

New England States
Committee on Electricity

To: Mike Henderson, ISO-NE
From: NESCOE (contact: Dorothy Capra)
Date: February 9, 2012
Subject: ISO-NE Gas Study

The New England States Committee on Electricity (NESCOE) appreciates that ISO-NE identified the need to undertake a study of gas supply to New England to inform the region's consideration of issues identified in the Strategic Planning Initiative. The study, an *Assessment of New England's Natural Gas Pipeline Capacity to Satisfy Short and Near-Term Power Generation Needs* (Gas Study), was conducted by ICF International, LLC. We understand based on conversations with ISO-NE staff that the Gas Study draft slides¹ presented to the Planning Advisory Committee (PAC) on December 14, 2011, reflect Phase I of the Gas Study and that a more in-depth - or Phase II - Gas Study may follow. We appreciate the comments market participants have provided to ISO-NE regarding open questions on Phase I of the Gas Study and we ask that ISO-NE take the concerns we identify below into account either in refinement to Phase I or in Phase II, but in any case prior to drawing any conclusions based on study information released to date.

First, we question the definition of a "Design Day" as used in the Gas Study Phase I slides, and how often it occurs. Our understanding is that the "Design Day" may be based on very rare usage rates - even more stringent than the very conservative 1 day in 10 planning standard that New England uses to plan for reliability of the transmission system. ISO-NE and/or ICF International, LLC should be explicit about the level of reliability that is being studied and the specific rationale for associated planning assumptions. Until ISO-NE sets that information out more clearly for stakeholder input, ISO-NE should reserve drawing any even preliminary conclusions based on the Gas Study Phase I slides' "Design Day".

Similarly, we are concerned about how often the New England system is stressed to the extent shown in the Gas Study Phase I slides dated December 14, 2011. The slides show a snapshot in time where there was not enough pipeline capacity for the demand modeled, however, we have no indication if this stressed situation occurs every day, only a few days per year, only a few hours per year, or less. The answer to this will help the

¹ We understand that the Gas Study material that has been released to date includes a power point, and that the draft Report upon which the power point is based has not yet been released. We look forward to reviewing and providing feedback on that draft Report.

region identify the most cost-efficient solution to any natural gas capacity-related problem, such as, for example, do customers in the region need to invest in more pipeline capacity or could we meet an identified need through a targeted Demand Response product? Based on the Gas Study slides provided to date, we do not yet have the information necessary to answer that question.

Another area that was not addressed in the Gas Study slides was the need for improved coordination between gas and electric dispatch. It is widely recognized that existing infrastructure is not optimized because legacy communication and scheduling protocols have not been adequately synchronized, i.e. the Gas Day / Electric Day Issue. It would be very helpful if the Phase II Study exams this issue and develops recommendations regarding steps that should be considered to improve inter-fuel delivery efficiencies.

Finally, we urge ISO-NE to be cautious about drawing any conclusions about how to most cost-efficiently solve a potential natural gas supply issue before all potential solutions have been thoroughly evaluated. The natural gas issue is complex and starts with operational reliability but has a host of potential solutions, only one of which is the region's customers investing in more pipeline capacity. For example, there are changes that could be made to the market rules to encourage different behavior by both generators *and* system load that could satisfy any identified needs. These types of changes could mitigate or even eliminate any pipeline capacity shortfall that the Gas Study may ultimately establish.

Again, NESCOE appreciates ISO-NE's initiative in undertaking the Gas Study and the time and resources ISO-NE has dedicated to this important issue to date. We request that ISO-NE take the issues set forth above into consideration as it moves forward with remaining work on Phase I and/or as it begins Phase II. We look forward to working with ISO-NE and others to help identify the most cost-efficient solution(s) to any challenges that the Gas Study ultimately establishes.