Coordinated Procurement Transmission in the Northeast

February 26, 2016

New England States Committee on Electricity

NESCOE

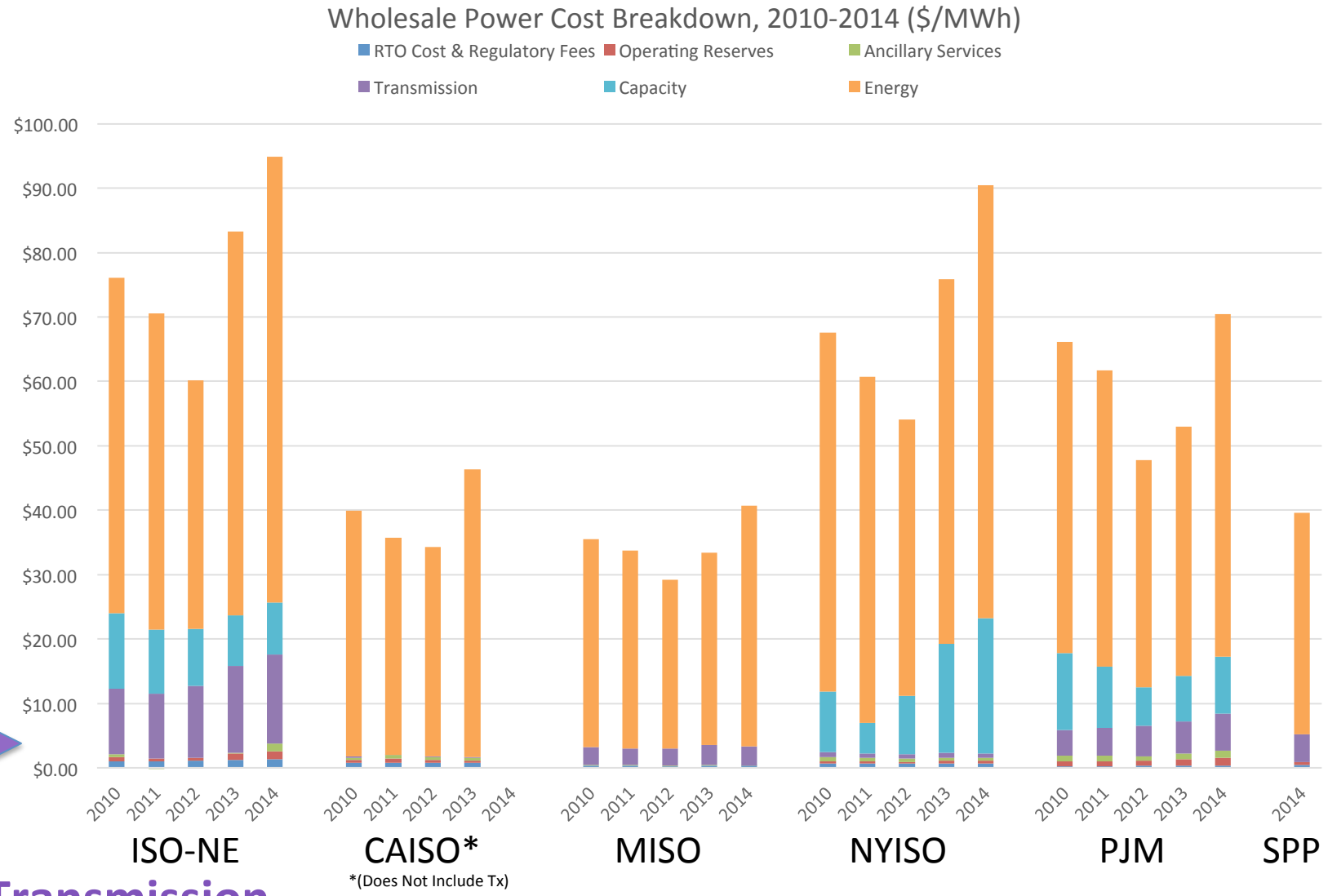
NESCOE is New England's Regional State Committee, governed by a Board of Managers appointed by each of the New England Governors to represent the collective views of the six New England states on regional electricity matters

