New Hampshire Bar Association
Telecommunications, Energy & Utilities Law Section

Current Issues in Regional Energy Policy

New England States Committee on Electricity

January 24, 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

- Transmission Planning
  - Order No. 1000
  - Interconnection-Wide Transmission Planning
- Coordinated Renewable Power Procurement
- Gas-Electric Coordination

Transmission Planning

Order No. 1000

Interconnection-Wide Transmission Planning

FERC Order No. 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 No. 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 & non-incumbent 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 proceed through the study and whether a proposed project is a preferred means to satisfy a state's policy objectives, including what level of costs a state determines is appropriate for its ratepayers to incur in furtherance of that state's public policies
  - No involuntary allocation

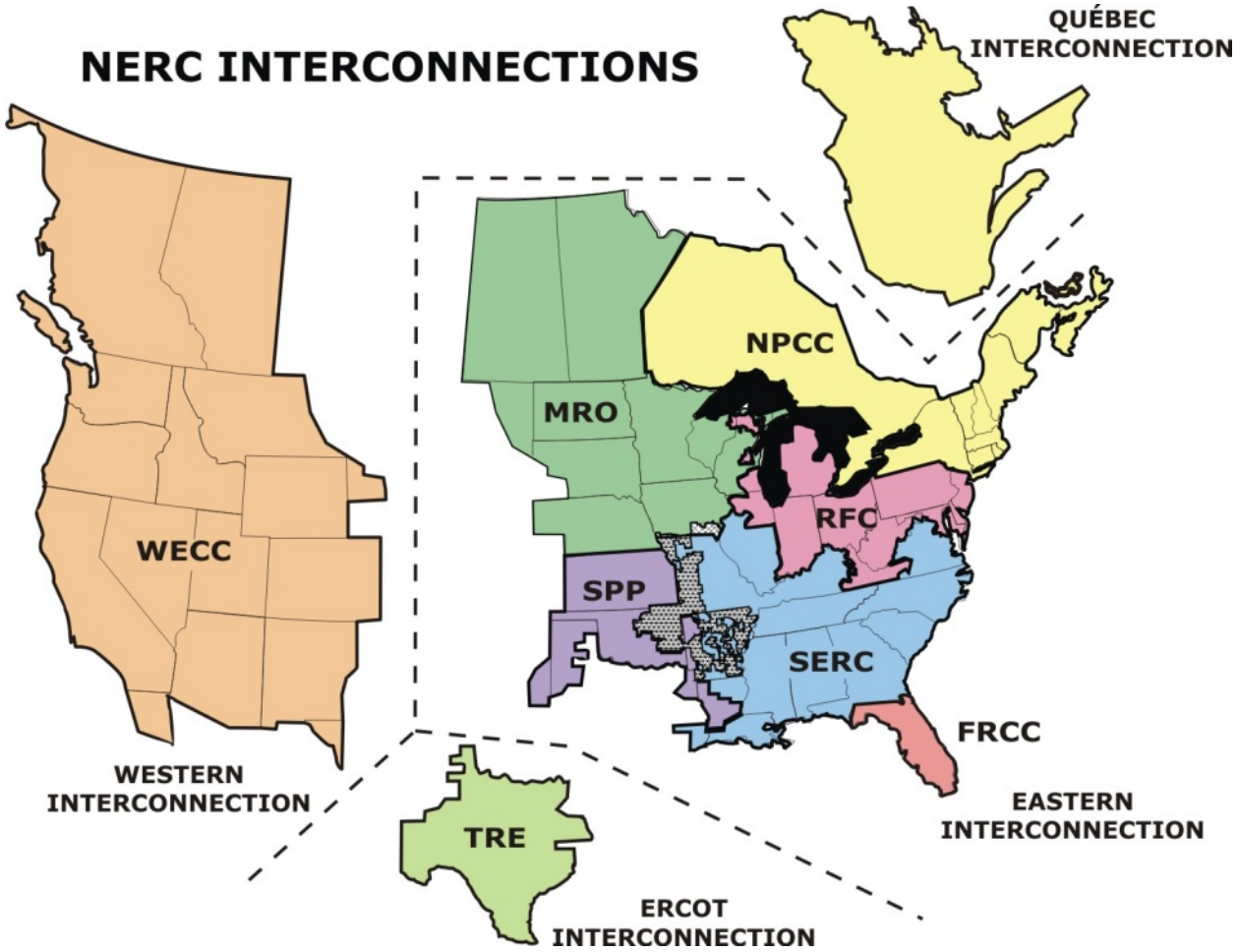
- Final state analysis & decisions by Participating States' regulatory authorities
  - Open, formal process
  - Result in state decision concerning project cost/benefits & upon which ISO-NE will base cost allocation
  - States understand market participants' interest in state coordination in such decision-making within confines of state statutory requirements & processes

