

**EUCI**  
**Capacity Markets Conference**  
**September 1, 2015**

**New England States Committee on Electricity**



NESCOE is New England's Regional State Committee, governed by a Board of Managers appointed by each of the New England Governors to represent the collective views of the six New England states on regional electricity matters

- ✧ **Focus:** Resource Adequacy, System Planning & Expansion
- ✧ **Resources:** 6 full-time staff with diverse disciplines & experience. Consultants, primarily for transmission engineering & independent studies
- ✧ **More information:** including filings & comments at
  - [www.nescoe.com](http://www.nescoe.com)
  - Twitter @NESCOEStates

***Any views expressed should not be construed as representing those of NESCOE, any NESCOE manager, or any individual state.***

# Our Topic Today

## Out of Market Actions

- ✓ Why do they happen?
- ✓ Do they distort the capacity market?
- ✓ If so, to what extent?
- ✓ What are the effects?

Terrific questions.

Some answers are multi-dimensional.

The debate won't end today.

# Why Do Markets Exist?

**The point of markets was never to just have markets.**

**One shared view is:**

*To provide the lowest cost of reliable electric service over the long-term to consumers while transferring the investment risk away from consumers by providing the opportunity for cost recovery and profit to investors.*

# Principles that guided one states' approach to markets

- ❖ **Market mechanisms are preferred over regulation to set price where viable markets exist.**
- ❖ **Risks of business decisions should fall on investors rather than consumers.**
- ❖ **Consumers' needs and preferences should be met with lowest costs.**
- ❖ **Electric industry restructuring should not diminish environmental quality, compromise energy efficiency, or jeopardize energy security**

Source: Maine Public Utilities Commission, Electric Utility Industry Restructuring, Docket No. 95-462, Report and Recommended Plan, Dec. 31, 1996, at 1.

# Why Do Out-of-Market Activities Occur?

- The markets are resource neutral
- There are state policy objectives and requirements that are not and/or cannot be met through a resource neutral competitive market
  - Competitive solicitations to meet state RPS requirements
- Reliability concerns as a result of market failures
  - Winter Reliability Programs
- Some but not all other factors important to policymakers
  - Support emerging industries in region
  - Preserve economic competitiveness
  - Satisfy state emissions reductions requirements
- When markets do not meet consumer objectives
  - Infrastructure needed to access resources that can satisfy state statutory requirements, provide locally secure power, such as community microgrids, etc.

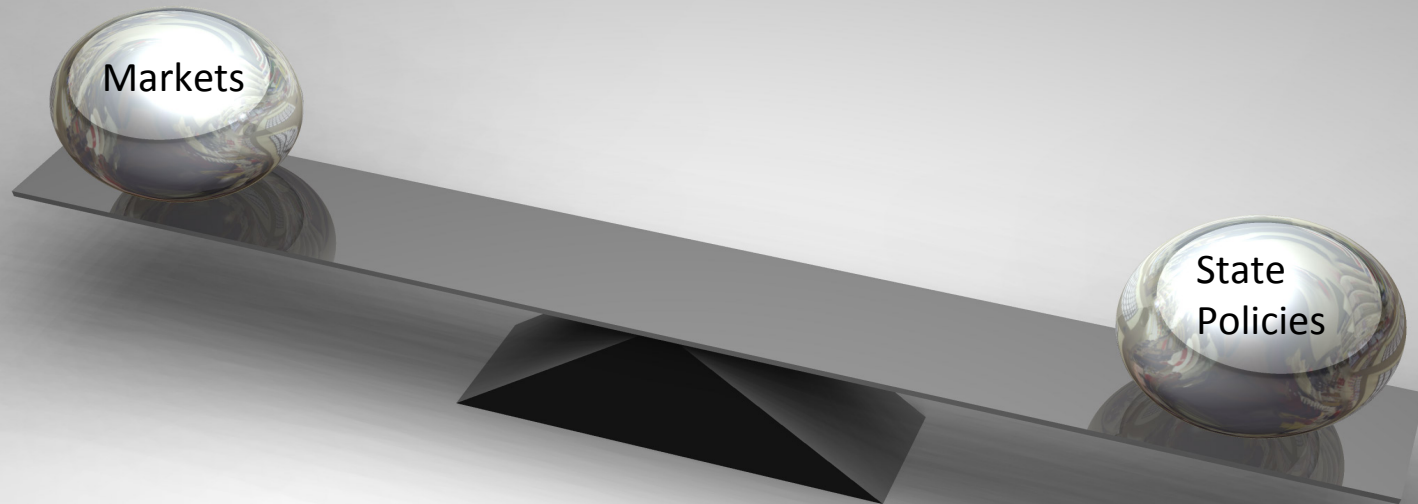


## ***New England Governors April 2015***

“New England continues to face significant energy system challenges with serious economic consequences for the region’s consumers. . . . The economic, system reliability, and environmental consequences of inadequate energy infrastructure require action. Cost-effective investment in new natural gas infrastructure and the continued integration of clean energy resources are important to resolving these challenges. With these infrastructure investments, and continuing aggressive investment in other clean energy solutions such as energy efficiency and distributed generation, our region can reduce energy costs and thereby attract new businesses and jobs for our hard-working citizens.”



