



## 2011 REPORT TO THE NEW ENGLAND GOVERNORS

New England States Committee on Electricity  
Representing the Collective Interests of the Six New England States

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## Message from the President



Since the formation of NESCOE in 2006, the State Managers designated by the six New England Governors have strived to represent the interests of the citizens of the region by advancing policies designed to provide electricity at the lowest possible price over the long term, consistent with maintaining reliable service and environmental quality. Through collaboration with stakeholders and by presenting its views to regulators, NESCOE has sought to facilitate the efficient development of power generation, demand management and transmission resources needed to reliably serve the electricity requirements of consumers.

Under the leadership of Executive Director Heather Hunt, NESCOE has become integral to the development of sound energy policy in New England. As an organization, NESCOE has grown at a deliberate pace and now has a staff of five highly competent professionals with backgrounds in economics, accounting, engineering, and law, as well as experience in government, the generation and transmission sectors of the electric industry, and consulting. Working closely with the New England Conference of Public Utilities Commissioners and the staffs of the six New England utility commissions, NESCOE is an active participant in the various NEPOOL committees that drive the development of electricity policy in the region. It also works closely with ISO New England regarding the ISO's obligation to assure day-to-day reliable operation of the regional bulk power generation and transmission system, oversee the fair administration of wholesale electricity markets, and manage a comprehensive planning process. NESCOE has also taken the lead in preparing the New England Governors' Renewable Energy Blueprint and other efforts regarding coordinated power procurement and transmission siting collaboration.

In my ten years as Chairman of the New Hampshire Public Utilities Commission, I have witnessed the ever growing need for utility commissions and states to be actively involved in regional and national regulatory and policy forums affecting electricity and energy policy as the costs of transmission increase and the volatility of energy prices persists. From New Hampshire's perspective, I have focused on expanding our capabilities to engage effectively on these issues. I have also witnessed during that time the positive effects of the six New England states working closely together on these important issues. It has certainly been the case that what unites us is much greater than what divides us and, as a consequence, New England has been an exceptionally influential voice in Congress and at the Federal Energy Regulatory Commission.

It has been my distinct honor to serve as the President of NESCOE since its inception. I am proud to have played a role in the development of NESCOE as a strong

and consistent voice that relies on clear-eyed research and analysis, attentive communication and consultation, and effective advocacy to accomplish its mission. As I leave the New Hampshire Public Utilities Commission and NESCOE, I will miss working with Heather and the NESCOE staff, the State Managers, and the staffs of the New England public utility commissions, all of whom toil in obscurity on incredibly complex subject matter with little acknowledgment for their tremendous efforts on behalf of the citizens of our six states.

*Tom Getz*

Thomas B. Getz

President, NESCOE

Chairman, New Hampshire PUC

## SECTION I: GOVERNANCE

NESCOE is directed by Managers who represent the six New England states. Each NESCOE Manager is appointed by his or her respective Governor. Regardless of the number of individuals each Governor appoints as a NESCOE Manager, each New England state has one undivided vote in arriving at NESCOE determinations.

NESCOE makes policy determinations with a majority vote (i.e., a numerical majority of the states) and a majority weighted to reflect relative electric load of each state within the region's overall load. To date, all NESCOE determinations have been unanimous, reflecting the New England states' efforts to achieve consensus on matters of regional electricity policy.

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In addition, representatives from various agencies within state governments and New England Governors' offices contribute their diverse expertise to NESCOE on various matters. NESCOE appreciates the contributions these perspectives provide to its policy determinations.

## 2011 NESCOE MANAGERS

### STATE OF CONNECTICUT

#### *Kevin M. DelGobbo*

Chairman, Public Utilities Regulatory Authority (formerly known as the Department of Public Utility Control)

*\* During the latter half of 2011, representatives of the Connecticut's Department of Energy and Environmental Protection participated directly in NESCOE matters.*

Kevin M. DelGobbo was appointed a Director of the newly constituted Public Utilities Regulatory Authority (PURA) by Gov. Dannel P. Malloy on July 1, 2011. He was subsequently elected to serve as its first Chairman. PURA is a part of the Department of Energy and Environmental Protection (DEEP) and is the successor to the former Department of Public Utility Control.

Chairman DelGobbo was appointed as a Commissioner of the Department of Public Utility Control in January 2009, and served as its Chairman from July 2009 until the Agency's consolidation and reorganization within the DEEP.

PURA has regulatory responsibility for Connecticut's investor owned public utilities, representing more than \$5 Billion in annual revenues. The authority's purview also includes the oversight of \$3 Billion in unregulated market revenues, the monitoring of competitive utility services, and serving as agent for the Federal Gas Pipeline Safety Program.

Chairman DelGobbo is the Vice-President of the New England Conference of Public Utilities Commissioners and serves on the National Association of Regulatory Utility Commissioners committees on Electricity and International Relations. He is a statutory member of the Connecticut Siting Council, serves on the Board of Advisors for the CT Institute for Sustainable Energy, and the Board of Managers for the New England States Committee on Electricity.

Chairman DelGobbo served in the Connecticut House of Representatives from 1997 to 2008 where he earned bi-partisan respect for his knowledge on energy and state budget issues. DelGobbo held a variety of committee assignments during his tenure including the Finance, Public Safety and Regulation Review committees as well as serving as the Ranking member of both the Energy and Appropriations Committees. He also served on the Finance Advisory Council, Medicaid Managed Care Council and the Connecticut Hospitals Task Force.

As a legislator, DelGobbo played a key role in the development of significant state initiatives in the Energy, Telecommunications, and Water industries. In 2005, DelGobbo was a co-author of the State's "Energy Independence Act." DelGobbo

also co-authored 2008 legislation to dramatically transform the state's long-term care system to provide seniors and others with disabilities an opportunity to receive in-home care.

Chairman DelGobbo has demonstrated a lifelong passion for community service, serving on the boards and in leadership roles for numerous charitable and civic organizations.

