

**New England Governors
&
Eastern Canadian Premiers**

34th Conference



COORDINATED RENEWABLE PROCUREMENT

Report By:
New England States Committee on Electricity

July 12, 2010
Lenox, Massachusetts

OVERVIEW

2

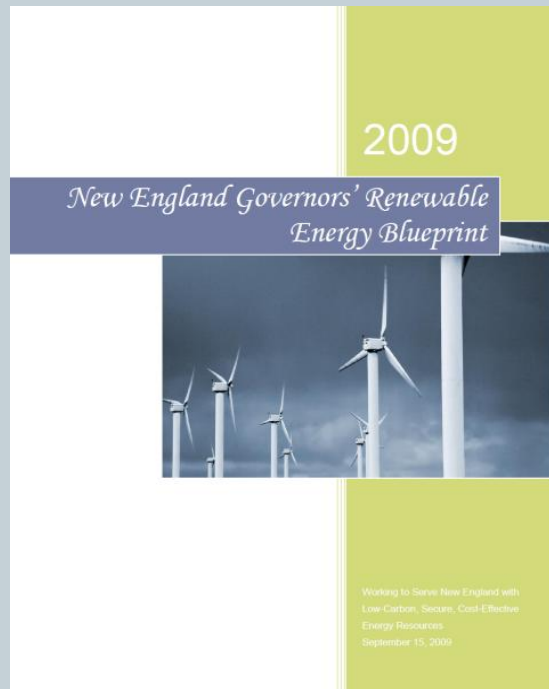
- **Brief Review: Governors' Blueprint**
- **Region-Wide Procurement Assessment**
- **Coordination Challenges, Possible Solutions**
 - **Potential Process Approaches**
 - **Possible RFP Elements**



Review: Governors' Renewable Energy Blueprint

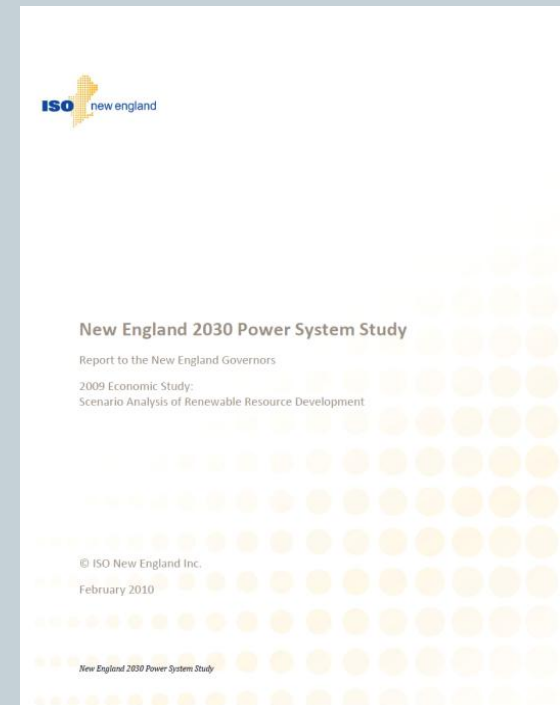
3

Policy



Governors' Renewable Energy Blueprint

Technical Analysis



ISO-NE Renewable Development Scenario Analysis

The Blueprint's Road

4



September 2008

Governors' Resolution

February 2009

Governors write to President Obama, Congress

March 2009

States request ISO-NE technical analysis

July 2009

ISO-NE issues RDSA

September 2009

Governors Adopt Blueprint

Today

Consider coordinated procurement issues

Tomorrow *figuratively*

Discuss procurement with stakeholders, Canadians

Blueprint Technical Conclusions: Ample Resources, Choices

5



The New England Region has ...

- **vast** quantity of **untapped renewable resources**: more than 10,000 MW on & off-shore wind power potential

If developed conservatively...

- there are **ample** renewable resources to enable New England **to meet renewable energy goals**

If developed aggressively...

- **New England could export** renewable power to neighboring regions

Blueprint Policy Conclusions: Facilitation Opportunities

6

New England has...