Eastern Interconnection-Wide Planning

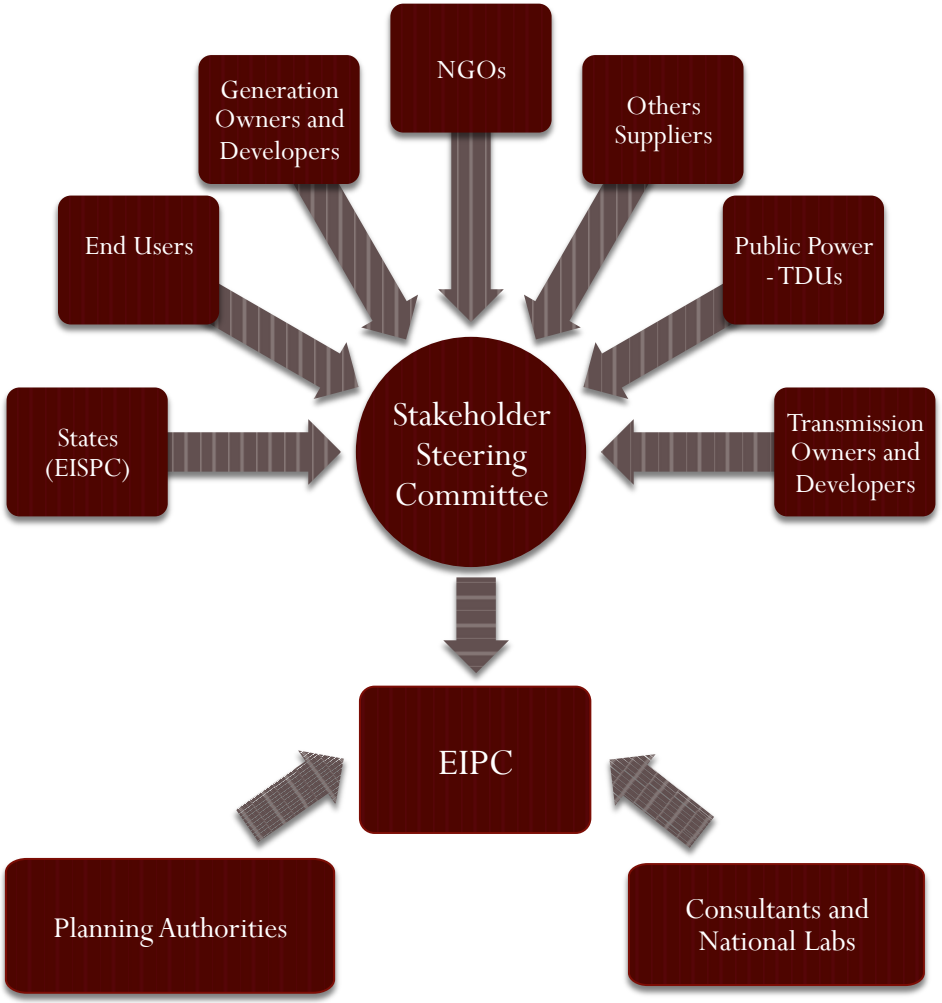
"Please note that the information and studies discussed in this report are intended to provide general information to policy-makers and stakeholders but are not a specific plan of action and are not intended to be used in any State electric facility approval or siting processes. The work of EISPC does not bind any State Regulator in any State proceeding."