# Balancing Act



The Commission must balance two considerations. The first is its responsibility to promote economically efficient markets and efficient prices, and the second is its interest in accommodating the ability of states to pursue other legitimate state policy objectives.

# Current Renewable Exemption

*Narrowly tailored to balance state policies and competitive markets*

- ① **Only applies to resources that receive an out-of-market revenue source supported by a state- or federal rate**
  - *Not an outright exemption to all resources of a certain class*
  - *If OOM contracts are not needed, then no exemption*
- ② **Must qualify as a resource under any New England state's mandated (either by statute or regulation) renewable or alternative energy portfolio standards as of 1/1/2014**
  - *Prevents expansion of standards to bring in other resources for exemption without discussion (e.g. large-scale hydro)*
- ③ **Has an annual rolling MW cap**
  - *Cap limits market distortion*
  - *Can be reviewed over time to understand impact (18mws in FCA9)*

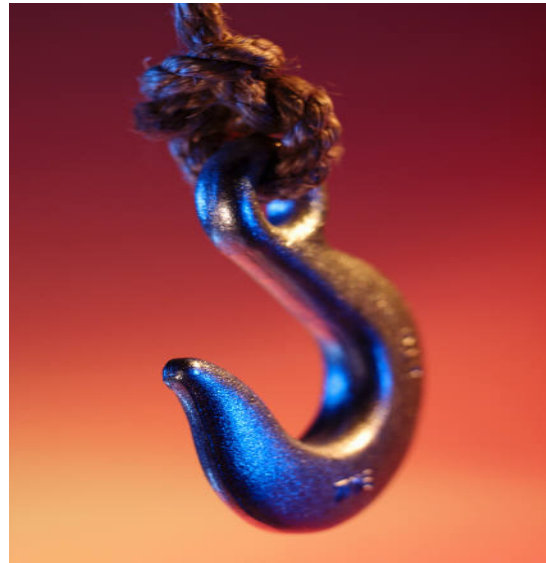
**Markets that do not accommodate state policies  
are not sustainable over the long-term.**

# Distributed Generation

- ✧ **ISO-NE developed, at states' request, solar PV forecast based on state policies with funding sources**
- ✧ **At nameplate capacity, forecast expects installed solar to increase from roughly 1,233 MW in 2013 to almost 2,500 MW by 2024.**
- ✧ **Only selected BTM portions of the PV forecast were used to reduce the load forecast used in determining the installed capacity requirement**
  - *FCA10 ICR load reduction was approximately 369mw, future years estimated at 16mw's on average*

**If load forecast is not adjusted,  
market would be distorted by overbuilding of capacity need**

**In the end, consumers are on the hook.**



**Mitigating consumer costs is essential.**

# Some Current Activities

✓ State officials continue to discuss ways forward on regional solutions.

- *April 23, 2015* Energy Forum

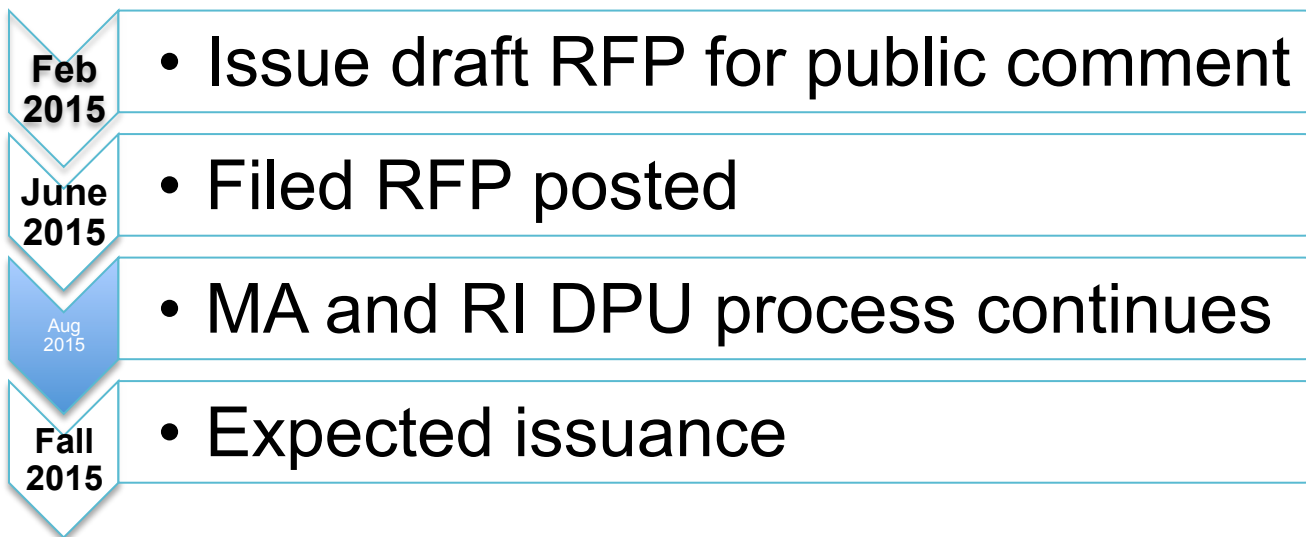
✓ Some parallel state activities:

- **Multi-state** clean energy solicitation (discussed below)
- **CT DEEP** implementing new legislative authority in connection with diverse resource solicitations (Public Act 13-303, 15-107)
- **NH PUC** investigation, with electric utility involvement, into “potential approaches . . . to address cost and price volatility issues currently affecting wholesale markets”
  - Cites to gas supply constraints
- **MA DPU** docket to consider electric company authority under current law to support incremental gas pipeline.
  - Separately, broad legislative proposals under discussion
- **VT** in process of siting evaluation of TDI Clean Power Link
- **ME** and **RI** have enabling laws
  - Maine PUC proceeding underway to evaluate gas pipeline

# Multi-State RFP

Certain state agencies and utilities in CT, MA and RI developed, with NESCOE assistance, a draft joint RFP for clean energy projects based on each state's current authority. [www.CleanEnergyRFP.com](http://www.CleanEnergyRFP.com)

**Objective:** To explore whether a multi-state procurement might attract larger-scale projects and transmission than single state procurements and achieve individual states' clean energy goals more cost effectively than if each state proceeded on its own.



**Resource Types: Class I renewable power (wind, solar) or large-scale hydro meeting requirements of states' laws. 20 MW minimum threshold. Over 5,000 GWh in total.**

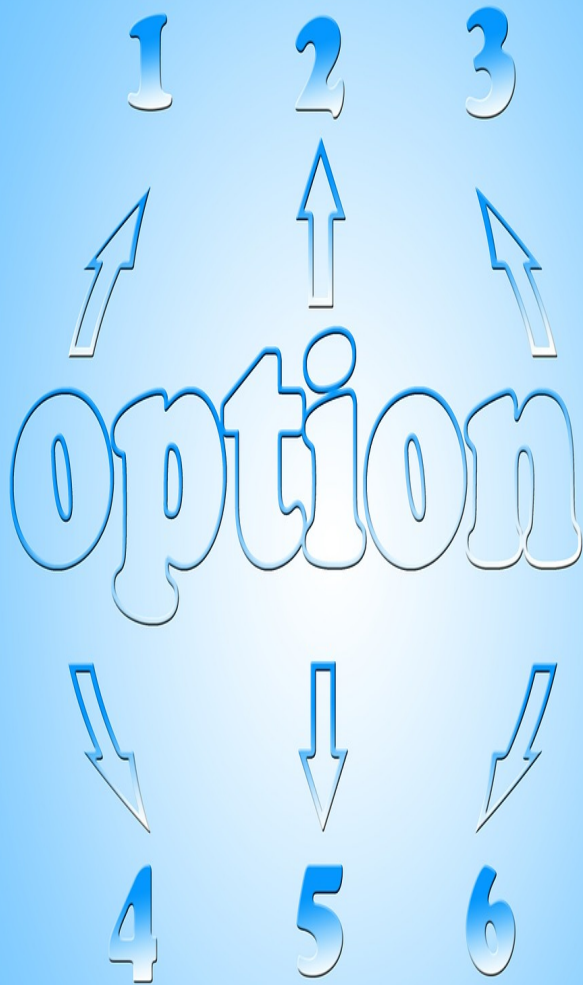
## **Project types**

**Traditional PPAs  
No Transmission  
Requirement**

**PPAs with  
associated  
Transmission**

**Clean energy  
delivery  
commitments**

- **Clean energy delivery commitment proposals tie transmission-only support payments to the project's performance in fulfilling the commitments for the delivery of clean energy**
- **Support payments under a FERC filed and accepted transmission tariff/rate schedule paid for by the participating states**
  - Tx Developer and clean energy supplier ability to negotiate commercial terms.



## **RFP issuers will jointly and individually evaluate bids**

- ✧ No obligation to procure anything at all
- ✧ Each state, EDC use own authority, criteria, judgment to determine whether a proposed project is cost-effective and beneficial for its consumers



# Green Tracking

- Verification of clean energy attributes for imported power is critical if Canadian resources wish to be credited with helping states satisfy carbon reduction requirements or environmental objectives
  - Increased imports of Canadian power has the potential to help N.E. states achieve carbon reduction requirements or goals.
  - No uniform structure currently in place in Eastern Canada to measure, verify, and track emissions characteristics of imports into New England.
- In 2013, N.E. Governors and Eastern Canadian Premiers adopted a resolution (Resolution 37-1) encouraging Canadian provinces to evaluate existing options and opportunities to adopt verification mechanisms of generation sources and environmental attributes that correspond with the existing New England Power Pool (NEPOOL) GIS verification system
  - Efforts underway in N.E. to facilitate tracking but some corresponding changes likely needed on other side of the New England's borders.

THANK YOU AND LOOK FORWARD TO THE  
PANEL DISCUSSION

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