**Cooperative
experience,
inclination to
do more**



**Siting
processes that
could
accommodate
some degree
of coordination**



**Long-term
contract
approval
mechanisms**



**Common Contract
Themes:**

**Competitive
Processes
&
Interest In Securing
Low Cost, Cost-
effective, Or Cost
Stabilizing Power**

New England Governors' Blueprint Resolution

7



Governor
John Baldacci
Maine



Governor
Deval Patrick
Massachusetts



Governor
M. Jodi Rell
Connecticut



Governor
John Lynch
New Hampshire



Governor
Donald L. Carcieri
Rhode Island



Governor
Jim Douglas
Vermont

BE IT FURTHER RESOLVED that the New England Governors authorize their regulatory and policy officials to use the Blueprint as a resource to help support development of New England's renewable resources in their public advocacy, rule-making, policy development and other initiatives; and

BE IT FURTHER RESOLVED that the New England Governors authorize their regulatory and policy officials to review the availability of renewable resources in the region, including those identified in the Blueprint, and to consider potential mechanisms for the joint or coordinated but separate competitive procurement of renewable resources, and to report the results of such a review to the Governors within the next twelve months.

Governors' & Eastern Canadian Premiers' Renewable Energy Resolution

8



BE IT FURTHER RESOLVED THAT the New England Governors and Eastern Canadian Premiers wish to provide clarity to renewable energy producers and through the NICE, will initiate a meaningful dialogue between the states and provinces on the types of contract structures, pricing mechanisms and regulatory approvals that may offer the best opportunities for success in the New England and Eastern Canadian electricity marketplaces; and

BE IT FURTHER RESOLVED THAT this dialogue will consider potential terms and conditions for the procurement of regional power and a sample regional *Request for Proposal* for the procurement of renewable power (including energy, capacity, reserves, etc.) that could serve as a model for future solicitations.

Renewable Procurement Work Group

Representatives from each New England state experienced in procuring power or overseeing power procurement by load serving entities

NESCOE Managers

Other State Officials

- Assessed power **procurement practices**, processes
- Looked at **coordination opportunities, impediments & solutions**
- Considered **pricing** structure alternatives, model **terms & conditions**
- Identified potential contract approval **process options**

Comprehensive Procurement Assessment

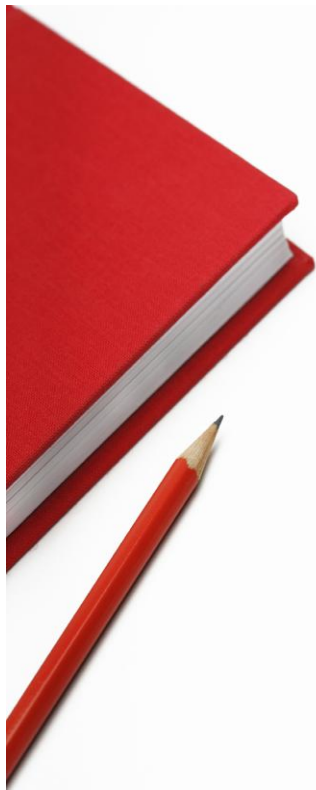
10

Bottom Line: It's Complicated

Across New England, power is procured

- on different *timeframes*
- for different *services, contract term lengths, percentages of load*
- through different *entities*

Assessment will inform coordination mechanism discussions with stakeholders, Canadians