- ✓ **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
  - Twitter @NESCOEStates

Overview

- ✓ New England transmission investment, a look at comparative methodologies and likelihood of consumer benefits of competitive dynamic and Order 1000's public policies provisions
- ✓ Multi-State Clean Energy RFP
- ✓ State Energy and Environmental Policy Execution

New England has invested in reliability-based transmission, more than other regions from 2010 forward



Transmission

Data source: 2015 ISO/RTO Metrics Report

Perennial Debate in New England:

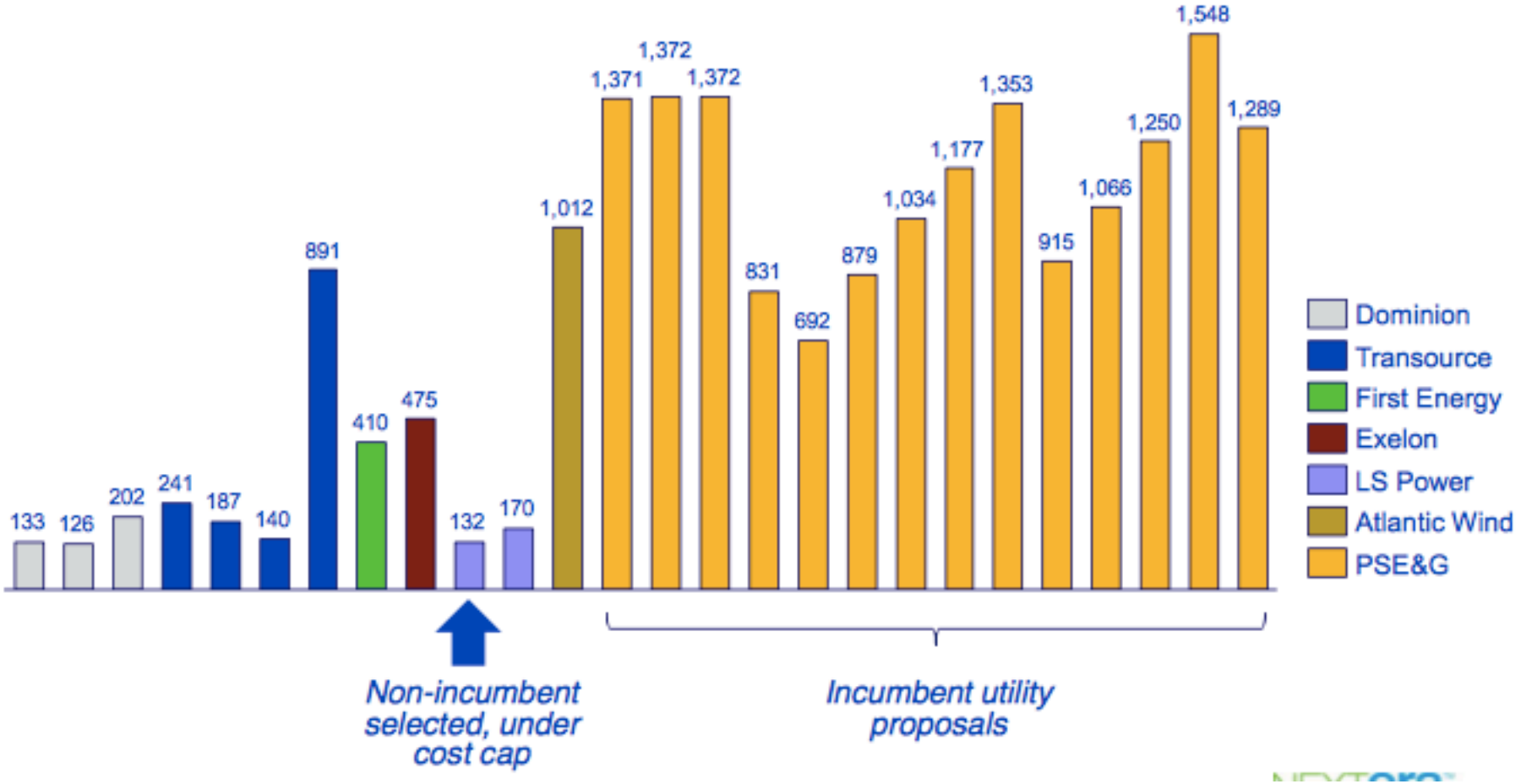
How do ISO-NE's Transmission Planning Assumptions and Methodologies Compare to Those of Other Regional Transmission Operators?

