October 20, 2011

Mr. Patrick Brown
Director, U.S. Affairs
Canadian Electricity Association
350 Sparks Street, Suite 1100
Ottawa, Ontario
Canada K1R 7S8

Dear Mr. Brown:

On behalf of the New England States Committee on Electricity (NESCOE), thank you for the opportunity to meet with the Canadian Electricity Association (CEA) on October 13, 2011. I appreciated the opportunity to provide the CEA an update on some of our current work on electricity issues in New England.

As I mentioned, NESCOE is in the process of developing a baseline of indicative costs for various representative renewable energy development scenarios.[1] To this end, NESCOE retained consulting firms to provide indicative cost analysis associated with developing new on-shore and off-shore wind resources in New England and New York and to provide indicative, high-level cost estimates associated with representative transmission development scenarios that could facilitate the delivery of energy from new renewable generators in New England. As we discussed, this analysis will not include Canadian resources principally due to the material disparity of data available to NESCOE's consultants with respect to (a) New England/New York wind resources vs. (b) Canadian wind resources. For example, NESCOE's consultants do not have ready access to the geographic-based wind quality data sets that underlie the estimates of generation potential and expected capacity factors. Those data, in turn, are used to develop estimates of the levelized cost of electricity (LCOE) for wind generation resources. Furthermore, NESCOE's consultants have limited access to generation and transmission construction cost data in Canada that are also essential inputs to the calculation of the LCOE. Thus, NESCOE is focusing its initial analyses on those renewable energy resources - on- and off-shore wind generation in New England, and on-shore wind generation in New York - for which the best and most consistent sets of

[1] Notice of this analysis is posted at www.NESCOE.com: http://www.nescoe.com/Coordinated_Procurement.html

LCOE values can be developed in a timely and efficient manner. This is purely a matter of expeditiously constructing values based on readily available data and should not be interpreted as reflecting a policy choice to exclude the genuine prospect of renewable resources from Canada entering the New England market.

The resulting renewable resource supply curves for two study years, 2016 and 2020, will help signal to the New England states the potential ranges of "all-in" costs (generation and transmission combined) associated with meeting regional renewable goals. For purposes of this analysis, NESCOE is primarily analyzing wind resources, consistent with the Renewable Development Scenario Analysis (the Governors' Study), which was conducted by ISO-New England in 2009. Both studies primarily evaluate wind resources due to the region's widespread potential for wind development. Wind was also the predominant resource that responded to NESCOE's 2011 Request for Information from renewable developers. The current analysis, like the Governors' Study, does not reflect all potential renewable resources likely to be developed in the region or available to meet the states' collective or individual renewable energy goals. Rather, the focus on wind enables cost comparisons of various comparable development scenarios.

As I noted during our discussion, the purpose of these analyses is not to produce a system development plan, to identify specific resources for potential development or to suggest that certain resources may be the most attractive alternatives for meeting any individual state's or the region's renewable energy goals. Instead, the purpose is to increase information available to policy-makers about the ranges of indicative costs associated with various options.

The consulting firms NESCOE retained to provide this analysis possess both data and specific knowledge of New England's power system to enable the requested analysis to be concluded relatively expeditiously. We expect to have the analysis in the fourth quarter of 2011.

Members of the CEA mentioned during our conversation that they possess relevant data about Canadian resources. To the extent that the CEA would like to provide comparable all-in (generation and transmission combined) indicative cost analysis to NESCOE, we would welcome it and be pleased to facilitate its distribution to policy-makers in New England to further inform their thinking. So that the CEA's analysis is roughly comparable to the study that NESCOE is conducting, the most useful analysis of Canadian resource data should reflect cost data for on-and/or off-shore wind generation resources, look out to the years 2016 and/or 2020, and include the cost of transmission facilities that would be required to deliver such resources to New England load. If CEA elects to provide such indicative cost analysis, we would be pleased to discuss the specifics of the assumptions so that CEA's resulting analysis is, to the greatest extent possible, comparable to the analyses that NESCOE is conducting.

Again, thank you for the opportunity to meet and discuss current electricity issues.

Sincerely,

Heather Hunt

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