

Law Seminars International

How is ISO-NE Responding?

New England States Committee on Electricity

September 10, 2012

NESCOE

- ✓ New England's Regional State Committee governed by a Board of Managers appointed by each of the New England Governors to represent the collective views of the 6 New England states on regional electricity matters
- ✓ Focus: Resource Adequacy, System Planning & Expansion
- ✓ Resources: 7 full-time staff with diverse disciplines & experience supplemented by outside consultants, primarily for transmission engineering & provision of independent analysis
- ✓ More information: including all filings & comments at www.nescoc.com & on Facebook

Overview

- ✓ Order 1000
- ✓ Coordinated Procurement
- ✓ Strategic Planning Initiative
- ✓ Gas-Electric Coordination
- ✓ Other Planning Matters Where ISO-NE is responding well -
Energy Efficiency & Transmission Planning Manual

FERC Order 1000

- ✓ Directs region to **consider** public policy that drives transmission needs in planning
- ✓ In January 2012, NESCOE Proposed Draft Framework for Public Policy Projects & Associated Cost Allocation
- ✓ Order 1000 may be one way, **but not the only way**, projects that further public policy objectives could move forward in New England

States Achieved Consensus on Preferred Approach

- ✓ For efficiency & practicality, makes use of some existing New England planning processes & mechanisms
- ✓ Stakeholder input is central: stakeholder input opportunity at each step in the process
- ✓ Some Public Policy Projects may also meet other needs, such as reliability
- ✓ Transmission project cost estimates, control & assurance of benefits critical to states' cost/benefit analysis
 - ✓ **Project proposal development cost control emerged as important issue**
 - ✓ Stage I proposals funded by interested TOs and/or developers
 - ✓ NESCOE/states identify developers to provide Stage II proposals

States' Guiding View on Competition: Incumbent TOs & developers should have comparable project development opportunity & comparable cost recovery opportunity

Roles of the States

- ✓ Throughout planning process, states provide consensus views, following stakeholder input, through **NESCOE** on items such as public policies that drive transmission needs & parameters of Public Policy Study
- ✓ **Individual States** decide whether to participate in proposed project
 - ✓ No involuntary allocation
- ✓ Final state analysis & decisions by **Participating States' regulatory authorities**
 - ✓ Open, formal process
 - ✓ Result in state decision concerning project costs/benefits & upon which ISO-NE will base cost allocation
 - ✓ States understand market participants' interest in state coordination in such decision-making within confines of state statutory requirements & processes

Coordinated Competitive Renewable Power Procurement

OBJECTIVE: To consider identifying, through joint or separate but coordinated **competitive processes**, those resources that have the greatest potential to help meet the region's renewable energy goals at the **lowest “all-in” delivered cost to consumers** – the cost of generation & transmission combined

Look Back at Related Work

2009 *New England Governors' Renewable Energy Blueprint* prepared by NESCOE & associated technical analysis (2009 Economic Study) prepared by ISO-NE at the request of the Governors

Governors' Resolution



2010 *Report to the New England Governors on Coordinated Procurement*

2011 *Request for Information* from renewable developers & others including transmission owners

Governors' Resolution



2012 *Renewable Supply Curve Analysis* provided information about the relative costs of various wind resources

July 2012 New England Governors' Resolution

New England Governors' Resolution directed NESCOE to implement a Work Plan for competitive coordinated procurement of renewable power

Governors identify goal of issuing a solicitation for procurement by the end of December 2013



NESCOE issued Draft Work Plan for comment on August 10, 2012

Preliminary Draft Work Plan

- ✓ Identifies:
 - ✓ Steps toward states ultimately conducting regulatory proceedings to consider long-term contracts & a timeframe associated with each step
 - ✓ Open issues that need to be addressed in advance of solicitation

- ✓ Contemplates a Procurement Team populated by:
 - ✓ (non-PUC decision-maker) state representatives of all 6 states
 - ✓ NESCOE
 - ✓ Electric distribution company representatives in some jurisdictions

- ✓ Emphasizes need for State Legal Subteam to support Procurement Team

Preliminary Draft Work Plan, cont.