## STATE OF MAINE

### *Thomas L. Welch*

Chairman, Public Utilities Commission

Chairman Welch was appointed to the Maine Public Utilities Commission as Chair in April 2011. He had previously served as Chair of the Commission from 1993-2005. Between his Commission appointments, Commissioner Welch worked for PJM Interconnection, a Pennsylvania-based Regional Transmission Organization, and for five years was an attorney at Pierce Atwood, LLP, in Portland, Maine, specializing in energy and utility law. Before moving to Maine in 1993, he served as Chief Deputy Attorney General for Antitrust in the Pennsylvania Attorney General's Office, in-house counsel for Bell Atlantic, and Assistant Professor at Villanova University School of Law. Commissioner Welch graduated from Stanford University in 1972 and received his law degree from Harvard Law School in 1975. His term on the Commission expires March 2017

## COMMONWEALTH OF MASSACHUSETTS

### *Ann Berwick*

Chair, Department of Public Utilities (*NESCOE Vice President*)

Ann Berwick was appointed Chair of the Department of Public Utilities by Governor Deval Patrick in June, 2010. Prior to that, Chair Berwick was the Commonwealth's Undersecretary for Energy and also served as Acting Chair of the Energy Facilities Siting Board. As Undersecretary, Chair Berwick was a key participant in the development of the Green Communities Act, the Patrick Administration's signature energy legislation, and worked closely on its implementation with the state's Department of Energy Resources and Department of Public Utilities. Chair Berwick worked with those agencies on a range of issues, including the introduction of a more progressive building code and the development of renewable resources in the Commonwealth.

Before serving in the Patrick Administration Chair Berwick was a senior consultant at M.J. Bradley & Associates in Concord, Massachusetts. In that role she advised non-profit organizations and electric distribution and generating companies on a wide range of issues, including environmental science; pollution control

technology; and developments in state and federal energy and environmental law, regulation, and policy.

Chair Berwick served as Chief of the Environmental Protection Division in the Massachusetts Attorney General's Office from 1991 to 1996, where she exercised joint oversight of the Massachusetts Environmental Strike Force. From 1996 to 1997 she worked in the Alaska Attorney General's Office, where she participated in litigation before the Ninth Circuit Court of Appeals and the U.S. Supreme Court. She has also been a legal services attorney, and a partner in the litigation department at the Boston law firm Goulston & Storrs.

Chair Berwick holds a B.A. from Radcliffe College and a J.D. from the University of Wisconsin Law School.

## STATE OF NEW HAMPSHIRE

### *Thomas B. Getz*

Chairman, Public Utilities Commission (*NESCOE President*)

Thomas B. Getz was appointed Chairman on October 11, 2001 and reappointed June 13, 2007. His current term ends on July 1, 2013. In addition to his duties as Chairman of the Commission, he serves as Chairman of the Nuclear Decommissioning Finance Committee and Vice-Chair of the Site Evaluation Committee. He is a member of the Telecommunications Planning and Development Advisory Committee and the Advisory Council on Emergency Preparedness and Security. He also serves on the Board of Directors of NARUC and is President of NESCOE.

Chairman Getz graduated from Holy Cross College with a Bachelor of Arts in Political Science. He holds a Juris Doctor Degree from Franklin Pierce Law Center and a Master's Degree in Public Administration from the University of New Hampshire. He previously served as Executive Director of the Commission and in the US Army as an Interrogator for Military Intelligence, 9th Infantry Division.

## STATE OF RHODE ISLAND

### *Elia Germani*

Chairman, Public Utilities Commission (*NESCOE Treasurer*)

Chairman Germani was appointed to the R.I. Public Utilities Commission by Governor Lincoln Almond in May 2000 and reappointed to a six-year term in March 2001. He was reappointed to an additional six-year term commencing March 2007 by Governor Donald Carcieri.

Chairman Germani was General Counsel for Blue Cross and Blue Shield of Rhode Island for 18 years. He also was a partner in the law firm of Tillinghast, Collins & Graham and served as attorney and assistant secretary of the Narragansett Electric Company.

Chairman Germani earned his Juris Doctor from Harvard University Law School and a B.A. magna cum laude from the University of Rhode Island. He serves as chairman of the R.I. Energy Facility Siting Board and has been a member of the Board of Governors of Higher Education and the Board of Regents for Elementary and Secondary Education. He currently serves as a member of the Directors of Justice Assistance, which is a non-profit criminal justice agency, and as a member of the Board of Governors of the Providence Boys & Girls Club.

## STATE OF VERMONT

### *Elizabeth Miller*

Commissioner, Department of Public Service

Commissioner Miller was appointed by Governor Peter Shumlin to the Department of Public Service in January 2011. The Department serves as the public's advocate in all matters before the Vermont Public Service Board, leads energy planning efforts for the executive branch, and functions as the State Energy Office. Since her appointment, Commissioner Miller has spearheaded the effort to complete Vermont's 2011 Comprehensive Energy Plan, and has been actively engaged in successfully implementing smart grid technology statewide, among other initiatives. Commissioner Miller routinely consults with the Chairman of the Vermont Public Service Board, James Volz, on regional matters of concern to Vermont, including NESCOE initiatives.

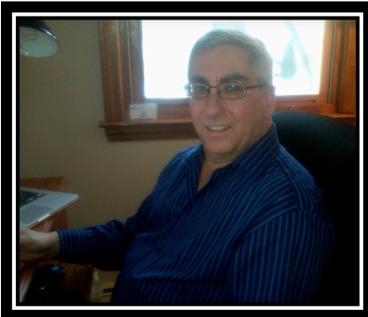
Commissioner Miller came to the Public Service Department from private law practice. She was a founding member of a four-attorney civil litigation firm, Spink & Mill, PLC, in Burlington, Vermont, and previously worked as an associated attorney at Dinse, Knapp & McAndrew PC in Burlington and Morrison & Foerster LLP in San Francisco, California. She attended college at the University of California, Los Angeles and received her Juris Doctor from Yale Law School. After law school, she served as a law clerk to the Hon. James L. Oakes, U.S. Court of Appeals for the Second Circuit. Judge Oakes' love of Vermont and passion for environmental policy has inspired her career. Ms. Miller lives in Burlington, Vermont, where she served on numerous local and state nonprofit boards prior to entering public service.

## SECTION II: STAFF & CONSULTANTS

In 2011, NESCOE continued to successfully grow toward its expected steady state. The NESCOE team has diverse academic and professional backgrounds, including economics, accounting, engineering, and law as well as a cross section of private and public sector experience in New England. NESCOE's professional staff and technical consultants bring comprehensive and deep experience to the analysis presented to Managers for their consideration.