~ EIPC Phase I Final Report, at p. viii of the Executive Summary

Interconnection-Level Analysis

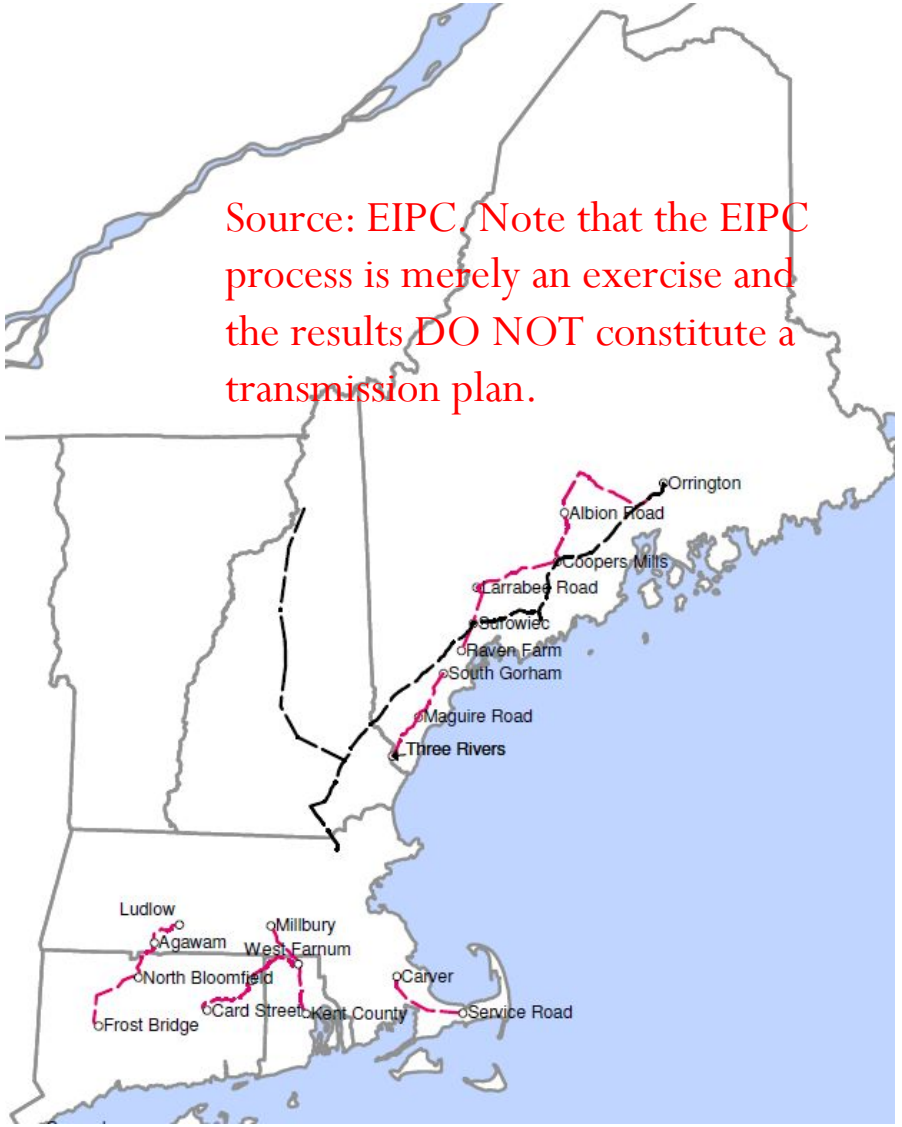


Eastern Interconnection Planning Collaborative (EIPC)



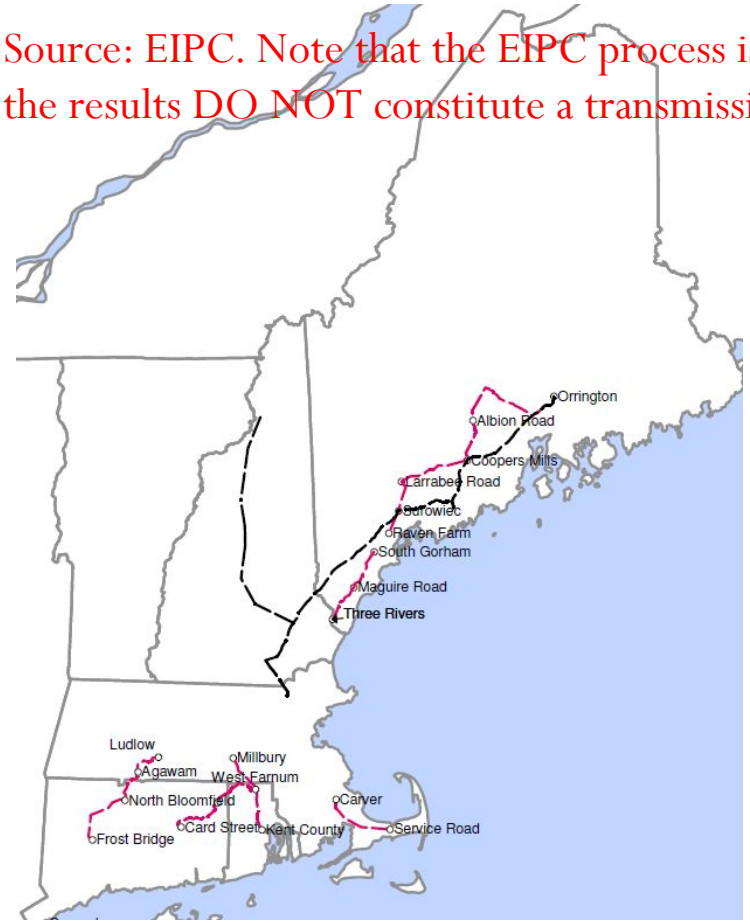
Stakeholder Specified Infrastructure

- Northern Pass (NH)
- Northeast Energy Link (ME to MA)
- Cape Wind (MA)
- Deepwater Wind (RI)
- Berkshire Wind (MA)
- Hoosac Wind (MA)
- Douglas Wind (MA)
- Northfield Mountain Hydro (MA)
- Brockton Gas-Fired Combined Cycle (MA)
- Others…

