

Pierce Atwood's Energy Infrastructure Symposium

October 20, 2017

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:** 5 full-time staff with diverse disciplines & experience. Consultants on markets, transmission & for independent studies
- **More information:** including filings & comments at
 - www.nescoe.com
 - Twitter: @NESCOEStates

Panel: “The public policy requirements and market fundamentals driving the need for more generation, transmission and natural gas pipeline capacity in New England”

Are they driving the need for all of that?

- Developments in Reliability-based Transmission Planning
- FERC’s Order 1000: Transmission Driven by Public Policy
- Installed Capacity Requirements and Behind the Meter PV
- Harmonizing State Public Policies with Competitive Wholesale Markets
- ISO-NE Fuel Security Study

Reliability-based Transmission

New direction in New England

- A variety of factors have come together in such a way to cause ISO-NE to pause development of some pending transmission solutions (NH, ME and Eastern CT)
- ISO-NE will relook at needs and time of needs based on new studies that capture new inputs
- **Directionally, and taken together, these would result in reduced need for transmission for reliability needs and therefore lower costs over time**
- ISO-NE has recently restarted the studies that it paused

Reliability-based Transmission, cont'd

- **Base Case Formation/Probabilities in Transmission Planning:** ISO-NE has developed a methodology for incorporating load and generation outage probabilities into base case formation. This should result in **more consistent base cases and ultimately in better study results.**
- **Transmission Reliability Standards:** Changes to Planning Procedure 3, deletions of provisions that duplicated or contradicted NPCC, Inc. and NERC standards. **In some cases, ISO-NE standards had been more stringent, and would thus result in more transmission, than NPCC or NERC standards.**
- **“Bulk Power System” Classification:** Half of all BPS substations in NPCC are in New England. ISO-NE is investigating why. BPS substations are subject to more stringent planning standards. **ISO-NE has indicated that the number of BPS substations may fall when review completed.**
- **Need for NPCC Planning Criteria:** ISO-NE intends to work with NPCC to determine if it is still essential to have *separate* regional planning criteria in addition to the NERC planning criteria.

Order 1000 Public Policy Upgrades

- Transmission needs driven by federal, state, or local public policy requirements (statutes and regs)
- First planning cycle began January 2017 and has concluded
- NESCOE communication to ISO-NE identified no needs in current cycle
 - Each state assessed stakeholder input on laws driving Transmission
- ISO-NE has issued no RFPs
- Next planning cycle by 2020 (every three years)

D.C. Circuit Appeal

April 2017 decision:

- Rejected TOs’ petition challenging ROFR removal
 - SCOTUS declined review of similar challenge from 7th Cir.
- Rejected narrow NESCOE petition on public policy process
 - **However**, ruling served to provide clarity NESCOE had long sought: **ISO not required to select a policy-driven project**
 - **Important “off ramp” – helps prevent development of costly projects states do not view as advancing their policies or not in consumer interest**



NESCOE Perspective on Order 1000



- NESCOE has strongly supported competition between qualified project proponents having comparable project development & cost recovery opportunity.
- New England consumers recognize the value of transmission, having invested roughly \$8 billion in reliability projects since 2002 with another \$4 billion on the horizon.
- Cost containment is complex and implementation details matter. Cost control mechanisms would give consumers greater confidence in the planning process and safeguards against escalating costs.
- Near-term, sole-sourced projects (exempt from competition) may have the effect of precluding competition for all reliability projects.
- On public policy: Continue to advocate for a process states would use.

Solar PV Reducing Need for Other Resources

Behind the Meter Solar PV in ISO-NE's ICR calculations

- ISO-NE now modeling hourly behind the meter solar PV output
- ISO-NE will incorporate that output into ICR calculations (for FCA12)
- The **effect of this change on ICR** for FCA12: **335 MW reduction**
- ISO-NE also applied the methodology to ARAs to be held in 2018. **The methodology – plus drop in load – lowers the ICR:**
 - For ARA3 for FCA9, ICR drops by **865 MW** (compared to the initial auction)
 - For ARA2 for FCA10, ICR drops by **744 MW**
 - For ARA1 for FCA11, ICR drops by **415 MW**

Harmonizing Public Policy Resources and Competitive Wholesale Markets

Resource-neutral wholesale competitive markets are unsustainable if they cause consumers to pay twice for resources – once through markets and again through state actions required to satisfy state laws. Markets must recognize such resources.

New England talking constructively about ways forward.

1) ISO-NE near-term, accommodate-style proposal, “CASPR”:

- States currently optimistic about CASPR, *provided* in its final form it provides certainty, including preserving the RTR exemption, which states and market participants have relied upon and which FERC has upheld *four* times; removing it now would be seriously problematic, frustrate expectations, and create fairness issues

2) Long-term achieve-style proposal:

- NESCOE conducting analysis of various mechanisms, some state jurisdictional and one forward market mechanism.
 - Anticipated issuance in Q4 ; Informational, not decisional
- Group of stakeholders (NextEra/Brookfield/CLF) continue to work on a forward market proposal that emerged from NEPOOL’s IMAPP process
- Conversations to continue in 2018

ISO-NE Fuel Security Study

All according to ISO-NE communication to New England Stakeholders
This is not a NESCOE study and NESCOE has no other insight or information

Purpose: Examine how anticipated generating resource and fuel-mix combinations could impact reliable operation of the power system during the 2024/2025 winter

What's New About It? 1st operational study ISO-NE conducted to focus on the effect of fuel supply on power system operations *over an entire winter* (Dec 1–Feb 28)

- ✓ 20+ hypothetical combinations with different resource mixes
- ✓ Each case populated with different levels of non-natural-gas generator retirements, imports, dual-fuel power plants, LNG imports, renewable resource development

What Will It Quantify? The number and duration of energy shortfalls that could occur during the 2024/2025 winter and that would require implementation of emergency procedures to maintain reliability

What It Will Not Identify: Needs for new or expanded pipeline capacity or natural gas infrastructure

When? ISO-NE to issue, date TBD

What's Next: Commence dialogue about the study, approach, any implications, need for further analysis, etc., at NEPOOL Technical Committee meetings

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