### *Jeff Bentz*

Director of Analysis



In 2011 *Jeff Bentz*, CPA was named NESCOE's Director of Analysis. Previously, Jeff was with a New England generating facility, MASSPOWER, for nearly twenty years. Jeff served in progressive positions with MASSPOWER and was ultimately its General Manager. Earlier in his career Jeff was with Arthur Andersen and Company. Jeff has a Bachelor of Science degree in Accounting from Central Connecticut State University.

### *Dorothy Capra*

Director of Regulatory Services



In 2011, *Dorothy Capra* was named NESCOE's Director of Regulatory Services. Since 2000, Dorothy was International Power's Director of Regulatory Affairs for NEPOOL and more recently for PJM. In that capacity, she coordinated regulated activities in New England and PJM and related activities at the Federal Energy Regulatory Commission. Dorothy was elected Vice Chair of NEPOOL's Transmission Committee and has served in the past as Vice Chair of its Reliability Committee. Before that, Dorothy was with New England Electric System (National Grid) for ten years in a variety of positions, including in transmission and rates. She began her career at BP Oil, Inc. Dorothy has an MBA from the Amos Tuck School at Dartmouth and a BS in Chemical Engineering from Washington University in St. Louis.

***Ben D'Antonio***  
Counsel & Analyst



***Ben D'Antonio*** joined NESCOE in January 2012 as Counsel and Analyst. Before coming to NESCOE, Ben worked in the Regional and Federal Affairs Division of the Massachusetts Department of Public Utilities as an economist and legal counsel, with a focus on wholesale electricity market and transmission planning issues. Previously, Ben was the Regulatory Assistance Project's first Energy and Environment Fellow, where he provided support to state utility commissions on clean energy policies. Earlier in his career, Ben worked in financial services as an investment analyst and operations specialist. Ben has a Juris Doctor, cum laude, and Masters of Environmental Law, magna cum laude, from Vermont Law School and a Bachelor of Arts in Economics from the University of Vermont.

***Heather Hunt***  
Executive Director



NESCOE's Executive Director is ***Heather Hunt***. She assumed her position in January 2009. Previously, Heather had a regulatory law practice, was Director, State Government Affairs at United Technologies Corporation and a Group Director, then Vice President, Regulatory at Southern Connecticut Gas. Earlier, she was a Public Utility Commissioner in Maine and Connecticut and was on the legal staff of a Connecticut Governor. Heather has a Bachelor of Arts in Politics from Fairfield University and a Juris Doctor from Western New England College School of Law.

***Allison Smith***  
Analyst



***Allison Smith*** joined NESCOE in 2010 as an Analyst. Previously, Allison was with Anbaric Transmission as a Development Associate. Before that she was with Synapse Energy Economics as a Research Associate. Allison has a Bachelor of Arts in Environmental Studies from Dartmouth College and a Master of Studies in Environmental Law from Vermont Law School.

NESCOE also retains consultants to provide technical analysis in the areas of system planning and expansion and resource adequacy. The following are those consultants with whom NESCOE worked in 2011.

**Ray Coxe**, President of **Mosaic Energy Insights, Inc.**, of Massachusetts, advises NESCOE on mechanisms to facilitate development of the region's cost-effective renewable resources, including NESCOE's 2011 Request for Information from renewable developers and transmission owners to inform future decisions about the potential for coordinated procurement and 2012 Renewable Supply Curve Analysis.

**George Smith, P.E.**, of Vermont is an electrical engineer with substantial planning, transmission and engineering experience in New England. He supports NESCOE with technical analysis in system planning.

In late 2011, NESCOE retained two technical consultants following a competitive solicitation to supplement expertise in the area of power system planning and engineering.

**Ricardo Galarza, PhD** is President of **PSM Consulting** of New York and is an electrical engineer. Prior to founding PSM Consulting, Dr. Galarza was with the New York ISO.

**La Capra Associates** of Boston is advising NESCOE on matters such as alternative resource analysis.

In addition, from time to time NESCOE retains certain consultants to assist with specific analysis conducted to inform policy-makers' consideration of current issues. In 2011, in order to develop Renewable Power Supply Curve Analysis, NESCOE retained **RLC Engineering** to provide transmission analysis and **Sustainable Energy Advantage, LLC** to provide related renewable generation data.

Finally, while NESCOE does not use litigation as a primary means to accomplish its objectives, when it requires outside counsel, NESCOE has the assistance of **Elizabeth Grisar** of the law firm of **Whiteman, Osterman and Hanna, LLP** in New York to assist with regulatory and other matters. Her previous experience includes work in state government and at the New York Independent System Operator. NESCOE also has also

sought the assistance of *Harvey Reiter* of the law firm of **Stinson Morrison Hecker, LLP** on certain energy and organizational matters.

In late 2011, NESCOE opened a centrally located office at 4 Bellows Road in Westborough, Massachusetts. The office is close to where ISO-NE's Planning Advisory Committee and other regional meetings are held. The office also provides small meeting space for NESCOE staff to meet with states and regional stakeholders as needed.

### **SECTION III: COORDINATION WITH REGIONAL STATE ENTITIES**

To ensure coordination and communication by and between state entities in the New England region, throughout 2011 NESCOE participated in New England Conference of Public Utilities Commissioners' (NECPUC) bi-weekly staff conference calls, NECPUC's monthly conference calls with ISO New England Inc. (ISO-NE) staff, and NECPUC monthly conference calls with the Federal Energy Regulatory Commission (FERC) staff. NESCOE also attended several meetings in 2011 with NECPUC Commissioners and ISO-NE's Board of Directors, as well as NECPUC's Annual Symposium. NESCOE also coordinated with the New England Governors Conference (NEGC) on substantive matters in 2011.