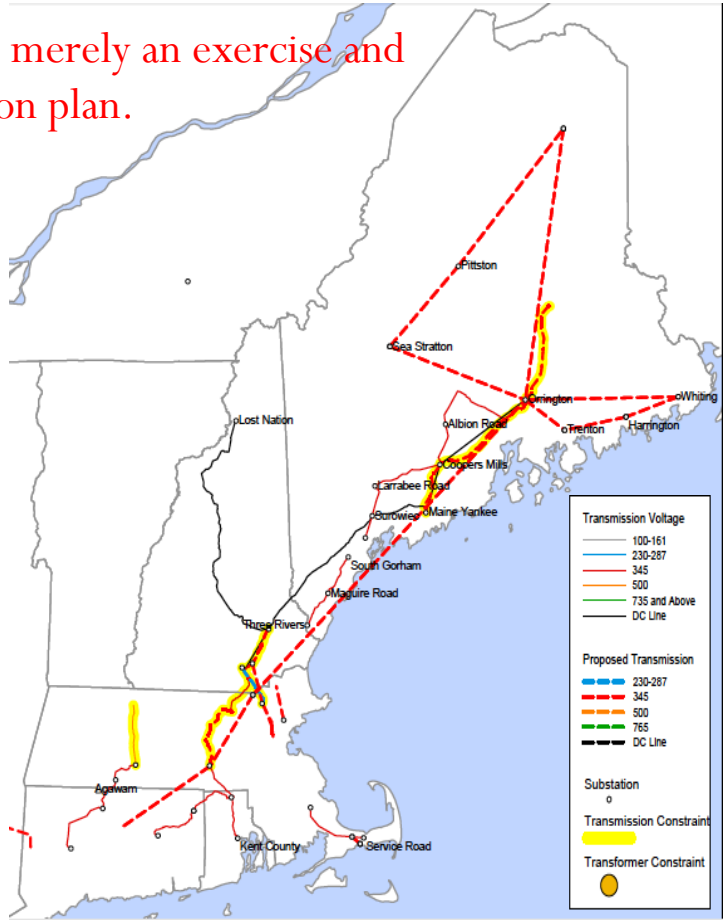


New England Over Time

2015

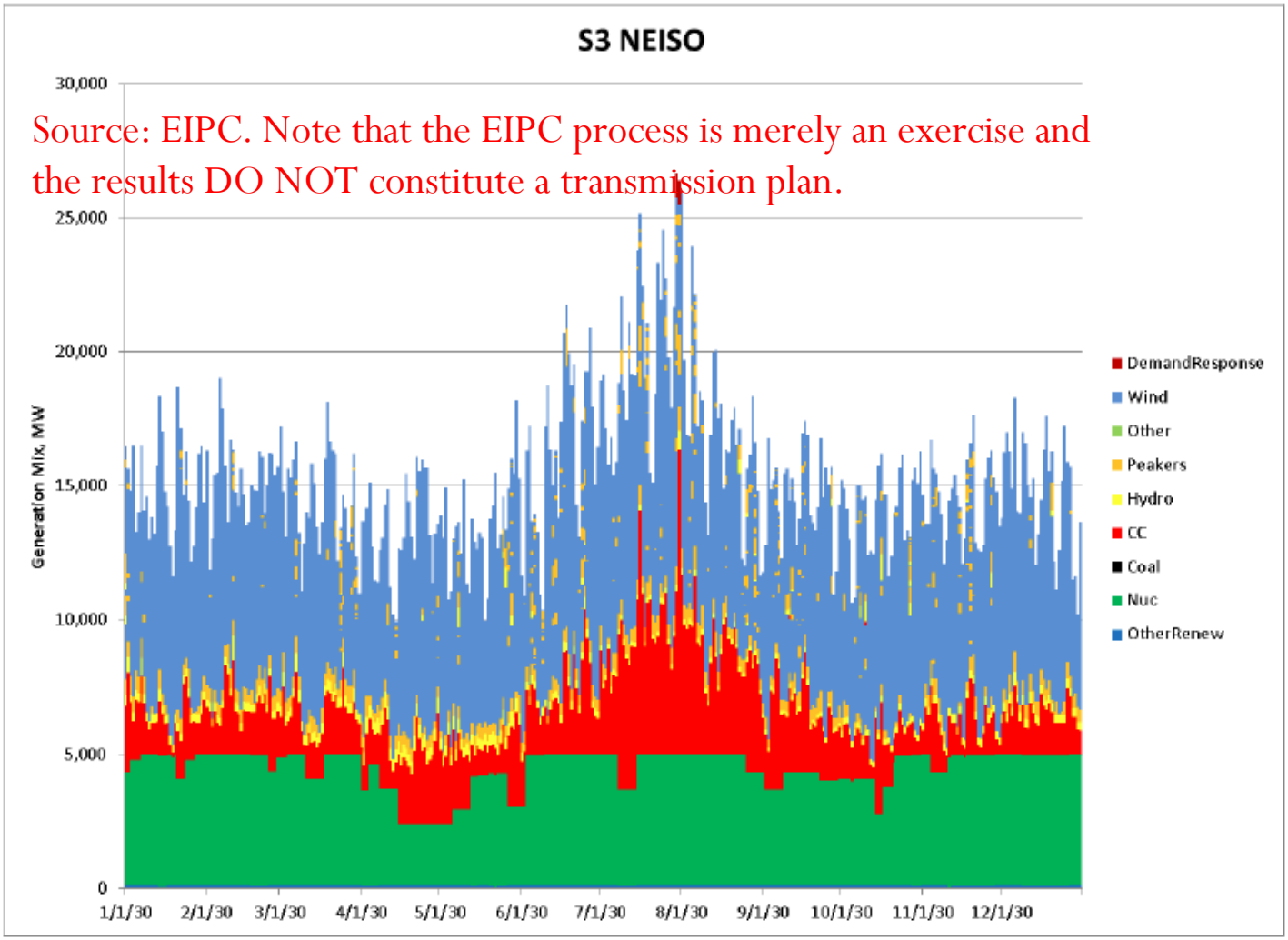


2030



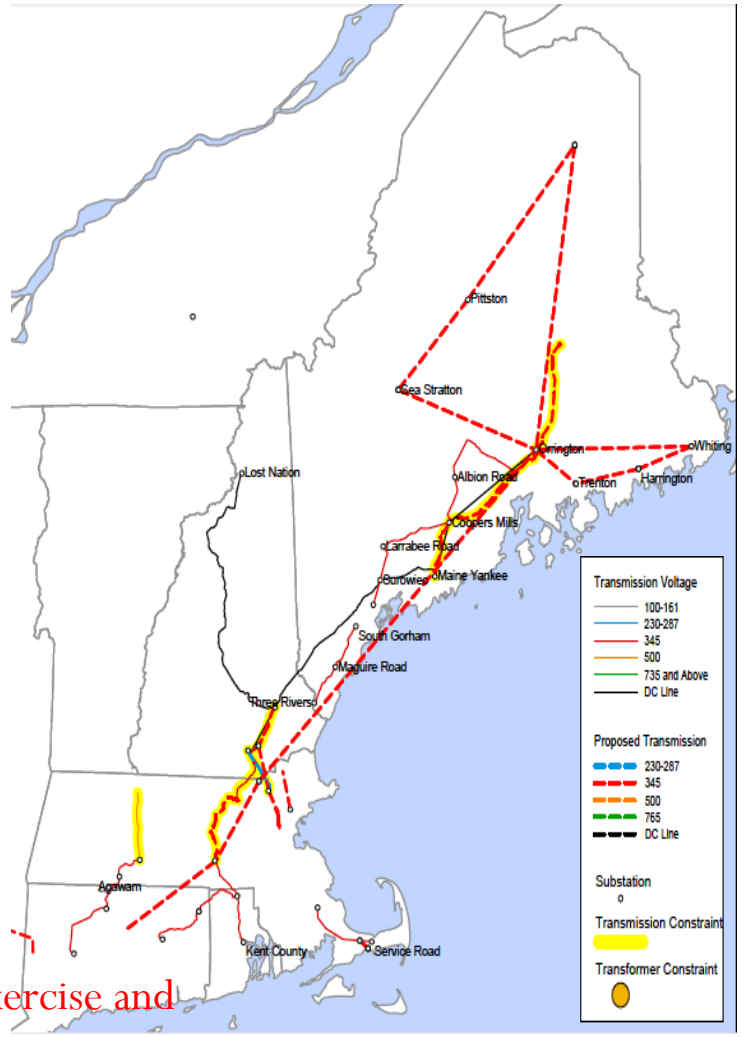
Source: EIPC. Note that the EIPC process is merely an exercise and the results DO NOT constitute a transmission plan.

Hourly Generation in 2030



New England EIPC Final Results

- Generator Interconnection
  - ~ 5,230 MWs On-shore Wind
    - 4,572 MWs in Maine
    - 599 MWs in NH
- Transmission Development
  - 35 Lines (beyond SSI)
    ~ 1600 miles (most to collect wind)
