

New England States
Committee on Electricity

To: PAC Matters, ISO-New England
From: NESCOE
Date: August 5, 2011
Subject: Comments on Draft RSP 11

The New England States Committee on Electricity (NESCOE) appreciates the opportunity to provide comment on the Draft Regional System Plan 2011 (draft RSP 11). Given the length of the document and the timeframe allotted for review, NESCOE provides comments and requests for clarification on select areas. NESCOE looks forward to discussing these and issues identified by stakeholders at the Planning Advisory Committee meeting on August 11, 2011.

I. Presentation of Analysis

Attachment K 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

In comments on the draft RSP in 2009 and 2010, NESCOE observed that the draft RSPs did not clearly set forth the analysis specified above. NESCOE understood that ISO-NE could not readily modify the then-current year's RSP to provide such analysis in a straightforward way. However, NESCOE noted that it would look for such information to be more clearly presented in future RSPs and that it would benefit states and stakeholders as they evaluate proposed solutions and as solutions seek state support and approvals.

The draft RSP 11 does not appear to provide the information described above in a way that is clearly identifiable. NESCOE understands that ISO-NE may believe it presents this analysis in some fashion throughout various sections of the draft RSP¹ and/or in other documents referenced in the RSP. In NESCOE's view, the specific information that Attachment K requires be in the RSP should be presented within the four corners of the document and in an unambiguous way. It should also take precedent in preparation of the lengthy RSP document over information that Attachment K does not

¹ To the extent the information is spread throughout the RSP, NESCOE has previously suggested that the RSP could cross-reference the needs defined in the Needs Assessments discussed in the transmission section with where the information is located in other RSP sections.

specifically call for (i.e., summaries of state legislation).

In upcoming conversations about planning in the context of the Strategic Initiative, NESCOE is interested in discussing whether and how the RSP should present or refer to information that would be sufficiently detailed and comprehensive to permit an evaluation of both transmission and other means to satisfy needs identified in Needs Assessments as one way to help better align planning and markets. We also look forward in the context of that Initiative to a discussion concerning whether Attachment K itself should be revised to reflect the practicalities and jurisdictional separation between ISO-NE, FERC and state commissions as that separation may impact the manner in which alternatives other than transmission are considered and included in the RSP.

II. Transmission Projects Cost Information

Ratepayers' recent and projected investment in transmission is significant. The draft RSP 11 indicates that "[f]rom 2002 through 2011, 379 projects will have been put into service, with an investment totaling approximately \$4.6 billion. Additional projects, totaling approximately \$5.3 billion, are summarized in the *RSP Project List*, which is updated periodically." See, draft RSP at page 94.

The draft RSP 11's Executive Summary, Section 1.1.3.1, Page 6, provides:

The ISO will continue to work with regional TOs to improve project management cost estimates, cost transparency, and cost controls and provide timely and accurate transmission project cost estimates to stakeholders throughout the development of transmission projects.

NESCOE appreciates that ISO-NE recognizes the importance of and strong interest in transmission project cost transparency, cost estimating practices and controls. The passage above, however, is the only passage in the draft RSP on transmission cost control, cost estimating practices or cost transparency. The draft RSP's Section 7 on transmission provides no: information about project costs control; information about project estimates v. actual costs; assessment of the effectiveness of the Cost Estimating Guidelines to improve cost estimating practices in New England; or, any other information to increase project cost transparency.

In fact, the draft RSP 11 provides very little information about transmission project costs. Aside from the passage above about overall transmission investment, the other transmission cost information is a regional network service rate forecast through 2014. See, draft RSP 11 at pages 69 and 94. By contrast, prior RSPs included various transmission project lists and associated cost data.²

² The following illustrates prior RSPs' transmission cost information:

RSP 2004: Table 14.1 Reliability Projects with Estimates Greater than \$10M

RSP 2005: Table 9.1 Cost Comparison of Reliability Projects, October 2004 versus July 2005; Table 9.2 New Transmission Projects since October 2004 Update; Table 9.3 New Transmission Lines and

At a time when ratepayer investment in transmission has grown and is projected to continue on that path, it is more rather than less important to provide reasonably detailed transmission project cost information in the region's primary planning document. The final RSP 11 should provide more information, such as that provided in prior RSPs, about transmission project costs.

Separately, NESCOE has begun a review of transmission project cost data available on ISO-NE's web site. In NESCOE's view, the data is provided in such a way that it is very difficult to make sense of it or to determine any patterns relative to project cost estimates v. actual project costs. The available data and its presentation merits further discussion outside of the RSP review but underscores that some assessment of transmission project costs and project cost estimates v. actuals would be helpful in the RSP on a regular basis.