New England's (Illustrative) Procurement

11

Illustrative Procurement Processes

| | Connecticut | ME-CMP&BHE | ME- MPS | Massachusetts | NH-Unitil & Grid | NH - PSNH | Rhode Island | Vermont |
|---------------------------------------------------|--------------------------|-----------------------------------------------------|-----------------------------------------------------|------------------|---------------------------------|---------------------------------|-----------------|----------------------------|
| Residential and Small Commercial Customers | | | | | | | | |
| Term | usually 1 year | 3 yrs staggered | 1 to 2 years | 1 year staggered | 6 months | Mix | 6 or 9 months | IRP |
| Portion of load | 100 % | 33%+33%+33% | 100 % | 50 % + 50 % | 100 % | 56 % own | 95%, 5% spot | 100 % |
| Solicitation date | Not fixed | November | November | | | | | |
| Bid date | Not fixed | January | January | | | | | |
| Contract start | Not fixed | March 1 | March 1 | Varies by EDC | May & Nov | As needed | Apr & Oct | |
| Flexibility | DPUC can order | Schedule & load | Schedule & load | Schedule & load | Schedule & load | Schedule & load | Schedule & load | |
| Large Commercial and Industrial Customers | | | | | | | | |
| Term | usually 1 year | 6 months | 1 to 2 years | 3 months | 3 months | Mix | 3 months | IRP |
| Portion of load | 100 % | 100 % | 100 % | 100 % | 100 % | 56 % own | 100 % | 100 % |
| Solicitation date | Not fixed | Nov. & May | November | | | | No, Fe, My, Au | |
| Bid date | Not fixed | January & July | January | | | | De, Mr, Jn, Se | |
| Contract start | Not fixed | March & Sept | March 1 | Varies by EDC | Fe, My, Au, No | As needed | Ja, Ap, Jy, Oc | |
| Flexibility | DPUC can order | Schedule & load | Schedule & load | Schedule & load | Schedule & load | Schedule & load | Schedule & load | |
| RPS Compliance | | | | | | | | |
| Responsibility | EDCs | SO Supplier | SO Supplier | EDCs | EDCs | EDCs | EDC | Utilities |
| Term | In standard offer | In standard offer | In standard offer | Flexible | Flexible | Flexible | Flexible | |
| Portion of load | In standard offer | In standard offer | In standard offer | Flexible | Flexible | Flexible | Flexible | all 2005-12 growth |
| Solicitation date | In standard offer | In standard offer | In standard offer | Flexible | Flexible | Flexible | | |
| Bid date | In standard offer | In standard offer | In standard offer | Flexible | Flexible | Flexible | | |
| Contract start | In standard offer | In standard offer | In standard offer | Flexible | Flexible | Flexible | Apr & Oct | |
| Other Renewables | | | | | | | | |
| Target | 150 MW Clean Energy Fund | Benefit ratepayers | Benefit ratepayers | 3% of load | Specified annual requirement | Specified annual requirement | 90 MW by 2014 | Feed in tariff for 50 MW |
| Term | Up to 15 years | up to 10 years, longer with public interest finding | up to 10 years, longer with public interest finding | 10-15 years | Up to 15 done | Up to 15 done | | 10-25 years |
| Other | | | | | Must be synchronous with ISO-NE | Must be synchronous with ISO-NE | | SPEED is procurement agent |

What's Renewable?

12

Six States. Six Definitions.

Commonality Provides Opportunity

All 6 states recognize wind, small hydro, solar, landfill gas & biomass
All 5 states with an RPS also recognize ocean power

| | | STATE | | | | | |
|---------------|--------------|-------------|----------------|--------------------|----|----|----|
| | | CT | MA | ME | NH | RI | VT |
| RESOURCE TYPE | Small Hydro | x | x | x | x | x | x |
| | Large Hydro | | | | | | x |
| | Wind | x | x | x | x | x | x |
| | Solar | x | x | x | x | x | x |
| | Waste | x | | x (w/recycling op) | | | x |
| | BioMass | x | x ¹ | x | x | x | x |
| | Landfill Gas | x | x | x | x | x | x |
| | Demand | x (class 3) | | | | | x |
| | Ocean | x | x | x | x | x | |
| | Efficiency | x (class 3) | | | | | x |

¹ Massachusetts recently completed a biomass study. Massachusetts will conduct stakeholder process in which it will consider the study results and current regulations.