  - 14-17 Substations upgrades
    - Transformers, reactors, capacitor banks, etc.
  - Estimated Cost: $7.65 to $9.56 B



Source: EIPC. Note that the EIPC process is merely an exercise and the results DO NOT constitute a transmission plan.

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

- 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

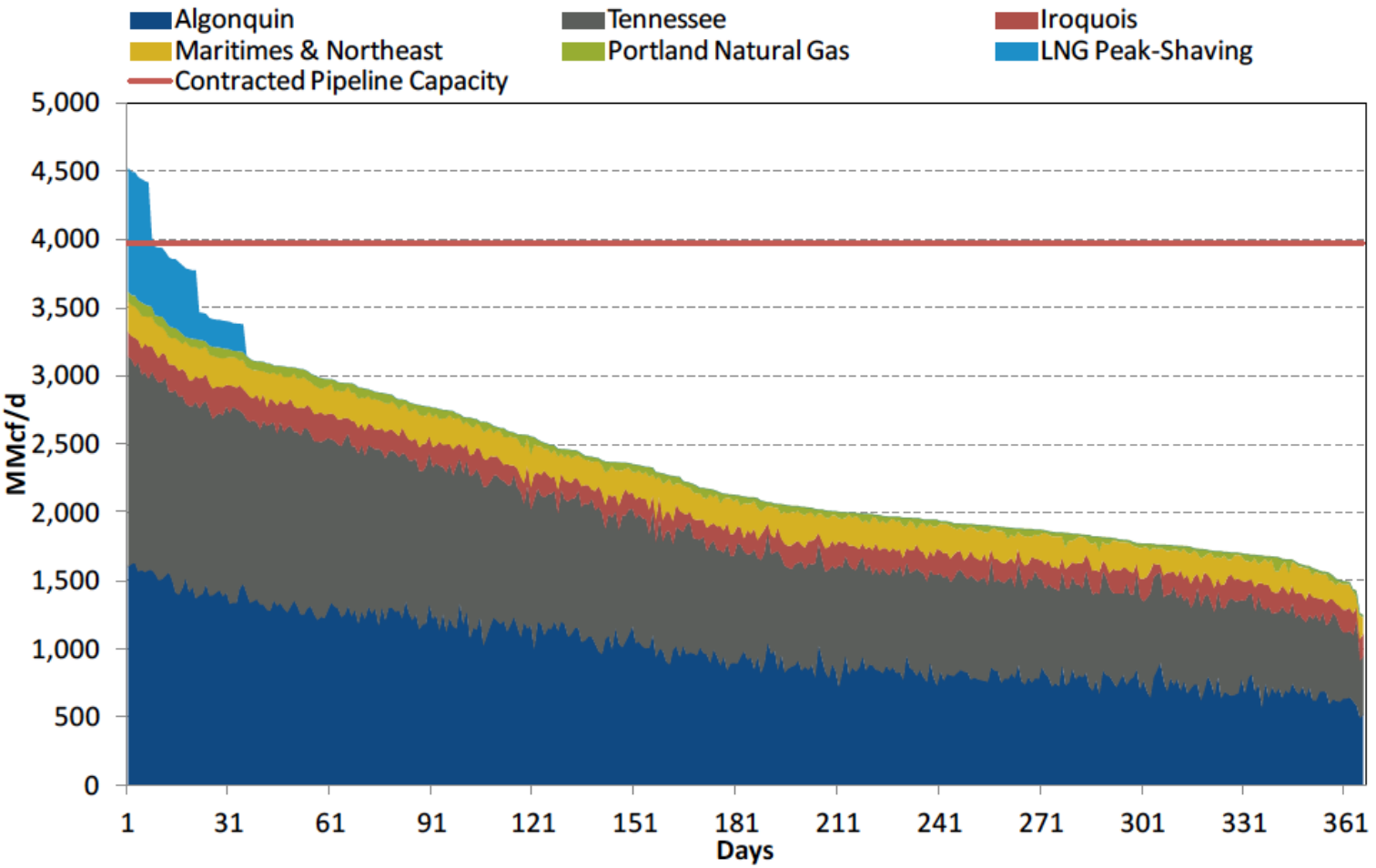
NESCOE sought independent assessment of recent studies' conclusions concerning adequacy of natural gas infrastructure to meet forecasted demand