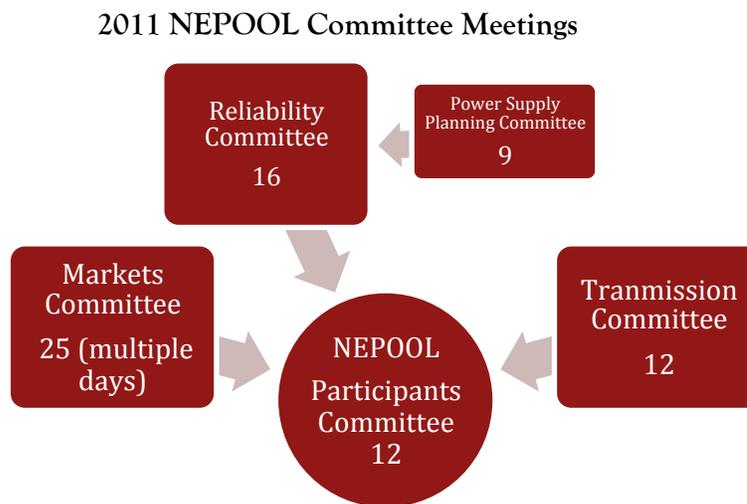
To further increase coordination and ensure NESCOE has state-specific information as needed, in 2011, NESCOE formed several teams of subject matter experts from state governments to work with NESCOE on specific matters, such as energy efficiency data collection, NERC proposals, and siting.

In addition to regularly scheduled interactions, NECPUC, NEGC and NESCOE staff also communicate informally on a regular basis about subject matters under discussion by each of these organizations. Such regular formal and informal communication ensures coordinated policy positions where appropriate and protects against duplication of efforts on subject matters of mutual interest. NESCOE expresses its appreciation to William Nugent, NECPUC's Executive Director and to John Shea, NEGC's Executive Director, for their continuing efforts that make effective coordination possible.

## SECTION IV: 2011 ACTIVITY, FOCUS AREAS & ACCOMPLISHMENTS

### *Regional Stakeholder Meeting Participation*

NESCOE participated in essentially all substantive New England regional stakeholder meetings in 2011. This included regular participation in NEPOOL's Participants, Reliability, Transmission, Markets and Power Supply Planning Committee meetings.



NESCOE also participated in ISO-NE's Planning Advisory Committee (PAC) and Consumer Liaison Group meetings. NESCOE appreciates ISO-NE allowing it to provide stakeholders with periodic updates about certain NESCOE activities at PAC meetings.

### **2011 ISO-NE Regional Meetings**

**ISO-NE Planning Advisory Committee**

•17 meetings

**ISO-NE Consumer Liaison Group**

•4 meetings

Together, those committees held approximately ninety-five (95) meetings in 2011. In 2012, NESCOE will continue to participate in regional stakeholder meetings.

NESCOE also participated in various NEPOOL working groups and ad hoc subject matter meetings convened for specific purposes, such as FERC Order No. 1000 and issues associated with the Forward Capacity Market. NESCOE appreciates NEPOOL welcoming its participation in such groups, which facilitates NESCOE's understanding of diverse stakeholder perspectives and communication of the collective views of the six New England states.

With respect to interregional coordination, NESCOE participated from time to time as warranted in the Inter-area Planning Stakeholder Advisory Committee meetings, the Northeast Power Coordinating Committee Government Relations Committee meetings, and the NEGC Northeast International Committee on Energy meetings.

### *Comments to Regulators, Agencies and ISO-NE*

Throughout 2011, NESCOE presented written comments to federal regulators, agencies and ISO-NE representing the states' collective point of view on matters related to resource adequacy and system planning and expansion that could affect New England consumers.

A representative sample of such comments includes:

- Comments to the U.S. Department of Energy concerning its proposal to delegate to the Federal Energy Regulatory Commission certain authorities in connection with *Congestion Studies, National Interest Electric Transmission Corridor and related matters*. *September 9, 2011*. After receiving comments from NESCOE and other stakeholders, Secretary Chu declined to delegate authority as proposed to the FERC.
- Comments to ISO-NE on the 2011 draft *Regional System Plan*. *August 5, 2011*. Among other changes following receipt of NESCOE and other stakeholder comments, the final 2011 Regional System Plan more accurately described ISO-NE's going-forward plan to better account for energy efficiency in regional planning and included more information about transmission costs.
- Comments to the Northeast Power Coordinating Council on a *Cost Effectiveness Analysis Procedure*. *September 19, 2011*. Those procedures have been approved.

### *Accounting for Energy Efficiency In Regional System Planning*

For the past several years, NESCOE has requested that ISO-NE adjust its load forecast to reflect current ratepayer-funded state energy efficiency programs and their scheduled ramp-up in regional system planning. The level of public dollars invested in state energy efficiency programs is significant and it is important to consumers that megawatts saved by those programs be reflected in planning and the regional load forecast.

In 2011, ISO-NE identified a data-based methodology to account for energy efficiency program savings in planning. Successful implementation of this methodology, or alternative methodologies such as the rolling average approach proposed by NESCOE that could achieve the same end, will help ensure energy savings that result from ratepayer-funded energy efficiency programs are appropriately recognized in ISO-NE's planning process, which identifies whether and when ratepayer-funded transmission facilities may be needed.

Going forward, this greater level of estimated energy efficiency will be incorporated in a new Energy Efficiency Forecast as part of the region's annual load forecasting process. ISO-NE will roll out the Energy Efficiency Forecast in Spring 2012 in conjunction with the regional ten-year load forecast update.

In 2012, NESCOE will continue to work with ISO-NE, energy efficiency program administrators, state energy efficiency experts and the region's stakeholders on implementation of the Energy Efficiency Forecast, including the approach to data collection and budget forecasting.

### *North American Electric Reliability Council Proposals: Seeking Clear Technical Basis for Proposals & Consideration of Costs*

In 2011, NESCOE submitted a series of comments to the North American Electric Reliability Council (NERC) on issues such as the definition of Bulk Electric System and related requirements. As a general matter, NESCOE is interested in making sure that NERC provides a clear technical basis for its proposals, assesses their cost implications and ensures they are designed to provide an appropriate level of reliability. In 2011, NESCOE began working collaboratively with experts from state governments and representatives of

the New York State Department of Public Service on NERC-related matters given the commonality of interest and concern with the cost implications of NERC proposals.

In 2012, NESCOE will continue to encourage NERC to identify clear technical bases for proposals and to carefully consider cost implications.