- ✓ NESCOE commissioned a consultant to develop an objective, fact-based detailed comparative summary of RTOs' transmission system reliability planning approaches and methodologies

- ✓ *Comparison of Transmission Reliability Planning Studies of ISO/RTOs in the U.S.* will inform conversations going forward

http://nescoe.com/wp-content/uploads/2016/02/ICF_RTOReliabilityStudiesComparison_4Feb2016.pdf

Competition in (reliability) Transmission Development
Good Results for Consumers Elsewhere
Illustration: Cost Variation in Bids



Source: NextEra Energy Presentation, October 26, 2015 Competitive Transmission Forum

FERC's Order 1000 on Public Policy

- ✓ NESCOE/5 States challenging FERC's compliance orders at D.C. Circuit
- ✓ FERC unlawfully expanded the rule to require project *selection* rather than *consideration* of public policies

The problem with Order 1000 is not academic

By requiring project selection and at the same time denying states a central role in that process, FERC substitutes ISO-NE judgment for the judgment of state officials implementing state laws.

What's the Vision?

The half of ISO-NE that determines how to *transmit* electricity must consider state public policies under Order 1000

The half of ISO-NE that determines what resources will *generate* electricity generally do not consider state public policies

Multi-State Clean Energy RFP 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.

Initial Action: Certain state agencies and utilities in CT, MA and RI developed, with NESCOE assistance, the joint RFP for clean energy projects based on each state's current authority.

All documents at www.CleanEnergyRFP.com

Multi-State Clean RFP Schedule

Feb 2015

- Draft RFP issued for public comment

June - October 2015

- RFP posted and filed at DPUs
- MA and RI DPU's approved RFP for issuance

Fall 2015

- RFP Issued November 12th
- Bidder Conference December 3rd
- Bidder Q&A ended December 29th

Winter 2016

- Final Q&A posted January 14th
- Bids submitted January 28th

NOW

- **Evaluation of bids through July 2016**

Summer

- Submission of selected projects to regulatory authorities for review

Bid Evaluation
RFP Issuers 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

NESCOE facilitated development and issuance of RFP instruments and has no role in bid evaluation or project selection

Proposed Projects

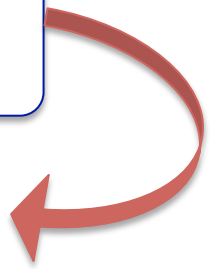
based on publicly available information

Sizes: 20 MW to more than 600 MW

Locations: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, New York, and eastern Canada

Types:

- **Traditional PPAs No Transmission Requirement**
- **PPAs with associated Transmission**
- **Clean energy delivery commitments**



- Clean energy delivery commitment approach ties transmission-only payments to project's performance in fulfilling commitments for clean energy delivery
- Support payments under a FERC filed/accepted Tx tariff/rate schedule paid for by participating states; Tx developer, clean energy supplier negotiate commercial terms

Proposals with No Transmission

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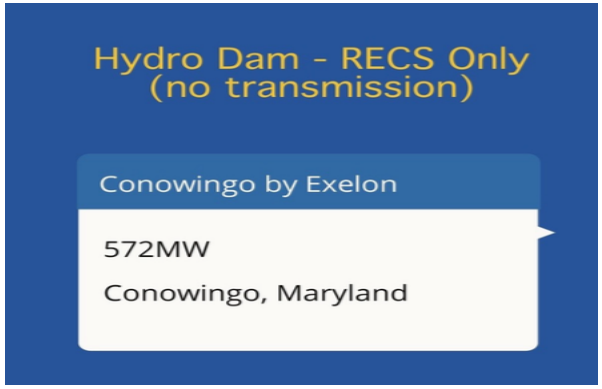
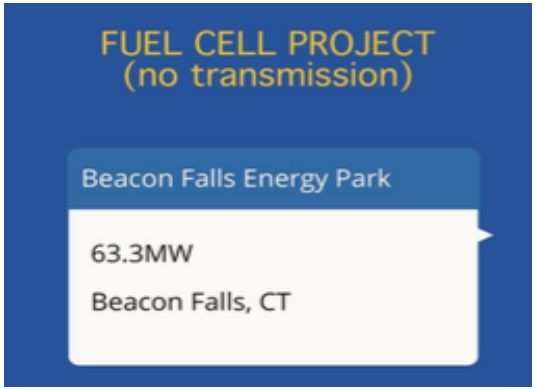