- 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."

Phase I Report

Figure 8: Natural Gas Pipeline Deliveries to New England



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

Thanks.

More Information about NESCOE at www.nescoe.com

Current Issues in Regional Energy Policy

By Ben D'Antonio[1]

To represent the interests of the citizens of the New England region by advancing policies that will provide electricity at the lowest reasonable cost over the long term, consistent with maintaining reliable service and environmental quality, the New England States Committee on Electricity ("NESCOE") focuses on the nexus between state and federal energy and economic regulation. Current issues in regional energy policy include transmission planning, renewable resource procurement, and the analysis of natural gas and electricity market interactions. This brief paper explores NESCOE's role and some of the current issues that may have an effect on New Hampshire.

Background

Federal and State Nexus

Approximately half of a New Hampshire residential electricity customer's bill may be attributed to the transmission and energy supply portions.[2] As transmission and the competitive wholesale electricity market affect interstate commerce, both are federally regulated. Under the relevant section of the Federal Power Act ("FPA"), the Federal Energy Regulatory Commission ("FERC") has exclusive jurisdiction over the "transmission of electric energy in interstate commerce," the "sale of electric energy at wholesale in interstate commerce," and "all facilities for such transmission or sale of electric energy." 16 U.S.C. § 824(b). In the restructured electricity industry in New England, state public utility commissions retain jurisdiction over rates for the distribution of electricity.

In order to provide non-discriminatory open access to the transmission system and facilitate the wholesale electricity market, ISO New England Inc. ("ISO-NE") serves as the region's independent system operator and regional transmission organization. ISO-NE is an independent non-profit, public utility regulated by FERC. Its three primary functions are to administer the wholesale electricity markets, operate the transmission system, and perform transmission planning for reliability. ISO-NE's tariff with FERC includes market rules and transmission planning procedures.

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[1] Ben D'Antonio joined NESCOE in January 2012 as Counsel and Analyst. Before coming to NESCOE, Ben worked in the Regional and Federal Affairs Division of the Massachusetts Department of Public utilities as an economist and legal counsel, with a focus on wholesale electricity market and transmission planning issues. Previously, Ben was the Regulatory Assistance Project's first Energy and Environment Fellow, where he provided support to state utility commissions on clean energy policies. Earlier in his career, Ben worked in financial services as an investment analyst and operations specialist. Ben has a Juris Doctor, cum laude, and Masters of Environmental Law, magna cum laude, from Vermont Law School and a Bachelor of Arts in Economics from the University of Vermont. He was admitted to the Massachusetts Bar in 2008 and practices law at the Federal Energy Regulatory Commission.

[2] *See*, e.g., Order No. 25, 383 (June 27, 2012) in Docket No. DE 12-159 at 3, citing Order No. 25,123 (June 28, 2010).

Pursuant to Section 205 of the FPA, 16 U.S.C. § 824d, ISO-NE may file changes to its tariff without first demonstrating that the existing provision subject to modification is contrary to the public interest. This so-called Section 205 "right" merely requires ISO-NE to establish that the proposed tariff change is "just and reasonable." 16 U.S.C. § 824d(e). Under certain, rare circumstances, the organization comprised of the industry's market participants, the New England Power Pool ("NEPOOL"), may also file changes to ISO-NE's tariff under the relatively permissive Section 205. However, state entities such as NESCOE have only third-party observer status and possess no voting rights in the ISO-NE and NEPOOL governance processes. If state entities such as NESCOE take issue with any existing or proposed ISO-NE tariff provision, they may intervene and comment, file a protest, or pursue a challenge under Section 206, 16 U.S.C. § 824e, which requires a demonstration that the provision is "unjust and unreasonable."