### ***FERC Order 1000***

In mid-2011, FERC issued Order 1000, in which FERC amended the transmission planning and cost allocation requirements it established in Order No. 890. In prior comments to FERC, NESCOE emphasized that given New England's abundant renewable resources and close proximity to other no and low-carbon resources, it is critically important that New England consumers not be involuntarily assigned any portion of the costs of transmission facilities located in other regions to reach generation resources that New England consumers do not need to meet reliability or public policy objectives. In this regard, Order 1000 was compatible with the New England states' interest: under the Order, a transmission planning region that receives no benefit from an interregional transmission facility that is located in that region, either at present or in a likely future scenario, must not be involuntarily allocated any of the costs of that transmission facility. Further, Order 1000 aligned with New England's strong preference for the region to have the flexibility to tailor solutions to regional needs and markets.

NEPOOL, ISO-NE and the states generally concurred that New England's planning process broadly complies with many of Order 1000's provisions. Several of Order 1000's provisions, however, call for refinement to New England's planning process, including development of a process by which the region may consider those public policies, if any, that may drive transmission and associated in-region cost allocation.

During the latter half of 2011, NESCOE Managers and other state officials developed a proposed process by which New England would consider public policy in planning. After advancing the states' draft framework to ISO-NE and the region's stakeholders in early 2012, NESCOE will work with stakeholders and ISO-NE on the region's Order 1000 compliance filing, which is due to FERC in October 2012.

***State Transmission Siting Proceedings & ISO-NE Planning Assumptions:  
Increasing Siting Efficiencies Through Increased Confidence in Planning Details***

In 2011, NESCOE identified for ISO-NE some common state challenges during transmission facility siting proceedings related to the assumptions and inputs ISO-NE uses to assess transmission needs. Specifically, there have been instances where state siting authorities have required additional modeling during state siting proceedings. At that late stage in the transmission development process, the need for further information can result in significant, yet avoidable, delays, which can increase transmission project costs and could jeopardize reliability.

In response, ISO-NE identified several mechanisms to increase states' confidence in ISO-NE's planning studies and stated needs for significant investment in transmission. One mechanism is development of a Planning Manual associated with Attachment K, the regional system planning process. A Planning Manual would more clearly define the process and substance of ISO-NE's Needs and Solutions Assessments and more specifically define assumptions - including those that are required and those over which ISO-NE has discretion - modeling parameters, and analyses. ISO-NE expects to issue a draft Planning Manual in early 2012 for review in the stakeholder process. Additionally, ISO-NE will discuss the inputs and assumptions used in major transmission studies with NESCOE after ISO-NE makes study material available to all stakeholders.

Finally, in connection with transmission project costs, following requests by the Massachusetts Department of Public Utilities and NESCOE, ISO-NE agreed to make some changes to the presentation of its transmission project list. The changes should help to improve the ability to track transmission project costs, including a comparison of estimated costs to actual costs.

***Assuring Adequacy of Resources at the Lowest Price Over the Long Term: Forward Capacity Market Redesign***

In response to FERC's April 13, 2011 Order on Paper Hearing, in 2011, ISO-NE and NEPOOL considered major market rule changes to the Forward Capacity Market Redesign. Some of the central design elements include: the minimum offer price rule and

the establishment of benchmark prices, capacity zone modeling and the elimination of the auction floor price and the Forward Capacity Market pivotal supplier test, and the use of a proxy for the cost of new entry.

Successful resolution of many of these issues will bear directly on the adequacy of available resources and the provision of electric service to consumers at the lowest possible price over the long-term, consistent with maintaining reliable service and environmental quality. Further, resolution of some of the issues has implications on state policy objectives, including whether and how the region's renewable resources that can meet state objectives most cost-effectively can participate in the market. Accordingly, NESCOE participated in FCM redesign discussions, advanced a proposal related to the way those renewable resources recognized by all six New England states participate in the market, and participated in stakeholder discussions regarding potential constructive short- and long-term modifications to the FCM.

In 2012, NESCOE will continue to participate in these discussions given their implications on reliable service, resource adequacy, state policy objectives and the prices consumers ultimately pay. Specifically, ISO-NE, with strong support from the region's stakeholders, submitted to FERC an FCM redesign proposal that accommodates further collaborative work in the region to enable discussion of changes that could improve the efficacy of the FCM. These changes may also include modifications to address other design issues, such as those raised by New England's Strategic Planning Initiative, discussed below.

### ***Strategic Planning Initiative***

In recent years, New England has developed significant new transmission to serve load, has seen a substantial increase in the amount of demand response available to alleviate load and has built efficient, gas-fired combined cycle generators. Nevertheless, looking forward, there are challenges to the continued reliable and efficient operation of the power system, some of which could, if unaddressed, make adaptation to changes that are likely to confront the New England power system more difficult.

In 2011, ISO-NE launched a Strategic Planning Initiative to evaluate issues and address them as appropriate before they may become urgent problems that require rapid and/or piecemeal resolution. They are:

- Resource performance & flexibility
- Increased reliance on natural gas-fired capacity, such as challenges arising from thermal and electric demand pressures on natural gas usage
- Potential retirement of generation units
- Integration of a greater level of variable resources, such as wind power
- Alignment of markets & planning

In 2011, NESCOE participated in the region's early, high-level discussion of these issues, their definition and potential solutions. Further, in relation to better aligning planning and markets, in the fall of 2011, the six states expressed collective interest in obtaining from New England's transmission owners reasonably uniform alternative resource analyses (sometimes referred to as non-transmission alternative analyses) at about the same time as the region identifies transmission solutions. Analysis at this stage would be more helpful than at the very end of the regional planning process - during state siting petitions for approval - when it is generally too late as a practical matter to identify alternatives to meet needs. Subsequently, ISO-NE indicated the intent to conduct Market Resource Analysis (MRA) in connection with major transmission projects and to have a market design in place that could bring such projects to fruition. NESCOE supports ISO-NE's direction in relation to MRAs and associated market mechanisms, although the latter could take several years to implement. In 2012, the states will develop means to obtain non-transmission alternative analyses, including economic analysis, early in the planning process in way that compliments ISO-NE's MRAs and market mechanisms.

