presents the information set forth in Attachment K Section 3.1 (iii) and (iv) could satisfy to a large degree various states' and stakeholders' interest in information about whether and what non-wires solutions could meet identified needs and do so without the need for tariff modification. It may be most efficient for states and stakeholders to evaluate ISO-NE's clearer presentation of information specified in Attachment K Section 3.1 (iii) and (iv) prior to spending time discussing whether and what other analysis would be useful that may require tariff modification.

2. The Draft RSP 10's Discussion of Renewable Portfolio Standards Draws Irrelevant Connections and Should Mention Other Important Renewable Resource Findings.

> **Reference:** Pages 121 -131, Section 8.5.2 Projected RPS and Renewable Resources in the ISO Queue

Section 8.5.2 presents a New England-wide projection of the states' RPS electric energy targets for renewable resources and "shows the outlook for meeting these electric energy targets with just the renewable resources in the April 1, 2010 ISO Generator Interconnection Queue." (Draft RSP 10 at pages 128-129). The narrative in this section connecting resources in today's queue and the ability to meet 2020 RPS targets should be struck or substantially revised.

Section 8.5.2 makes the point repeatedly that renewable projects in the queue today would not meet New England RPS demand by 2020. (Id.) The conclusion about whether renewable resources in ISO-NE's queue as of April 2010 would enable compliance with RPS targets in the year 2020 is irrelevant, misleading about New

England's renewable resource development potential, and inconsistent with other passages in the Draft RSP 2010.

Unless renewable resources sit in ISO-NE's queue for about ten (10) years on a rolling average basis, whether or not renewable projects in ISO-NE's queue today could satisfy the states' collective RPS targets that will be in effect in 2020 is irrelevant. That resources might sit in the queue for an average of ten years seems unlikely. The Draft RSP 10 states that "most renewable projects have a short lead time of a few years" and that "many new projects are likely not yet in the queue." (Draft RSP 10 at page 131). Accordingly, the statement that "renewable projects now in the queue would likely meet incremental growth in RPS classes for new renewable resources sometime between 2011 and 2015" is the only connection that should be drawn between resources currently in the queue and future RPS targets. (Id.)

Moreover, any conclusions regarding the region's ability to meet RPS requirements in 2020 should reflect data in other sections of the Draft RSP 10. This includes ISO-NE's *Renewable Development Scenario Analysis* that identified significant on- and off-shore wind resources that could be developed and integrated to the grid, which "demonstrated that the region has ample resources to meet its renewable targets" assuming proper transmission is built to support it. Draft RSP 10 at pages 7 and 151). Further, ISO-NE's Wind Integration Study that examines the operational effects of integrating large-scale wind in New England suggests that doing so is an option available to New England. (Draft RSP 10 at page 142).

To the extent ISO-NE wishes to make observations about New England's ability to meet RPS targets in 2020, NESCOE requests Section 8.5.2 be revised to reflect findings that other ISO-NE analysis demonstrates the region has ample resources to meet its renewable targets. This modification will help ensure that readers interested in renewable power who read Section 8 and not the entire 193 pages are not left with a mistaken impression about New England's ability to meet its energy and environmental goals.

3. The Load Forecast Should On a Going Forward Basis Reflect Current State Energy Efficiency Programs and Their Current Scheduled Ramp Up During the Study Period.

Reference: Section 3, Load Forecast, Section 8.4 Energy Efficiency in New England and Section 12.3.2 RSP Planning Process Updates

The Draft RSP 10 explains the New England states' aggressive energy efficiency programs and that ISO-NE's load forecast methodology does not incorporate projected energy savings from energy efficiency resources that do not participate in the forward capacity market. (See, Draft RSP 10 at pages 109-117.) The Draft RSP 10 indicates that state-sponsored programs will likely have an overall long-term impact on energy usage in the region but that because of the diversity in size, scope, and focus of the state sponsored energy efficiency programs calculating their cumulative impact is challenging. (Id. at 117.)

ISO-NE also notes that it has set up an informal working group to collect information about state and utility energy efficiency programs, to improve ISO-NE's understanding of the long-run impact of such programs and to develop the most complete data possible. (Draft RSP at pages 177-178).