Transmission Proposals with Associated Generation. Review generation projects at www.CleanEnergyRFP.com

1. Clean Energy Connect
600 MW HVDC from Alps Substation in NY to Berkshire Substation in western MA

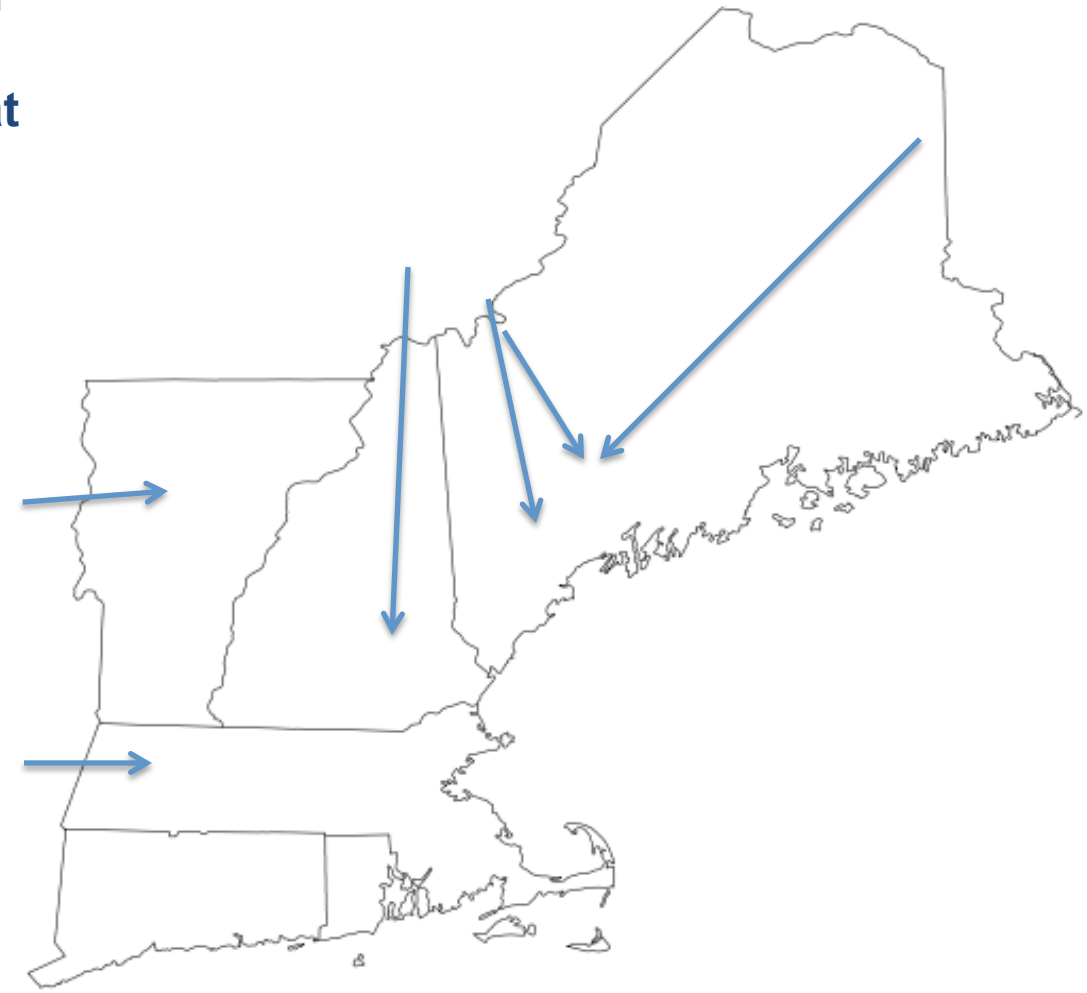
2. Vermont Green Line
400 MW HVDC from Plattsburgh, NY, under Lake Champlain to New Haven, VT