Further, in 2012, NESCOE will evaluate the studies ISO-NE has underway that may inform solutions and conduct any other analysis that may help inform policy-makers' decisions on these matters. NESCOE will also participate in NEPOOL technical committee discussions concerning rule modifications likely to occur between 2012 - 2014, with early efforts expected to focus on resource performance and flexibility, operating reserve requirements, and modifications to resource adequacy markets to ensure alignment between markets and regional planning processes.

### ***Transmission Siting***

In 2011, NESCOE formed a New England Interstate Transmission Siting Collaborative (the Collaborative). The purpose of the Collaborative is to consider and to implement as appropriate means to increase coordination of states' siting processes required for interstate transmission facilities in New England. This stems from the 2009 *New England Governors' Renewable Energy Blueprint*, which identified that one potential mechanism to facilitate development of the region's renewable resources is coordinated siting of interstate transmission facilities. Such coordination would also benefit transmission needed for reliability. In 2011, the Collaborative asked New England's transmission owners and developers to identify projects - either built, for a retrospective analysis, or proposed - that could serve as case studies for further analysis.

Separately, the National Center for Interstate Compacts, a policy program of the Council of State Governments (CSG), created a National Advisory Panel to examine the potential for interstate compacts on siting interstate transmission lines. NESCOE participated on the Panel and generally expressed the view that siting processes and challenges are diverse across the country. Hence, solutions to challenges may be most amenable to regional approaches. NESCOE also offered that time spent on coordination of siting interstate facilities may be more effectively dedicated to coordinating processes within current law rather than on developing a compact, which has significant legal, practical and political barriers, particularly given the strongly-felt need to maintain the primacy of state siting authority.

In 2012, NESCOE will continue to work with New England Transmission Owners and developers on coordination within New England and monitor the CSG work.

### ***Facilitating Development of the Region's Renewable Resources That Can Serve Customers at the Lowest All-In Delivered Cost***

In 2011, at the direction of New England Governors, NESCOE continued to explore the potential for coordinated renewable power procurement. This effort follows related work in prior years, including:

- In the fall of 2009, New England Governors adopted the *New England Governors' Renewable Energy Blueprint*. The Blueprint identified the significant renewable resources located in & around the region and the potential for New England to coordinate competitive renewable power procurement and better coordinate siting of interstate transmission facilities.
- In mid-2010, in response to the New England Governors' request by Resolution, NESCOE provided the Governors a *Report on Coordinated Renewable Procurement*. The Report identified potential coordination mechanisms & preliminary ideas about contractual terms and conditions.

In early 2011, NESCOE collected information from renewable project developers in response to a *Request for Information*. To encourage participation, NESCOE did not seek confidential cost information. The RFI identified about 4,700 MW of new renewable resources recognized as such by the six New England states able to serve customers by 2016. Ninety percent was wind and half of that was located in Maine. NESCOE also received transmission proposals that generally corresponded to the generation resource submissions.

In mid-2011, the New England Governors expressed by Resolution continued interest in exploring the potential for coordinated competitive renewable power procurement as a means to identify those resources able to serve customers at the lowest all-in - generation & transmission - cost.

In late 2011, NESCOE worked to produce directionally indicative analysis of the availability of, and potential cost for, new wind resources that could be developed in New England or New York to meet New England's renewable energy goals. NESCOE sponsored analyses regarding potential new wind resources in New England (on-shore and off-shore) and New York (on-shore only), and the transmission that might be required to integrate the output of some of those resources. To develop baseline data, NESCOE sponsored studies by Sustainable Energy Advantage, LLC to assess the potential amounts of, and estimate the generation costs for, such wind resources. Comparable data was not available for Canadian resources; NESCOE subsequently invited the Canadian Electricity Association to provide similar analysis to help inform decision-makers. NESCOE also retained RLC Engineering to provide indicative transmission 'build-outs', and the estimated costs of such build-outs, that may be required to integrate energy from new wind resources in northern New England.

NESCOE synthesized the results of these studies into regional “supply curves” showing the marginal cost of new wind resources in the region as a function of total new wind energy developed. From those supply curves, NESCOE identified and categorized those wind resources that could potentially meet the region’s incremental renewable energy needs for the selected study years - 2016 and 2020 - at the lowest total cost.

The value of the analysis is in the directional, relative sense of costs of various wind resources. The focus on wind resources in this study corresponded to the examination of wind resources in prior studies, such as the *Governors’ Blueprint*, and to the majority of resources that responded to the RFI. The study will be issued in the first quarter of 2012.

In 2012, NESCOE will evaluate the Supply Curve Analysis in conjunction with related studies underway by ISO-NE and conduct any other analysis that may further inform policymakers about renewable resource development and the implications of that on the power system.

### ***Eastern Interconnection Planning***

The Eastern Interconnection Planning Collaborative (EIPC) is a significant national effort funded by the U. S. Department of Energy (DOE) intended to examine a range of hypothetical future scenarios for the bulk power system in the eastern interconnection. The eastern interconnection includes 39 states – from the foot of the Rocky Mountains to the Atlantic seaboard and part of Canada. To provide policy input and the states’ collective perspective to the EIPC’s work, the DOE also funded the Eastern Interconnection States Planning Council (EISPC), an organization comprising state regulators and representatives of governors’ offices across the 39 states. The goal of the EIPC over a two-year period is to develop three transmission build-out scenarios representing a range of hypothetical future conditions.

In broad terms, the New England states’ goals are to obtain objective data about potential policy options that could inform New England’s planning process and to ensure that the ultimate analysis fully reflects resources in and around New England that could meet the region’s energy and environmental goals cost-effectively.

The New England states participated in EISPC throughout 2011. NESCOE provided support as needed including, for example, monitoring EIPC and analyzing transmission assumptions. NESCOE also facilitated coordination of the six New England states and with the state of New York representatives. For purposes of EISPC, New England and New York are one region, presenting a valuable opportunity for increased communication about planning with New York public officials and stakeholders.

In the fall of 2011, the EIPC agreed to develop three future resource scenarios: 1) a “Nationally Implemented Federal Carbon Constraint with Increased Energy Efficiency/Demand Response Scenario”; 2) a “Regionally Implemented National RPS Scenario”; and, 3) a “Business as Usual Scenario”. The selected hypothetical future scenarios conform to the northeast EISPC representatives’ interests from the outset of the process in that they include data associated with a regional implementation of policy objectives.

