

Northeast Energy & Commerce Association

***Coordinated Competitive Regional  
Renewable Power Procurement***

New England States Committee on Electricity

March 28, 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](http://www.nescoe.com) & on Facebook

# Overview

- Coordinated Renewable Power Procurement
- Observation on FERC's Rejection of NESCOE's Renewable Exemption Proposal

# 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

Governors directed NESCOE to develop *Work Plan* to execute CP

Identified goal of issuing RFP by end of 2013



August 2012: NESCOE issued draft *Work Plan*

Requested & considered stakeholder input



November 2012: NESCOE adopted final *Work Plan*

December 2012: Began Implementation of *Work Plan*

# Coordinated Procurement Work Plan

- **Identified activities & illustrative timeframes toward state regulatory proceedings to consider long-term contracts**
  - All states committed to participate in crafting & issuing RFP, scoring criteria & illustrative PPA
  - In most states, EDCs bring proposed contract to PUC after final contract negotiation
  - No state commitment to procure until PUC considers whether project makes sense for consumers
  
- **Identifies issues to be addressed in advance of solicitation, such as**
  - Eligible resource type
  - Contract duration
  - Preferred products (capacity, energy and/or RECs)
  - Potential volumes
  - Evaluation criteria: price & non-price; relative weight & non-price criteria

# Implementation Teams

## Procurement Team

- ✓ Populated by states (no-PUC decision-maker), EDCs & NESCOE
- ✓ Developed project, bid & evaluation criteria
- ✓ Created draft RFP & PPA,
- ✓ Consider stakeholder input as appropriate & finalize
- ✓ Issue RFP, identify 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 & state statutory expertise
  - ✓ Coordinator: Jason Marshall



# Progress to Date

- **PT progressed to near-final RFP, scoring criteria & illustrative PPA before pausing in February**
  - Tremendous collaborative approach by PT
  - States' approach to PT - flexibility & recognition of complexity - reflected seriousness of purpose in connection with regional collaboration
- **Legal Sub-team worked through most details of coordinating mechanics & informed PT work**
  - Mechanics adaptable based on specifics of solicitation
  - *Coordinated procurement mechanics valuable to states in variety of future scenarios & power system-related needs that could be used for other products or infrastructure*

# What's Next

- **Ready to Roll**
- **Remaining steps prior to releasing solicitation**
  - Anticipate final Legal Subteam & EDC legal review of solicitation-related documents
  - Anticipate stakeholder input opportunity
  - Finalize solicitation-related documents
- **Six states current plan is to issue solicitation late summer/early fall**

# Intervening Issue: Expiration of Federal Tax Credits for Wind Created Interest in Additional Near-Term State Action

- Post Governors' Resolution, extension of federal tax credit for wind, with expiration at end of 2013
- In attempt to capture tax credit benefits, some state interest in additional expedited, near-term procurement
  - Massachusetts moving quickly with 1<sup>st</sup> of 2 required 83A procurement rounds
  - One or more other states may also elect to move rapidly with a limited, near-term solicitation – talking now about whether a rapid-fire, near-term RFP would be best as a NESCOE procurement or single state effort
    - Given high stakes of tax credit & corresponding need for speed, states may conclude their 'tried & true' single state process for fast-track RFP may be preferable to 1<sup>st</sup> time coordinated process

# FERC on Renewable Exemption

FERC rejected - by a 3-2 vote - NESCOE's proposal to include a limited, capped exemption from ISO-NE's Minimum Offer Price Rule (MOPR) for renewable resources developed in furtherance of state statutes, effectively precluding renewable resources from receiving capacity payments

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**Bottom Line to Consumers:** Purchase of redundant capacity. State RPS & other laws will lead to new installed renewable capacity but capacity market will likely not count these resources - will procure at a level that assumes the renewable resources do not exist

# Balancing of Markets & Policies

**According to the majority:** “...the Commission must balance *two* considerations. The *first* is its responsibility to *promote economically efficient markets and efficient prices*, and the *second* is its interest in *accommodating the ability of states to pursue other legitimate state policy objectives*.”

- The majority did not discuss how it achieved balance
  - If redundant capacity procured, it is state actions, not the market, to blame
- Decision effectively sets state policy objectives aside

**Chairman Wellinghoff & Commissioner Norris Dissent:** The Commission “responses [to the NESCOE Petition] fail to grapple with the question of how to accommodate states’ legitimate interest in pursuing fuel diversity goals within their resource planning jurisdiction with our responsibility to ensure just and reasonable wholesale rates”

## State Public Policies are Relevant in Transmission Planning

Order 1000 requires regional transmission planning process to consider transmission needs driven by state public policies

**FERC:** "...there are and will continue to be federal and state laws and regulations that will have a direct impact on transmission needs...(Order 1000A, para. 206)

***If state policies impact transmission needs, won't they 1<sup>st</sup> impact generation needs?***

**FERC:** Order 1000 requirements "compliment state efforts by helping to ensure solutions driven by state public policies can be considered in regional planning...: (Order 1000, para. 213)

***But in New England, generation driven by state public policy - which Order 1000 requires transmission planners to consider - would not be selected in the market***

**FERC:** "The Commission's actions today therefore will enhance the ability of the transmission grid to support wholesale power markets..." (Order 1000, para. 42)

***Is that really true for renewables in New England?***



*New England  
Must Consider*

Order 1000  
Transmission  
Planning

*New England  
Cannot Accommodate*

FCM  
Resource  
Acquisition

# NESCOE's Observations - Request for Rehearing

**FERC's Decision** “fails to accord ratepayers the full value of their investments in capacity resources, is unjust and unreasonable, and **results in an energy market blind to the requirements of state laws, which is unsustainable over the long run**”

- The decision “focuses on assigning responsibility to the states for the procurement of excess capacity, rather than on ensuring that consumers do not pay more for capacity than is needed for resource adequacy.”

“If the Commission believes that it is impossible for ISO-NE to recognize resources developed pursuant to state law in the context of New England's current market structure, then the Commission's requirement in Order No. 1000 that ISO-NE—and others—spend time and resources for purposes of transmission planning considering those very same projects required by state public policies is **at best internally inconsistent and at worst unjust and unreasonable.**”



Thanks.

More Information about NESCOE at [www.nescoe.com](http://www.nescoe.com)