NESCOE's Role in Regional Energy Regulation

NESCOE is the Regional State Committee for the New England region. NESCOE is governed by a board of managers appointed by the Governors of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont and is funded through a regional tariff administered by the ISO New England.[3] NESCOE's mission is to represent the interests of the citizens of the New England region by advancing policies that will provide electricity at the lowest reasonable cost over the long term, consistent with maintaining reliable service and environmental quality.[4]

Through collaboration with stakeholders and by presenting its views to regulators, NESCOE has sought to facilitate the efficient development of power generation, demand-side management and transmission resources needed to reliably serve the electricity requirements of consumers. NESCOE is an active participant in the various NEPOOL committees that drive the development of electricity policy in the region. NESCOE works closely with other state entities that participate in regional electricity matters, such as state regulatory authorities, to be sure states' positions are consistent and coordinated. NESCOE also works closely with ISO New England regarding the ISO's obligation to assure day-to-day reliable operation of the regional bulk power generation and transmission system, oversee the fair administration of wholesale electricity markets, and manage a comprehensive planning process. When appropriate, NESCOE intervenes and comments at the FERC on regional electricity matters. Litigation is not the primary means by which NESCOE seeks to achieve its objectives.

Current Issues in Regional Energy Policy

Recent developments in transmission planning, renewable energy procurement, and natural gas and electricity market interaction have regional policy implications for

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[3] *ISO New England, Inc.*, 121 FERC ¶ 61,105 (2007).

[4] See *Joint Petition for Declaratory Order to Form a New England Regional State Committee*, The Governors of: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, Docket No. EL04-112-000 (Jun. 25, 2004).

the electric and natural gas industries and New Hampshire ratepayers. FERC's landmark Order No. 1000[5] will impact the region's transmission planning for public policies and, depending on how FERC resolves contested issues, may influence competition within the transmission industry for certain reliability-based projects. The culmination of Department of Energy-funded interconnection-wide planning exercises also provides insights into New England's electric sector in the future. In addition, the New England Governors have directed NESCOE to implement a work plan to execute the coordinated, competitive procurement of renewable energy, with a goal of issuing a solicitation by the end of 2013. Lastly, the region's growing dependence on natural gas-fired electric generation has raised some electric sector reliability-based concerns and questions regarding the region's ability to access low-cost natural gas supplies from the Marcellus shale formation.

Transmission Planning

FERC Order No. 1000

In 2011, FERC issued Order No. 1000, which reformed the transmission planning and cost allocation requirements it established in Order No. 890 and added new requirements in these areas.[6] In prior comments to FERC on a proposed rule preceding Order No. 1000, NESCOE emphasized that given New England's abundant renewable resources and close proximity to other no- and low-carbon resources, it is critically important that New England consumers not be involuntarily assigned any portion of the costs of transmission facilities located in other regions to reach generation resources that New England consumers do not need to meet reliability or public policy objectives. In this specific regard, and subject to how FERC rules on contested issues before it, elements of Order No. 1000 and its progeny may be viewed as compatible with the New England states' position: costs cannot be allocated involuntarily to non-beneficiaries and regions are afforded flexibility to tailor solutions to regional needs and markets.

During the regional stakeholder process, NEPOOL, ISO-NE and the states generally concurred that New England's planning process broadly complies with many of Order No. 1000's provisions. Other Order No. 1000 provisions, however, led to a discussion of refinements to New England's planning process, including development of a process by which the region may consider public policies. In early 2012, NESCOE submitted to ISO-NE and NEPOOL for discussion a proposed process for considering public policies in transmission planning. NESCOE worked with stakeholders and ISO-NE to refine the proposed framework for considering public policies and on other aspects of the Order No. 1000 compliance filing. In October 2012, ISO-NE and transmission

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[5] *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 (2011), *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132 (2012), *order on reh'g*, Order No. 1000-B, 141 FERC ¶ 61,1044 (2012).

[6] *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241 (2007), *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2008), *order on reh'g and clarification*, Order No. 890-B, FERC 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C 126 FERC ¶ 61,229 (2009), *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

owners—the entities with Order No. 1000 filing obligations—submitted a compliance package to FERC. The compliance package includes important elements of the states' public policy process proposal; however, due in part to a few but meaningful departures from the states' preferred process, NESCOE ultimately supported an alternative process set forth in a NEPOOL-supported Order 1000 proposal and protested the compliance filing.

Order No. 1000 and its progeny also require the removal from FERC-jurisdictional tariffs and agreements of any federal right of first refusal to construct transmission facilities that are eligible for regional cost allocation.[7] In New England, transmission facilities constructed pursuant to a regional transmission plan include projects intended to address reliability needs. Incumbent utilities have asserted that they have a right—and corresponding obligation—under the existing ISO-NE tariff to build these projects within their service territory. The removal of this asserted "right of first refusal" in New England is one of the primary contested issues before FERC in its consideration of Order 1000 compliance.