In 2012, NESCOE will continue to work closely with the states and NEPOOL to coordinate the northeastern states’ and stakeholders’ perspectives as appropriate.

### ***Comparative Assessment of Independent System Operator/Regional Transmission Organization Metrics Report to FERC***

In 2011, NESCOE evaluated ISO-NE’s performance as represented in the first annual *2010 Independent System Operator/Regional Transmission Organization Metrics Report* (RTO Metrics Report) submitted to FERC. In the report, the RTOs submitted performance data on an RTO-by-RTO basis without a comparative evaluation of any of the metrics across RTOs. There is, in some cases, good reason not to compare data across RTOs, such as differences in markets. However, some comparative assessments can help illuminate RTO best practices and areas where New England may require focus, such as interconnection queue timing and costs. In early 2012, NESCOE will evaluate comparative data in the 2011 RTO Metrics Report.

### *Smart Grid*

Decisions about system planning and the adequacy of the region's resources are directly influenced by whether customers can and do dynamically shift load from peak to off-peak. In 2011, NESCOE conducted research to inform a short White Paper for policymakers on Smart Grid implementation issues, such as smart grid consumer education practices, opt-out programs and the means by which some have approached smart grid benefit analysis. This paper will be distributed during 2012.

### *Presentations*

In response to requests from various organizations in the Northeast and elsewhere, NESCOE made several presentations in 2011. NESCOE appreciates the opportunity presentations offer to share information about current issues and to receive stakeholder feedback.

A representative sample of 2011 presentations includes:

- Governors' Wind Energy Coalition, Governors' Staff Transmission Briefing, *November 2011*
- State of Connecticut, Department of Energy and Environmental Protection, Regional Renewable Development Effort, *September 2011*
- Restructuring Roundtable, FERC Order 1000, *September 2011*
- Eastern Interconnection States Planning Council, Energy Zones, *May 2011*

## SECTION V: PRIORITIES FOR 2012 AND 2013

In the year ahead, NESCOE will continue the day-to-day work it performed in 2011. This includes but is not limited to active participation in regional stakeholder meetings and regular communications with federal agencies and ISO-NE about the New England states' collective point of view on matters relating to resource adequacy and system planning and expansion. In addition, NESCOE expects to focus much of its substantive efforts in 2012 and 2013 in the following areas:

- Review and provide input on *ISO-NE's plans and planning processes*, including but not limited to Regional System Plans, forecasting and needs assessments and planning processes related to potential retirements; evaluate ISO-NE's draft Planning Procedure, which will detail assumptions and inputs in planning; and discuss with ISO-NE early in the planning process ISO-NE's draft assumptions and inputs proposed to be used in Needs Assessments in connection with major transmission projects.
- Continue work toward obtaining analysis early in the regional planning process about alternative resources that could meet identified needs from transmission owners, e.g. *non-transmission alternative analysis*, in a way that is compatible with ISO-NE's intent to conduct Market Resource Analysis for major transmission projects and to have a market design in place that could bring such projects to fruition.
- With ISO-NE and stakeholders, participate in development of tariff provisions associated with *FERC Order 1000*, with a specific focus on the process New England will use to consider public policies, if any, which may drive transmission needs and associated cost allocation. The tariff revisions are due to FERC in the last quarter of 2012. Thereafter, NESCOE will work on Order

1000's implementation, including but not limited to coordinating the states' collective view, informed by stakeholder input, of those public policies that may drive transmission needs and subsequent processes to consider them in regional planning.

- In light of the implications for reliable service, resource adequacy, state policy objectives and the prices consumers ultimately pay, participate in any continued *FCM redesign* discussions, including but not limited to whether and how renewable resources recognized by all six New England states may participate in the market.
  
- Provide the New England states' collective view on the *U.S. DOE's 2012 Congestion Study*.
  
- In connection with ISO-NE's *Strategic Planning Initiative*, work with stakeholders and ISO-NE to understand the implications of the results of various studies - ISO-NE's 2011 Economic Study, ISO-NE's Strategic Initiative Transmission Study, NESCOE's Renewable Supply Curve Analysis and others - and in light of those, consider potential solutions that may be necessary for the region to continue to provide consumers with reliable service at the lowest possible cost over the long-term. This resource adequacy and system planning evaluation will consider changes to ISO-NE's planning processes and market solutions in relation to potential power plant retirements. Based on that assessment and discussions with ISO-NE and stakeholders, consider potential actions to address issues in a way that provides reliable service and maintains environmental quality at the lowest possible cost over the long-term.

- To inform policy-makers' consideration of solutions in connection with the Strategic Planning Initiative - and in particular risks associated with generator retirement and the integration of a greater level of variable resources in the region - work with ISO-NE to combine high level cost information from prior NESCOE studies with information generated by ongoing ISO-NE's studies. Additionally, to further indicate potential relative attractiveness of various resources, provide *analyses as appropriate that look beyond what conventional strategic transmission planning studies* consider to explore other options, such as greater use of targeted energy storage, or targeted demand management, that might significantly change the overall picture over the long term.
- To obtain objective data from scenario analysis-based *eastern interconnection-wide transmission expansion studies*, including that which may inform regional planning in New England, continue to: 1) facilitate coordination and substantive input as appropriate of the New England states in EISPC activities; and, 2) facilitate, with NEPOOL, coordination of the regions' activities and positions as appropriate in EIPC.
- Monitor and provide comment on major *NERC* proposals that may have significant cost implications and continue to urge NERC to identify clear technical bases for proposals, to carefully consider cost implications and to ensure proposals are designed to deliver an appropriate level of reliability.
- Continue to monitor transmission owners' *transmission project cost estimates* as identified during the planning process and compare them to their actual costs to encourage cost estimates to be as close to actual costs as reasonably possible; monitor transmission incentives awarded by FERC and with others continue to encourage FERC only to award bonus incentives on a

case by case basis when determined to be a necessary prerequisite to transmission investment.

