

Northeast Energy & Commerce Association

A Regional Look at Energy Policy

New England States Committee on Electricity

January 17, 2013

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:** 6 full-time staff with diverse disciplines & experience. Consultants, primarily for transmission engineering & independent studies
- **More information:** including all filings & comments at www.nescoe.com & on Facebook

Overview

- Coordinated Renewable Power Procurement
- Gas-Electric Coordination

Quick word –

- Energy Efficiency In Planning
- Transmission Planning Manual

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 directionally indicative, relative cost information of on & off-shore wind resources in 2016, 2020

July 2012 New England Governors' Resolution

- Directed NESCOE to develop & implement a *Work Plan* to implement competitive coordinated procurement of renewable power
- Governors' Goal: Issue RFP by end of December 2013

August 10, 2012: Issued draft Work Plan for comment
November 21, 2012: Adopted final Work Plan

Coordinated Procurement Work Plan

- **Identifies activities & illustrative timeframes toward state regulatory proceedings to consider long-term contracts**
 - EDCs bring proposed contract to PUC after final contract negotiation
 - All states participate in issuing RFP - no state commitment to procure until PUC considers whether project makes sense for state consumers
- **Identifies issues to be addressed in advance of solicitation, such as**
 - Eligible resource type
 - Contract duration
 - Preferred products (capacity, energy, RECs)
 - Potential volume
 - Evaluation criteria (price & non-price)

Implementation Teams

Procurement Team

- ✓ Populated by states (no-PUC decision-maker), EDCs & NESCOE
- ✓ Develops project, bid & evaluation criteria
- ✓ Creates draft RFP & PPA, considers stakeholder input & finalizes
- ✓ Issues RFP, identifies short list bidders & preferred projects (EDCs select final & negotiate contract)
 - ✓ Coordinator: Jeff Bentz

Legal Subteam

- ✓ Supports PT
- ✓ Provides legal guidance on substantive & procedural issues
- ✓ Populated by lawyers from each state with procurement experience
 - ✓ Coordinator: Jason Marshall

Next Steps

**In most states,
EDCs enter final
contract
negotiations &
submit contract to
PUC**

**State PUCS
ultimate arbiter of
whether & under
what terms &
conditions a state
might commit to
procure resources**

- Conclude draft RFP, scoring criteria & PPA
- Identify details of mechanics, for example, physical bid recipient
- Identify & execute stakeholder input opportunities
- Finalize & issue solicitation

No later than December 2013

Gas-Electric Coordination

ISO-NE identifies as a **strategic risk to** our power system the increased reliance on natural gas-fired generation resources.

ISO-NE observes that **sufficient gas may not be available to meet power system needs** during periods of high seasonal demand, under other stressed system conditions, or when facing contingencies associated with natural gas supply/transportation system infrastructure

States' Early Observations

- While understanding the seriousness of operational challenges, increasing use of low-cost natural gas is an attractive “problem”
- FERC looking at gas challenges across the country
 - ✓ in 1st instance, solutions should be regionally-based
- ISO-NE has produced valuable work, however
 - ✓ Natural limits on ISO-NE’s authority to implement the range of potential solutions
 - ✓ Important not to overemphasize changes in 1 industry if changes in another more cost-effective - need to explore broad range of solutions

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

NESCOE Gas-Supply Study

Purpose

- Analyze current & future natural gas fuel supply & infrastructure in New England
- Assist policymakers' understanding of future implications for natural gas-fired power generation in New England, power system reliability & consumer costs

Request to Black & Veatch

- Confirm nature of asserted risk - timing, degree & likelihood of adverse implications for power system
- If risk exists, provide information about range of future infrastructure development options & other potential solutions *plus* an evaluation of their **costs & potential benefits**

Phase I Report

NESCOE sought independent assessment of recent studies' conclusions concerning adequacy of natural gas infrastructure to meet forecasted demand

- Black & Veatch reviewed 35 studies/papers with a focus on 4
 - only 1 attempted to quantify potential capacity shortfall
 - however, due limited scope, it did not fully consider nature & duration of potential inadequacies

- Black & Veatch “believes that New England’s natural gas infrastructure will become increasingly stressed as regional demand for natural gas grows, leading to infrastructure inadequacy at key locations.”

Information Gaps Support Further Study

Due to differences in scopes and purposes, no study:

- Articulates what **level of natural gas infrastructure could be considered “adequate”** to alleviate electric reliability challenges
- Examined seasonality, daily & hourly fluctuations of demand to **identify nature & duration of potential infrastructure constraints**
- Considered intra-regional constraints & **unique characteristics of gas & electric infrastructure**
- **Examined costs** of constructing any kind of incremental infrastructure
- **Quantified the benefits** of additional infrastructure accounting for uncertainties attributable to market fundamentals

Next: Further study toward obtaining information about range of future infrastructure development options & other potential solutions *plus* evaluation of their costs & potential benefits

Energy Efficiency in Planning

Public dollars invested in energy efficiency programs is significant

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

- States requested ISO-NE to adjust load forecast to reflect in planning ratepayer-funded state energy efficiency programs & their scheduled ramp-up
- 2011: ISO-NE adopted data based method
- 2012: Energy Efficiency Forecast part of annual load forecasting process
- Already, Energy Efficiency Forecast eliminated, during the planning period, “need” for VT & NH facilities estimated to cost \$265 million
- 2013: Review forecast assumptions based on experience

**Next Area of Inquiry for Consideration in Planning:
Distributed Generation (solar, other)**

Transmission Planning Manual

States have common experiences where siting authorities need additional analysis late in process

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

- ISO preparing Manual for stakeholder review
 - NY & CA use Planning Manuals
- Memorialize Assumptions & Criteria used in Planning
 - Increase transparency of planning process – offset closed needs assessment study groups
 - Increase confidence in planning process outputs
 - Decrease likelihood of requests for additional analysis
 - Opportunity to consider what is reasonable criteria
- ✓ Detail Process
 - ✓ Make clear opportunities for input
 - ✓ Order 1000 potential opportunities for non-incumbents may influence planning processes

Thanks.

More Information about NESCOE at www.nescoe.com