- ✓ Solicitation details To Be Determined:
 - ✓ Resource eligibility
 - ✓ Bid & evaluation criteria
 - ✓ Long-term contract terms & conditions
- ✓ All states participate in process & issuing RFP
- ✓ No state commitment to procure renewable resources until regulatory authorities consider any proposed contracts
- ✓ Each state will decide whether contracts advanced to regulatory authorities are cost-effective & make sense for its consumers

Next Steps

- ✓ Take stakeholder input on preliminary draft Work Plan
 - ✓ Accepting comments through mid-September
- ✓ Consider input & modify as appropriate
- ✓ Assemble state Legal Subteam & Procurement Team to begin working through open issues

Strategic Planning Initiative

ISO-NE's provided thoughtful work in identifying risks to power system

States do not yet have view on range of complex issues, however, ISO-NE's *Aligning Planning & Markets Whitepaper* is *directionally consistent* with collective state views on timing & type of planning information as articulated in:

- ✓ **NESCOE's perspective on RSP**
- ✓ **NTA Framework**

ISO-NE's Regional System Plan

ISO-NE's RSP must, among other requirements:

“specify the physical characteristics of the physical solutions that can meet the needs defined in the Needs Assessments and include information on market responses that can address them”

- ✓ States have annually asked ISO-NE to sharpen that analysis in the RSP
- ✓ The RSP provides information regarding system deficiencies that will be addressed through transmission upgrade projects but does not clearly, in our view, set out the information described above
- ✓ ISO-NE's *Aligning Planning & Markets Whitepaper*, with respect to the *timing & type* of planning information ISO-NE contemplates producing, would enable the RSP to more clearly present the analysis contemplated above

NTA Framework

In September 2011, states expressed collective intent to obtain from transmission owners (TOs) non-transmission alternative (NTA) analysis *earlier* in the planning process than occurs today, which is typically at the end of the planning process – the siting phase

http://www.nescoe.com/uploads/NTA_Analysis_9.7.11.pdf

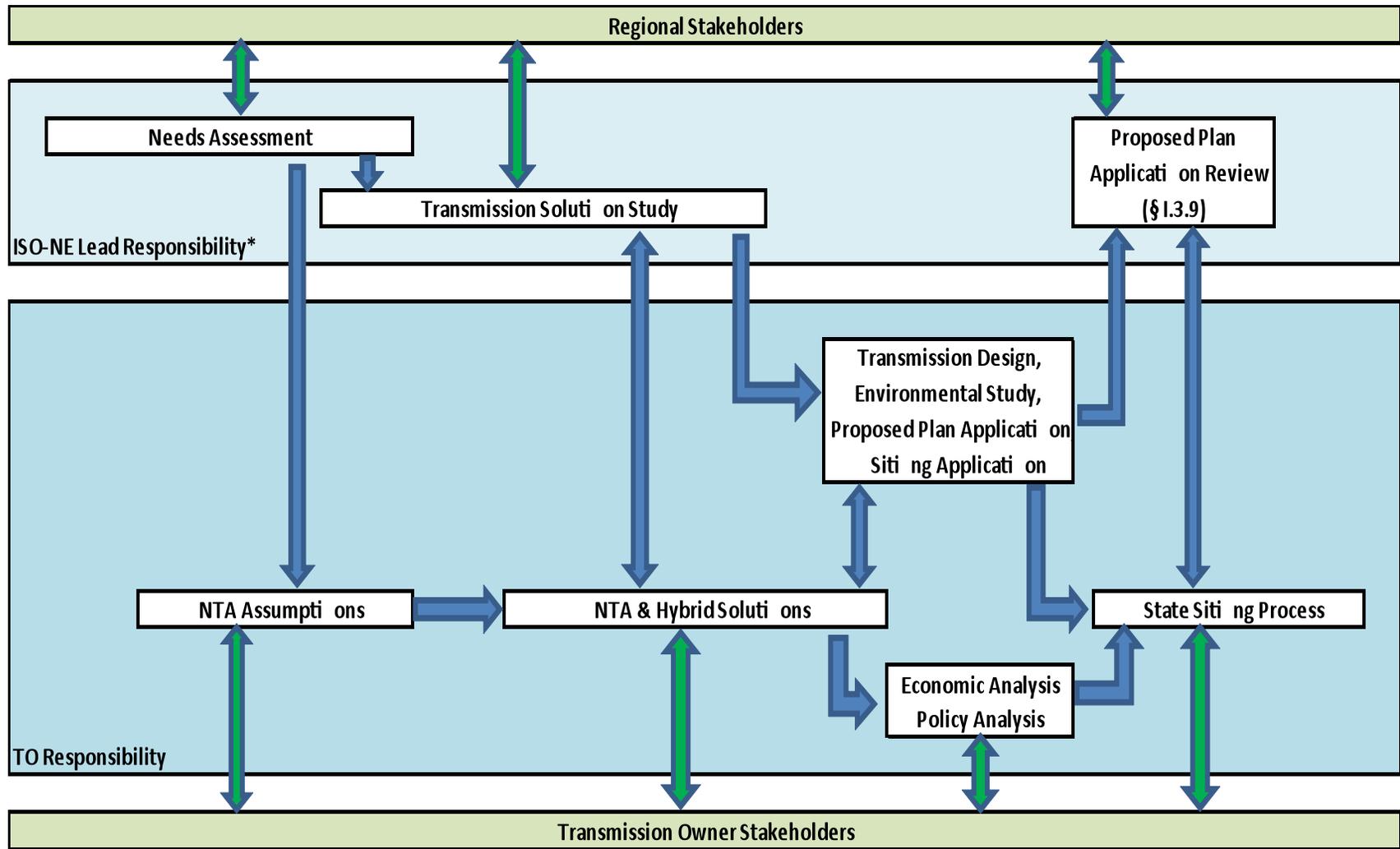
In May 2012, NESCOE issued Draft *NTA Framework*, which is a template for analysis states will expect to see from TOs http://www.nescoe.com/Planning_Analysis.html