- With ISO-NE and stakeholders, assist in the implementation of ISO-NE's *energy efficiency forecast* to appropriately reflect savings that will be achieved from consumer investments in energy efficiency in ISO-NE's load forecast, which informs ISO-NE's plans that identify whether and when new ratepayer-funded transmission facilities are needed. This will include the means by which ISO-NE collects and considers energy efficiency data from New England's energy efficiency program administrators and develops an energy efficiency budget forecast to be sure the methodology is appropriate and efficient to use in regional planning over the long-term.
  
- Continue to consider means to facilitate development of renewable resources in and around the region able meet the region's energy and environmental objectives at the lowest all-in delivered cost within mechanisms available under current law, such as *regionally coordinated competitive procurement*; conduct any further analysis policymakers may consider important to assisting evaluation of options.
  
- Monitor the operation of ISO-NE's *generation interconnection queue* including the time and costs to move proposed projects through the queue in absolute terms and in relation to other Regional Transmission Organization; if appropriate and helpful to facilitate coordinated procurement of renewable resources, work with ISO-NE and stakeholders to implement the cluster interconnection provision in ISO-NE's tariff.

- Working with state siting representatives on the *Interstate Transmission Siting Collaborative*, work with transmission owners and developers as appropriate on developing efficient and practical mechanisms available under current law to coordinate state siting of interstate transmission facilities.
- Review and provide input on ISO-NE's *Installed Capacity Requirements* value recommendations and associated issues.
- Assess ISO-NE's performance and data relative to other Regional Transmission Organizations as represented in the *Independent System Operator/Regional Transmission Organizations' Metrics Report* provided to FERC.
- Assess ISO-NE's approach, adopted in 2010, to providing states and stakeholders with *quantitative and qualitative analysis on major initiatives* that will affect the bulk power system, with a focus on ensuring the consumer cost implications of proposed initiatives, and alternatives as appropriate, are understood and considered in decision-making.

## **VI. 2011 EXPENDITURES**

NESCOE operations are funded by a FERC-approved charge collected through ISO-NE's tariff. In 2011, NESCOE's spending increased over that in 2010 commensurate with its increasing substantive activity. Since its first years of operation, NESCOE has continued to grow at a measured pace mindful that incremental steps tend to be well-informed steps and that unspent funds reduce future collections.

An independent audit of NESCOE's books, as a subsidiary of the New England Governors' Conference, Inc., for the year-end June 30, 2011 is underway. An independent audit of NESCOE's books for the year-end June 30, 2010 was completed and presented to the Board of Directors of the New England Governors' Conference and to NESCOE Managers. The independent auditor opined that NEGC and NESCOE's books conform to generally accepted accounting principles and issued an unqualified opinion letter.

**NESCOE**  
**Statement of Spending**  
**Calendar Year 2011**

**Expense**

<b>Direct Expenses, Consulting</b>	
<b>Legal (FERC) Services</b>	43,745.54
<b>Technical Consulting</b>	<u>251,225.08</u>
<b>Total Direct Expenses, Consulting</b>	294,970.62

<b>Employment and Benefits</b>	
<b>Salaries and Wages</b>	483,422.76
<b>Payroll Taxes</b>	30,202.98
<b>Employment and Benefits - Other</b>	<u>37,739.07</u>
<b>Total Employment and Benefits</b>	551,364.81

<b>General and Administrative</b>	
<b>Insurance</b>	1,619.00
<b>Employee Training</b>	2,938.00
<b>Dues and Subscriptions</b>	95.00
<b>Office Expenses</b>	2,600.31
<b>Online Computer Services</b>	433.80
<b>Postage and Delivery</b>	58.25
<b>Printing and Copying</b>	70.37
<b>Professional Services</b>	38,695.60
<b>Rent, Parking, Utilities</b>	7,465.37
<b>Supplies</b>	71.00
<b>Telephone, Telecommunications</b>	9,092.10
<b>Travel and Meetings</b>	<u>40,951.71</u>
<b>Total General and Administrative</b>	104,090.51

<b>Capital Expenditures</b>	
<b>Equipment Purchases</b>	<u>15,631.85</u>

<b>Total Expenses</b>	<u>966,057.79</u>
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## **VII. BUDGETS 2012, 2013**

NESCOE's 2012 budget, which is within the five (5) year pro-forma, was presented to and affirmed by NEPOOL in September 2011. At that time, NESCOE also presented a preliminary 2013 budget to NEPOOL. The 2012 budget was then submitted to and approved by the FERC.

**NESCOE Pro Forma Budget  
2012 and 2013**

	<b>2012</b>	<b>2013</b>
<b>Salaries and Wages</b>		
Salaries	800,000	800,000
Payroll Taxes	80,000	80,000
Health and Other Benefits	200,000	200,000
Retirement §401(k)	<u>24,000</u>	<u>24,000</u>
<b>Total, Salaries and Wages</b>	<b><u>1,104,000</u></b>	<b><u>1,104,000</u></b>
<b>Direct Expenses - Consulting</b>		
Technical Analysis	452,000	455,000
Legal (FERC)	<u>120,000</u>	<u>120,000</u>
<b>Total, Direct Expenses, Consulting</b>	<b><u>572,000</u></b>	<b><u>575,000</u></b>
<b>General and Administrative</b>		
Rent	15,500	15,500
Utilities	3,500	3,500
Office and Administrative Expenses	41,900	41,900
Professional Services	70,500	70,500
Travel and Lodging	<u>100,000</u>	<u>100,000</u>
<b>Total General and Administrative</b>	<b><u>231,400</u></b>	<b><u>231,400</u></b>
<b>Capital Expend. &amp; Contingencies</b>		
Office Furniture	20,000	
Computer Equipment	5,000	5,000
Contingencies	<u>193,240</u>	<u>191,540</u>
<b>Capital Expend. &amp; Contingencies</b>	<b><u>218,240</u></b>	<b><u>196,540</u></b>
<b>TOTAL EXPENSES</b>	<b><u>2,125,640</u></b>	<b><u>2,106,940</u></b>
<b>BUDGET</b>	<b>2,140,000</b>	<b>2,140,000</b>

## For More Information

**Web Site:** [www.NESCOE.com](http://www.NESCOE.com)

**Facebook:** <http://www.facebook.com/pages/New-England-States-Committee-on-Electricity/100576639985710>

**Office:** 508-836-8888