NESCOE supports such work and notes its open-ended nature. Pending further analysis that would support a more aggressive energy efficiency assumption consistent with New England's aggressive programs, a conservative interim adjustment should be made to the load forecast in RSP 10 to reflect *current* state energy efficiency programs and their *current* scheduled ramp-ups during the study period. Future RSPs could reassess this adjustment based on further information collected from the continuing work in the working group noted above.

The states believe uniformly that energy efficiency values beyond those that participate in the forward capacity market should be reflected on a going-forward basis in Regional System Plans and in area needs assessments as an adjustment to the load forecast. If not, the result is consumers invest twice – once for energy efficiency resources and again for other resources determined to be necessary due to a load forecast that does not recognize energy efficiency resources.

More specifically, load forecasts should assume an average passive resource performance of 234 MW per year (i.e., the average over the first three forward capacity auctions). Using that average, and extrapolating out six (6) years, the demand reduction in the year 2020 will be 2,100 MW. [(3 FCA #s 267MW, 228 MW, 206 MW) + (6 years X 234 MW/yr.) = 2,105 MW]. This is the same approach NESCOE set forward for energy efficiency assumptions reflecting "business as usual" in New England in the context of the 2010 Economic Study.[2]

This assumption is well supported and conservative. It is based on energy efficiency providers' actual bids into the forward capacity auction, whose initial bids may be cautious during this recession period. In addition, the observations are from a point in time before the New England states' ambitious energy efficiency initiatives have been fully implemented.

To identify a more focused number rather than a regional average reduction to include in particular needs assessments, the states will work with ISO-NE and stakeholders to identify a number that each state expects will result from respective state energy efficiency programs. Environmental regulators in the region are doing this now in the context of the Regional Greenhouse Gas Initiative modeling.

Finally, in connection with Section 3, Forecasts of Annual and Peak Use of Electric Energy in New England, the load factor decline from 55% in 2010 to 53% in 2019 merits inclusion in the Key Findings in Section 1. (Draft RSP 10 at page 2)

In addition, NESCOE offers the following clarifying comments:

1. Page 5, Section 1.1.4, refers to "ISO's resource planning process". Because ISO-NE does not conduct comprehensive resource (i.e., renewable power, demand resources, etc) planning for the region, this language should be modified to more accurately reflect ISO-NE's planning role.
2. Page 7, Section 1.1.4.4 describes the 2009 economic study that informed the New England Governors' Renewable Energy Blueprint. The description should

[2] http://www.nescoe.com/uploads/Memo_to_ISO_on_Assumtions__7.1.10.pdf

indicate the request for the study was submitted by NESCOE, through which the states provided the assumptions for ISO-NE and the PAC's consideration.

3. Page 8 Section 1.1.5 states that ISO-NE "coordinates its planning efforts with" NESCOE. Since that phrase could be interpreted to mean a variety of things, NESCOE requests that the description of NESCOE relative to the RSP mirror the language from NESCOE's Term Sheet, which provides in relevant part "…NESCOE will work with the Planning Advisory Committee, which is the Commission-approved body for providing advisory input to ISO-NE regarding the development of the Regional System Plan". Also, the language after the word "committee" in footnote 31 on page 8 should be struck. Again, the word "forum" could mean a variety of things, whereas NESCOE has a defined governance structure.
4. Page 52, Section 5.2, refers to the Demand Response Reserve Pilot Program. The initial two-year phase began in October 2006. The second phase began in October 2008. As the second phase approaches the two year mark, ISO-NE should indicate when it expects the second phase of the pilot to conclude and move from pilot to permanent program.
5. Page 71, Section 6.4.2.2 refers to continued study and reassessment of the need for previously identified projects. As noted last year in the same context, it would be helpful for ISO-NE to indicate an approximate target timeframe for concluding such reassessments.
6. Page 151, Section 10.1 discusses the New England Governors Renewable Energy Blueprint. The passage should include a footnoted link to the Blueprint for readers' convenience.
7. Page 173, Section 12.2.1 describes the Eastern Interconnection States Planning Council (EISPC). The phrase "Working through NESCOE…" should be struck as each state is participating in the EISPC.
8. Page 174, Section 12.2.2 describes the Report to the New England Governors on Coordinated Renewable Procurement. Because the Report is not a final determination on the issue of coordinated procurement and emphasizes that an

important next step is consultation with the region's stakeholders to receive input on the Report, the latter point should be noted in the section.

NESCOE appreciates consideration of its views and looks forward to discussing the Draft RSP 10 on August 12, 2010.