3. Northern Pass*
1090 MW HVDC from Quebec to Deerfield, NH

4. Maine Renewable Energy Interconnect
345 kV joint project of CMP and Emera ME, running from a new Hammond Substation in Hammond ME to a new substation in Pittsfield, ME

5. Maine Clean Power Connection
345 kV CMP project running from a new substation in Johnson Mountain Township, ME to a new substation in Pittsfield, ME

6. Evergreen Express
345 kV joint project of New Hampshire Transmission and CMP, running from a new Jim Pond Switching Station to Larrabee Substation



* Northern Pass is the only project that proposes a delivery commitment model rather than a power purchase agreement

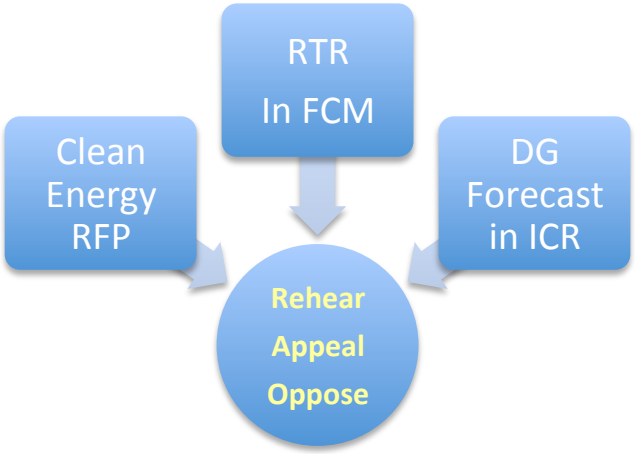
Green Tracking

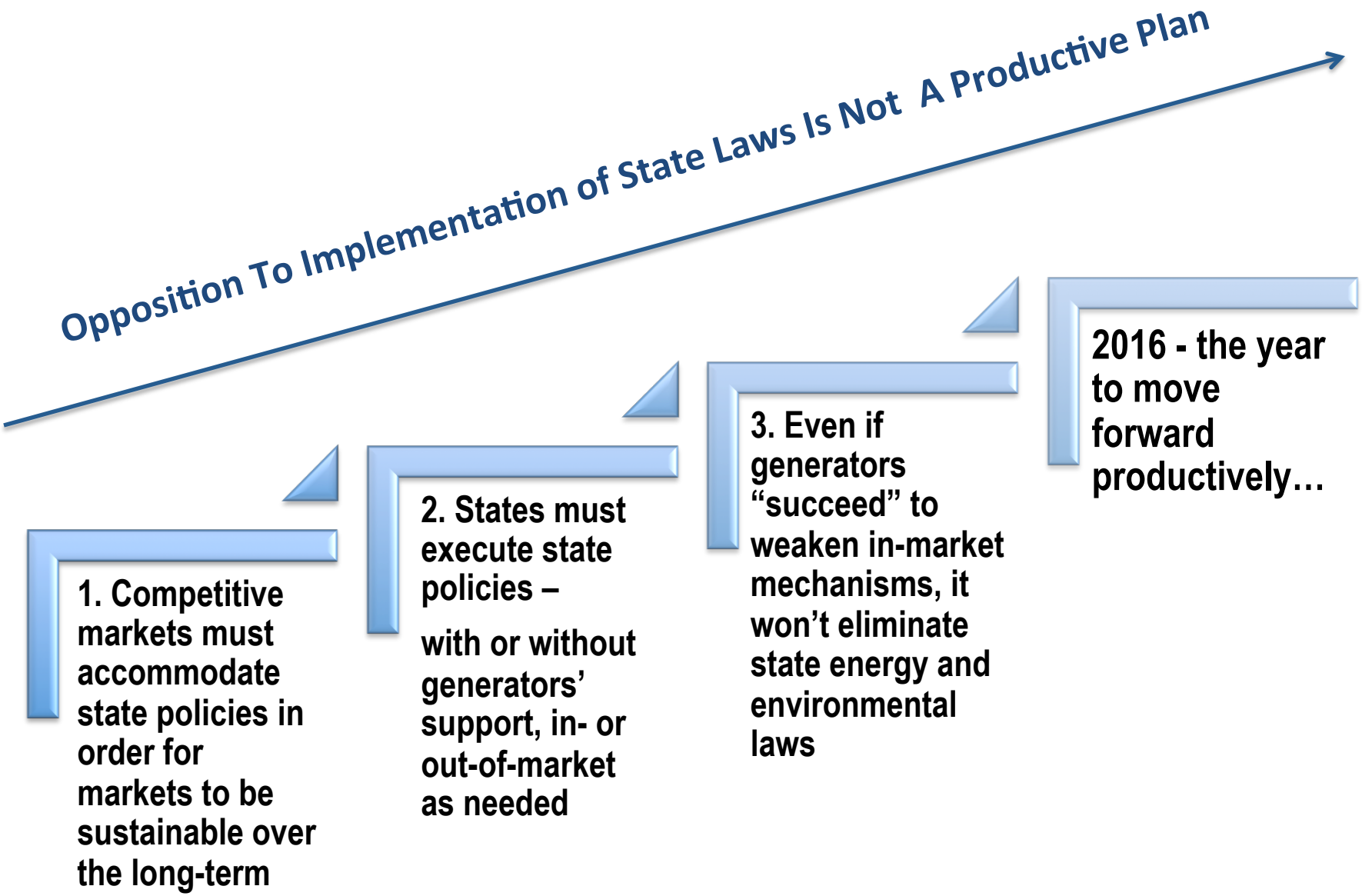
- ✓ Verification of clean energy attributes for imported power is critical if Canadian resources wish to be credited with helping states satisfy carbon reduction requirements or environmental objectives
  - No uniform structure currently in place in Eastern Canada to measure, verify, and track emissions characteristics of imports into New England.
- ✓ In 2013, N.E. Governors and Eastern Canadian Premiers adopted a resolution 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 GIS verification system
  - **Recent changes to NEPOOL GIS rules to facilitate tracking *but corresponding changes* likely needed on other side of the New England's borders.**

While improvement to the suite of market rules and policy mechanisms is always a subject of discussion,
New England states will move forward to implement policy requirements and will seek to do so in the most cost-effective way for consumers.