Finally, Section 1.1.3.1 Executive Summary, Transmission Projects, at page 6 references ratepayer investment in transmission through June 2011. The Executive Summary should also include information about projected ratepayer investment in transmission, which is expected grow substantially above current levels.

III. Energy Efficiency in System Planning

NESCOE appreciates ISO-NE's focus on better accounting for ratepayer investment in energy efficiency resources in regional system planning and the status report in Section 4 of the draft RSP 11.

A. Section 4, Description of the Issue the Region Is Working To Address

To give full context to the issue, the introductory passage to the Energy Efficiency section at page 38 should describe the concern with how current regional planning treats energy efficiency resources and why the region is working to make changes. That is, the current approach to incorporating energy efficiency may significantly understate savings that are projected as a result of energy efficiency policies. While ISO-NE partly relies on historical load data when estimating future load growth, its approach creates a lag between when the time-savings materialize and when those savings are included in the load forecast. This may result in overstated load. Additionally, only the energy efficiency savings that clear in the Forward Capacity Market (FCM) are incorporated into ISO-NE's load forecasting models. Moreover, because ISO-NE only projects energy efficiency

Corresponding Needs since October 2004 Update; Table 9.4 New Transmission System Upgrades and Corresponding Needs since October 2004 Update; Table 9.7 Transmission Upgrades Placed In Service and Corresponding Needs since October 2004 Update; Figure 9.1 Cost of in-service Transmission Projects by Year Since 2002

RSP 2006: Table 10.2 & 10.3 Estimated Annual Revenue Requirement for Major Transmission Projects & Estimated Capital Costs for Major Transmission Projects

based on commitments made in the FCM, it assumes that *no* incremental energy efficiency investments will be made in region after the last Forward Capacity Auction commitment date. While forecasting energy efficiency is challenging as the draft RSP 11 observes, it is highly likely that the practice of assuming *no* incremental energy efficiency after the last FCM auction will result in understating the impact of energy efficiency and thus overstating future load.

B. Data Collection, Sections 4.1 and 4.2

The draft RSP 11 discusses data collection efforts at length and draws some conclusions about it. For example draft RSP 11 presents an excerpt of the data collection tool and concludes that "[a] significant lesson learned from the 2010 analysis was that the use of state-sponsored EE data alone was not sufficient for purposes of system planning." See, draft RSP 11 at page 38.

The description of the prior data collection effort should note that in general, states and energy efficiency program administrators believed the data request was overly broad for the purpose it was seeking to achieve and it was not clear how the data requested would specifically inform the forecast discussion. While NESCOE appreciates ISO-NE's interest in data to inform planning, an open question has been and remains what appropriate data is for this purpose.

C. Next Steps, Section 4.3

In the discussion of next steps, the draft RSP 11 states that "ISO is currently evaluating methodologies for forecasting EE through the RSP planning time horizon"...and that "[t]he first step in this process is to acquire a much more detailed understanding of the current NYISO energy-efficiency forecast methodology." See, draft RSP at page 41. The status appears to be outdated.

ISO-NE has previously indicated to the PAC that it has concluded its meetings with NYISO; has concluded that "[d]iscussions with NYISO confirmed...An approach that uses EE budgets to predict future EE-related savings is a good basis for EE forecast"; and, has laid out a specific methodology to PAC that ISO-NE prefers to pursue, with particular issues about which it intends to seek specific stakeholder input, such as a data form and input assumptions. See, Energy Efficiency Presentation to PAC dated June 30, 2011. While other reasonable ways to reflect energy efficiency resources in planning may emerge in the process, the RSP's description of ISO-NE's work to date should reflect that which it has most recently communicated to stakeholders in other forums, such as PAC.

Next, the draft RSP 11 sets forward a long list of questions at page 41 that are not, to NESCOE's knowledge, now pending before stakeholders although the draft RSP 11 states the ISO will engage stakeholders to help resolve the issues. At this juncture, it would seem to suffice to indicate questions remain concerning how to identify the most useful data for planning purposes and how the region, primarily through state projections

made available for stakeholder input, should identify future energy efficiency investment levels. Alternatively, the list of questions should be reframed to indicate they are the type of questions that have already been considered and/or those remaining to be brought to stakeholders along with a timeframe for doing so.

Finally, Section 4.2.1 at page 39 is described as “Data from the States”. It should be revised to “Data from the Energy Efficiency Program Administrators”

IV. NESCOE Renewable Resource Request for Information

NESCOE requests clarifying edits to several draft RSP 11’s representations about NESCOE’s Renewable Resource Request for Information (RFI).

