

New England States  
Committee on Electricity

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August 23, 2012

The Honorable Cheryl LaFleur  
The Honorable Tony Clark  
Federal Energy Regulatory Commission  
888 First Street NE  
Washington, D.C. 20426

**RE: New England Technical Conference on Coordination between Natural Gas and Electricity Markets**

Dear Commissioners LaFleur and Clark:

The New England States Committee on Electricity<sup>1</sup> (NESCOE) thanks the Federal Energy Regulatory Commission (FERC) for convening a technical conference on coordination between the natural gas and electricity markets. We also thank you both for your time and attention to New England's specific challenges. The technical conference provided an excellent opportunity to discuss some very important issues with you and your staff. We benefitted from the open discourse and collaborative approach - a strength of the New England region - in which states and market participants were able to consider the problems and discuss potential solutions.

We agree entirely with Commissioner LaFleur that electric-gas coordination issues require a balancing of reliability, cost and environmental considerations. We need to take care, for example, that we explore the most cost-effective solutions for consumers broadly, without an over-emphasis on changes in one industry if changes in another industry could come at a lower cost. We further agree that the time to move toward coordination of the natural gas and electricity markets is now. It is imperative to move forward with near-term solutions that protect reliability - at costs that appropriately reflect the level of risk - as we work on solutions appropriate for the long-term.

As we weigh the reliability implications and costs of potential near-term solutions (which may include maximizing the efficient use of existing infrastructure) and long-term solutions (which may include new infrastructure), we all need data of sufficient quality to allow market participants and states to assess the costs and benefits of each. This includes information

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<sup>1</sup> NESCOE is New England's Regional State Committee and represents the collective views of the six New England states.

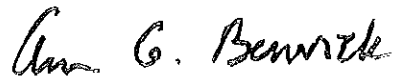
concerning the proximity, duration, location and magnitude of the reliability and market issues created by the region's use of natural gas as the primary electric generation fuel. NESCOE will contribute analysis with the information we possess and look to ISO-NE for other more granular analysis associated with its proposed solutions.

We appreciate FERC's interest in assisting the region to move toward timely solutions. ISO-NE has produced valuable work to inform the debate, but has no authority over the natural gas industry. This places some natural limits on ISO-NE's role in solution development and implementation. Most technical conference participants suggested that New England form a focused group to advance the discussion, while ensuring that all interested New England stakeholders have the opportunity to help discuss the issues and consider solutions. We agree.

Given the New England region's history of cooperation in solving our reliability and market needs, NESCOE supports a regionally-based effort in the first instance. NESCOE therefore will reach out to ISO-NE, NEPOOL, and the natural gas industry in the next quarter, and will plan to communicate to FERC by the end of the year the process the states prefer to address the issues raised in Monday's meeting. We support ISO-NE's suggestion that any process implemented should allow for regional solutions and the continued free flow of information among the states, ISO-NE, market participants and FERC.

Thank you for your time and effort to understand New England-specific challenges. We look forward to continuing to work with you both toward cost-effective solutions.

Respectfully Submitted,  
New England States Committee on  
Electricity



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