See also, http://nescoe.com/wp-content/uploads/2015/12/PublicPolicyMechanisms_December2015.pdf

In the Meantime, Some Oppose State Energy and Environmental Policy Execution At Every Turn




Opposition To Implementation of State Laws Is Not A Productive Plan
1. Competitive markets must accommodate state policies in order for markets to be sustainable over the long-term
2. States must execute state policies –
with or without generators' support, in- or out-of-market as needed
3. Even if generators "succeed" to weaken in-market mechanisms, it won't eliminate state energy and environmental laws
2016 - the year to move forward productively…

An example – A Modest Clean Energy Mechanism in the FCM: "Renewable Technology Resource" Exemption

In February 2016 auction, 55 MW of new renewable resources cleared under the exemption – roughly .15% of the resources procured

- Generators challenged the RTR Exemption at FERC
  - FERC disagreed
- NRG, PSEG and NextEra petitioned for review in the D.C. Circuit. Entergy supported.
  - Remanded to FERC
- Some now challenge the RTR Exemption at every corner
  - by seeking to tie it to the DG Forecast
  - in stakeholder discussions about other proposed market changes to advocate for changes more favorable to them

And another -
Recognizing Consumer Investment In Distributed Resources

ISO-NE uses DG Forecast to determine
the level of resources consumers must buy via ISO-NE markets

This helps to ensure consumers do not buy resources
as if that solar did not exist

- Generators challenged ISO-NE's use of the DG Forecast at FERC
  - FERC disagreed
- NRG recently asked FERC to rehear the matter

www.nescoe.com