A. Section 9.4.3, page 108 provides:

In addition, the New England State Committee on Electricity (NESCOE) issued a request for information (RFI) to ascertain the amounts and locations of potential renewable energy development in the region (see 15.2.2). *The ISO is analyzing the transmission requirements for integrating **these** wind resources as part of the Strategic Planning Initiative. (Emphasis added.)*

Since ISO-NE does not know the specific locations of the renewable projects that responded to the RFI, ISO-NE is not “analyzing the transmission requirements for integrating **these** wind resources ...” (emphasis added). ISO-NE may be analyzing the transmission requirements for a particular set of wind resources in a certain geographic area, but it is not analyzing the specific projects that responded to the RFI. Given various analysis ISO-NE is undertaking in the context of the a follow-up to the 2010 Economic Study, the 2011 Economic Study and the Strategic Initiative, as well as analysis NESCOE is undertaking concerning renewable resource development, the descriptions of the various studies should be as precise as possible.

The sentence could be modified as follows: “The ISO is analyzing the transmission requirements for integrating wind resources in the interconnection queue as part of the Strategic Planning Initiative.”

B. Section 11.3, page 136 provides:

Data on renewable projects in the queue and the projects from the NESCOE survey indicate the outlook for meeting the states’ Class I RPS targets by 2020 projected in Figure 11.1.

The sentence seems incomplete. It should probably read: “Data on renewable projects in the queue and the projects from the NESCOE survey indicate that New England’s outlook for meeting the states’ Class I RPS targets by 2020 (as projected in

Figure 11.1) is good.”

C. Section 15.2.2, pages 174-175:

For accuracy, the title of this section should be modified to read “NESCOE’s Coordinated Renewable Energy Procurement Efforts” (i.e., insert the word Coordinated as the point is to examine the potential for some degree of coordinated state activity across the region.)

V. Major Market Initiatives Section 15.3.2 page 176

The draft RSP discussion concerning Major Market Initiatives should include information on whether ISO-NE has conducted any such major market initiative analysis to date and how stakeholders can access information about ISO-NE’s categorization of initiatives as major or not.

VI. Interconnection Queue Attrition Rates, Section 5.4, page 53-54 and Section 11.3.3, page 138

The draft RSP 11 notes a 69% megawatt attrition rate from ISO-NE’s queue. See, draft RSP 11 at page 53-54 and page 138.

The Regional Transmission Owners’ 2010 Metrics Report provided to the Federal Energy Regulatory Commission presents data that shows some differences between ISO-NE’s queue and other RTOs’ queues. It would be informative if ISO-NE could include in the RSP a brief discussion describing any work undertaken by ISO-NE or its constituents to enhance the operation and/or efficiency of ISO-NE’s queue and any anticipated implications that activity may have on the queue, including, if applicable, on the attrition rate.

VII. Chart of Studies

The draft RSP 11 discusses many studies, including: the 2010 Economic Study; follow-up analysis to the 2010 Economic Study being undertaken at ISO-NE’s initiative; the 2011 Economic Study; and, other studies referenced in connection to the Strategic Initiative. For example, one study noted to be in furtherance of the Strategic Initiative pertained to transmission to integrate wind resources. See, Section 9.4.3 at page 108.

It would be helpful to stakeholders for planning purposes, and to avoid the potential for duplicative analysis by any number of entities, if the RSP 11 presented a chart that listed:

- studies underway;
- studies planned but not yet begun;
- studies’ scopes or anticipated scopes; and
- studies’ timing or anticipated timing.

Information on timing should include the time by which ISO-NE will seek feedback on study scopes and the time by which ISO-NE anticipates concluding the studies.

VIII. Figure 9-3 New England Energy Imports and Exports by Balancing Authority Area in 2010 (GWh) at page 102

If ISO-NE possesses the data, it would be informative for the RSP to note what percentage of the time New England is both an importer from Hydro Quebec and an exporter to New York.

IX. Forward Capacity Auctions, Section 5.2.2 at page 48

The draft RSP 11 notes at page 48 that “[p]urchased resources that fail to perform during a shortage event receive a significantly reduced capacity payment, a measure intended to improve the alignment between system needs and available capacity.”

This passage as drafted is abstract and would benefit from ISO-NE adding data from the 2010-2011 Forward Capacity Market about: 1) the number of shortage events; 2) the number of units that failed to perform during shortage events; and 3) the amount of reduced capacity payments.