Primary Coordination Challenge

13

**Need to Bring Together Multiple Entities Across New
England That Issue RFPs, Evaluate Bids &
Negotiate With Bidders**

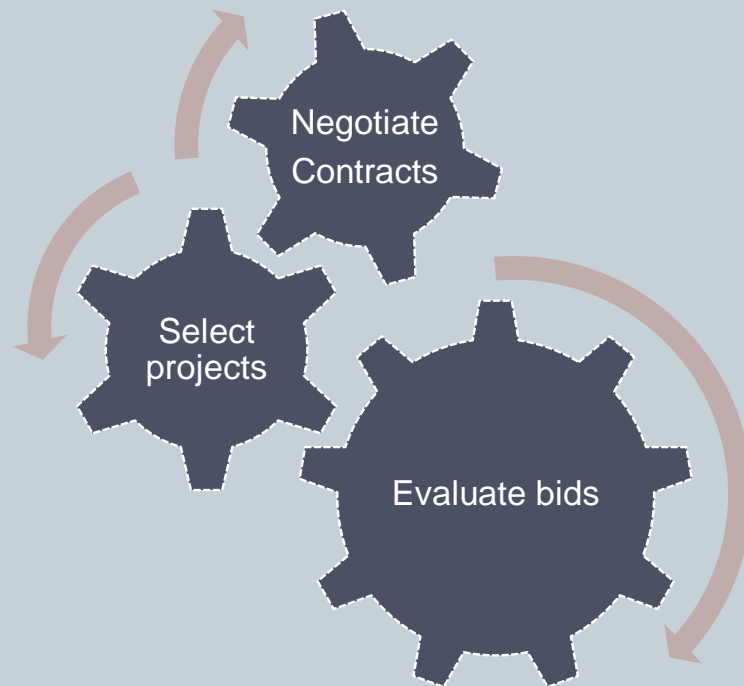


Potential Solution: Form a Team

14

New England Renewable Procurement Team

Include **EDCs & state entities, like Maine PUC, others** that administer RFPs, select projects, negotiate with bidders



Purpose:

To **work collaboratively** during RFP administration & early bid evaluation

Prerequisite:

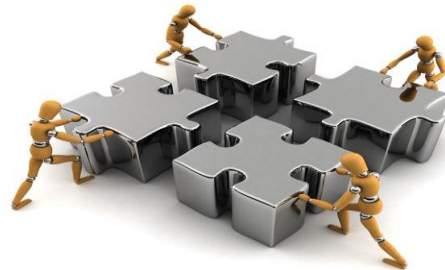
Cooperation of EDCs, others

State Input to Procurement Team

15

WHY? Renewable procurement to advance state objectives; state perspective early in solicitation & bid evaluation process constructive

HOW? **STATE COORDINATING LIAISON COUNCIL**



WHO? State entities separate from those that review & approve contracts; State discretion as to whether & who participates

WHAT? Limited consultative role to the Procurement Team through development of a short list of bidders; submit to PUC opinion on RFP process & merits of proposed contracts

Coordination Process Opportunities

16



Issue RFPs, based
on model,
simultaneously

Establish Common
RFP Schedule

Administer RFP
cooperatively (bidder
questions, etc.)

Finally, Bid Evaluation: Procurement Team Members could compare initial evaluations; individual Team Members ultimately independently select bid for final contract negotiation, finalization, presentation to respective PUC

Other Primary Coordination Challenge

17

**Need to Address That Each Procurement Entity Uses
Distinct Solicitation Instruments
& Evaluation Processes
Some Driven by State Law**



Potential Solution: Model RFP

18

Model RFP requesting consistent bid information, under materially similar terms & conditions, would provide uniform information to enable coordinated evaluation. States could...



Adopt Model RFP in Material
Respects



Set Common Date by Which to Modify
RFP to Comply with State Law



Adopt Modified, State RFP based on
Model

Some Potential Model RFP Elements

19

Ratepayer
impact
comparison



Competitive,
All-in
Delivered
Price

Commercial
Operation
Date



Established to
encourage
new resources

Operational
responsibility,
risk on project
owner



Financial, not
physical
arrangement

Explanation
of benefits to
the region



Diversity?
Price Stability?
Displace carbon
units?

Potential Model RFP Terms & Conditions

20

FLEXIBILITY

To maximize opportunity to assess broadest range of proposals that may be in ratepayers' interest



Resource location & type

- New England, Canada?
- Renewable somewhere?
- As long as able to be valued in New England market

Pricing

- Fixed?
- Indexed?
- Multiple pricing proposals per project?

Contract Length

- 10 Years?
- 15 Years
- 20 Years?

Common Question:

What About *In-State* Development?



Coordinated procurement needn't interfere with ...

- **state programs** that encourage renewable development or advance certain energy & environmental objectives
- **state discretion** to decide whether proposed long-term contracts meet their energy & environmental objectives

Coordinated Procurement: One Possible Option Others May Prove Viable & Cost Effective

22

Since adoption of the Governors' Blueprint, other activity in the region evidences broad interest in facilitating developing renewable resources in and around New England...

Evaluation of coordinated procurement does not preclude consideration of other approaches that may be prove to be cost-effective options for consumers.



NEXT STEPS

23



- Incorporate Governors' Feedback
- Discuss this preliminary procurement perspective with stakeholders, including Load Serving Entities, Renewable Developers, others as appropriate
 - Discussions with Canadians through the Northeast International Committee on Energy

***Continue to Assess Other Renewable Resource Development Activity
In & Around New England***