The point -

- ✓ To obtain NTA analysis at an *earlier point in time* in the regional planning process where such analysis provides more practical value to states & market participants than the analysis TOs produce today does
- ✓ To make state siting processes *more efficient* by reducing need for states to ask TOs for additional analysis during siting proceedings
- ✓ To obtain *more uniform* alternative analysis across the region
- ✓ To conduct NTA analyses in an *open & transparent* process

NTA Framework Connection to Strategic Planning

- ✓ In October 2011, ISO-NE indicated intent to conduct MRAs in connection with major transmission proposals. June 2012 Paper proposed to align markets & planning
 - ✓ States support concept - do not yet have a view on ISO-NE's *Aligning Planning & Markets Whitepaper*
- ✓ Timing, final form & effectiveness of MRA analysis & the design & implementation of market rules to align planning & markets is unknown
 - ✓ **however, nothing in the ISO Whitepaper appears to invalidate or conflict with NTA Framework**
- ✓ At some point, the MRA analysis & associated market rules may supplant need for some or most NTA analysis. ISO-NE does not, however, intend to conduct *economic analysis* of MRAs
 - ✓ TOs will continue to produce that to satisfy state siting needs irrespective of when & how ISO-NE's MRA analysis is fully implemented



* ISO-NE Lead Responsibility - analysis may be conducted by the TO or other members of the Study Group

* Analysis Steps are depicted by the boxes and blue information arrows; stakeholder involvement is depicted in green information arrows

NOTE: This diagram does not include any of the ISO's proposed MRA processes

Gas-Electric Coordination

- ✓ Increasing use of low-cost natural gas is an attractive “problem”
- ✓ Time to move toward coordination of natural gas & electricity markets is now
- ✓ FERC is looking at issue across the country
 - ✓ Effort to solutions should in the first instance be regionally-based
- ✓ ISO-NE has produced valuable work to inform debate
 - ✓ But, no authority over natural gas industry - natural limits on implementing the range of potential solutions
 - ✓ Care not to overemphasize changes in one industry if changes in another are most cost-effective

States interest in ensuring consumers have reliable electric service at the lowest cost over the long-term consistent with environmental quality requires state leadership in identifying solutions at costs that appropriately reflect the risk

Informational Needs In Advance of Identifying Solutions

- ✓ Data to allow assessment of costs & benefits of
 - ✓ short term solutions - maximize efficiency of existing system
 - ✓ long term solutions - new infrastructure?
- ✓ Information about proximity, duration, location & magnitude of reliability & market issues created by our increasing use of natural gas
- ✓ Estimate of anticipated costs of solutions proposals to electricity consumers & expected benefits to the electric system – even if imprecise & in ranges

States must assess economic impacts to consumers of potential changes in electric markets & the cost to consumers of potential changes to gas markets that may achieve comparable ends

NESCOE will look to ISO for economic analysis of its proposals & produce independent analysis to policymakers' decisions

Energy Efficiency in Planning

Public dollars invested in energy efficiency programs is significant

Important to consumers that megawatts saved by programs be reflected in transmission planning & the regional load forecast

- ✓ NESCOE requested ISO-NE to adjust its load forecast to reflect ratepayer-funded state energy efficiency programs & their scheduled ramp-up in regional planning
 - ✓ States had been seeking this for quite some time
- ✓ In 2011, ISO-NE identified a data based methodology to account for energy efficiency program savings in planning
- ✓ Energy Efficiency Forecast will become part of the regional annual load forecasting process in 2012
- ✓ Early indicator: \$250 M Trans. Investment in NH/VT change in year of need

Transmission Planning Manual

States identified common experiences where siting authorities has to seek additional analysis late in process

Need for additional analysis to satisfy states can result in delays, increase project costs & jeopardize reliability

- ✓ ISO preparing a Transmission Planning Manual for stakeholder review in 2013
 - ✓ NY & CA use Planning Manuals
- ✓ Manual will memorialize Assumptions & Criteria used in Planning
 - ✓ Increase transparency of planning process – offset closed study groups
 - ✓ Decrease likelihood of requests for additional analysis
- ✓ Manual will detail Process
 - ✓ Make clear opportunities for input
 - ✓ Increasingly important given efforts to Align Transmission Planning & Markets

Thanks.

More Information about NESCOE at www.nescoe.com