

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

ISO NEW ENGLAND, Inc.)

Docket No. ER12-229-000

**MOTION TO INTERVENE AND COMMENTS of the
NEW ENGLAND STATES COMMITTEE ON ELECTRICITY**

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”) and the Commission’s October 31, 2011 Combined Notice of Filings, the New England States Committee on Electricity (“NESCOE”) hereby submits this motion to intervene and comments.

I. COMMUNICATIONS

The names, titles, and offices of the persons to whom correspondence in regard to this proceeding should be addressed are as follows:

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II. MOTION TO INTERVENE

NESCOE is the Regional State Committee for the New England region. NESCOE is governed by a board of managers appointed by the Governors of Connecticut, Maine,

Massachusetts, New Hampshire, Rhode Island and Vermont. It is funded through a regional tariff administered by ISO New England, Inc. (“ISO-NE”).¹ NESCOE’s purpose is to represent the interests of the New England citizens by advancing policies that will provide electricity at the lowest possible price over the long term, consistent with maintaining reliable service and environmental quality.

The instant proceeding concerns revisions proposed by the ISO to Rate Schedule 2 of its Open Access Transmission Tariff (“OATT”). In its October 28, 2011 filing, ISO-NE proposes to continue the current Base Capacity Cost Rate (“Base CC Rate”) used to calculate the compensation paid to qualified suppliers of reactive supply and voltage support.² The setting of this rate has an impact on the reliable operation of the power system and the total costs carried by New England electricity consumers.

Based on the foregoing, NESCOE has a direct and substantial interest in this proceeding, which is not adequately represented by any other party. In addition, NESCOE’s participation in this proceeding as the representative of the New England Governors will serve the public interest. NESCOE respectfully requests that it be permitted to intervene in this matter.

III.COMMENTS

The current Base CC Rate was established by a Settlement Agreement that the Commission approved in an order issued on January 25, 2008.³ The terms of the settlement also included a provision requiring ISO-NE to conduct an examination of the rate by July 1, 2011 in order to determine whether it should be modified. ISO-NE has performed the evaluation called for under the settlement, and now recommends that the current Base CC Rate be continued. NESCOE supports ISO-NE’s filing.⁴

¹ ISO New England, Inc., 121 FERC ¶ 61,105 (2007).

² Capitalized terms not specifically defined in this motion shall have the meanings given to such terms in the ISO New England, Inc. Transmission, Markets and Services Tariff, the Second Restated New England Power Pool Agreement, and the Participants Agreement.

³ See ISO New England Inc. and NEPOOL Participants Committee, 122 FERC ¶ 61,056 (2008) (“Order on Settlement Agreement”).

⁴ The New England Conference of Public Utility Commissioners (“NECPUC”) endorses these comments.

NESCOE concurs in ISO-NE's recommendation because there is no factual basis for modifying the rate from the level that was determined through the parties' lengthy settlement negotiations. Specifically, despite ISO-NE's efforts to elicit up-to-date cost data, suppliers of VAR Service have not provided ISO-NE with any information that suggests the current rate should be changed. As described in ISO-NE's filing, only nineteen (19) generators -- representing about 12% of New England's generation capacity-- provided data on the costs they incur in providing reactive and voltage support service. ISO-NE's analysis of the data provided by that small sample of generators demonstrated that, on average, the annual compensation under the current Base CC Rate was sufficient to cover the suppliers' costs.⁵ ISO-NE also determined that the New England generation mix and predominant resource type have not changed since the time of the settlement. Thus, ISO-NE appropriately concluded that the existing Base CC Rate should be continued.

ISO-NE is also correct in giving no weight to the Commission's approval of the higher cost-based compensation rates in effect in PJM and MISO. First, the comparison of such rates to the Base CC Rate is inapposite because the Base CC Rate is not actually cost-based. Second, differing rates in different control areas do not necessarily indicate the rate in one area is not just and reasonable. Since the capacity component of the VAR rate is a cost based charge, it is possible to have different costs in different regions. In any event, New England suppliers were invited to submit cost data to assist ISO-NE in developing an accurate cost-based benchmark and largely declined to provide their information. Third, as the Commission noted in its 2007 order rejecting ISO-NE's prior Base CC Rate proposal, it does not appear that ISO-NE has a sufficient factual basis for using PJM and MISO units as proxies for New England resources.⁶ Without New England-specific cost data showing that the current Base CC Rate does not provide adequate compensation to generators, the current rate should be maintained.⁷

⁵ Ethier/Mitreski Testimony at 9.

⁶ ISO New England Inc. and NEPOOL Participants Committee, 118 FERC ¶ 61,163 (2007) at P 27.

⁷ Indeed, under the Commission's precedents, ISO-NE would not be justified in proposing to change the rate absent a sufficient factual basis. See ISO New England Inc. and NEPOOL Participants Committee, 118 FERC ¶ 61,163 (2007) at P 27; ISO New England, Inc., 113 FERC ¶ 61,055 (2005) at P 22. This same lack of data also precludes

For the foregoing reasons, NESCOE requests that the Commission accept ISO-NE's filing.

Respectfully submitted,

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ISO-NE from proposing "adjustments" to the rate, such as incorporating an inflation factor; this suggestion was raised in the stakeholder process and properly rejected.

CERTIFICATE OF SERVICE

I hereby certify that the foregoing document has been served this day upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Albany, NY this 18th day of November, 2011.

Respectfully submitted,

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