Additionally, incumbent transmission utilities in New England have argued that removal of the right of first refusal violates contractual rights protected under the *Mobile-Sierra* doctrine.[8] The U.S. Supreme Court recently affirmed that contract rights may only be abrogated when in the public interest to do so.[9] According to the incumbent transmission utilities, FERC has not justified the removal. Others, including NESCOE, argued to FERC that *Mobile-Sierra* is not applicable to the kind of agreement at issue and, even if it were, the required public interest showing is met. FERC—and, if challenged, the courts—will ultimately decide these *Mobile-Sierra* issues.

Interconnection-wide Planning

As part of the American Recovery and Reinvestment Act of 2009, the U.S. Department of Energy convened diverse groups of stakeholders across North America to conduct interconnection-wide resource and transmission planning exercises. In our section of the continent, the Eastern Interconnection Planning Collaborative (EIPC) and the Eastern Interconnection States Planning Council (EISPC) were established to study the economics and engineering of the hypothetical electric sector in the year 2030. After two-years and multiple phases, these entities have just published the final report of the recently completed, first-of-its-kind study. The lessons and results of the EIPC process provide insights into New England's potential resource mix and transmission system configuration under various policy scenario assumptions.

The resource development and transmission system expansion plans in New England are relatively consistent across a range of policy scenario assumptions: business

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[7] This requirement does not, however, affect a utility's use and control of existing rights-of-way or cost recovery with respect to upgrades to a utility's own facilities.

[8] *United Gas Pipe Line Co. v. Mobile Gas Serv. Corp.*, 350 U.S. 332 (1956); *Fed. Power Comm'n v. Sierra Pac. Power Co.*, 350 U.S. 348 (1956).

[9] *Morgan Stanley Cap. Grp. Inc. v. Pub. Util. Dist. No. 1*, 554 U.S. 527 (2008).

as usual; a national Renewable Portfolio Standard ("RPS") with limited trading of Renewable Energy Certificates across regional seams; and a combined federal energy and climate scenario including a national carbon tax and national RPS. For resource development in New England, the macroeconomic modeling results suggest the retirement of coal- and oil-fired electric generators, largely in response to decreased natural gas prices and estimated costs to retrofit units for environmental compliance. To meet the region's ambitious energy and environmental policy goals, significant amounts of renewable energy are developed in northern New England. Notably, the interconnection-level results indicate that New England will import significant amounts of energy from Canada and export to southern New York.

As a complement to the EIPC activities, EISPC has commissioned several studies and whitepapers to analyze important issues in resource and transmission planning. While many of these studies are scheduled for completion in 2013, some are finished, including a comprehensive analysis of the market structures utilized in the eastern interconnection. Other studies and whitepapers examine various topics including resource potential and adequacy, analytical techniques, and natural gas and electric interactions. With the assistance of several of the national laboratories, the National Renewable Energy Laboratory is developing the Energy Zones tool, a web-based resource planning application that combines energy law and policy information with detailed mapping capability.

Renewable Power Procurement

At the direction of New England Governors, NESCOE continues to explore the potential for coordinated renewable power procurement. On July 30, 2012, the New England Governors adopted a *Resolution Directing NESCOE to Implement a Work Plan for the Competitive Coordinated Procurement of Regional Renewable Power*.[10] The Resolution notes New England's "vast potential for cost-effective renewable resources, particularly wind power, and a proven ability to site and develop transmission projects within the region" and identifies the goal of issuing a solicitation for procurement by the end of December 2013. After receiving comments on a draft version, NESCOE issued the final Work Plan on November 21, 2012.

The Work Plan is intended to help the states achieve their renewable resource objectives at the lowest all-in cost – the cost of generation and transmission combined. The Work Plan includes: 1) identification of those steps necessary toward one or more regulatory proceedings in which each state's regulatory authorities could consider whether to approve long-term contract(s) for renewable resources; 2) rough estimates of timeframes associated with steps in the procurement and contracting process; and 3) identification of open issues, including some that require advance discussion and resolution. The process described in the Work Plan does not assume any state would make any commitment with regard to procuring any level of resources unless and until its state regulatory authority reviews and approves – or rejects – a contract brought to that regulatory authority by an electric distribution company operating in that state or by some

[10] For information regarding the work plan, see http://www.nescoe.com/2013_Soliciation.html.

other entity designated by a state to enter into contracts for renewable power. The envisioned process allows for any number of states – two, three or four – to move forward together to procure resources even if some other states elect not to participate. At current, a procurement team and a legal team have convened to examine threshold issues and execute the initial steps of the Work Plan.

Natural Gas and Electricity

Natural Gas and Electricity Market Coordination

In response to the additional supply of natural gas resulting from horizontal drilling and hydro-fracturing extraction techniques, more regions of the country are utilizing natural gas in the electric sector to an increasing degree. To explore coordination between the natural gas and electric industries, FERC convened a series of regional technical conferences, with the northeast regional technical conference held in Boston on August 20, 2012. The northeast technical conference included a FERC staff presentation on infrastructure in New England and a discussion of issues associated with scheduling and market rules, communication and information, and electric sector reliability. The next technical conference on February 13, 2013 at the FERC in Washington, D.C. will focus on information sharing and communication between the two industries.

In addition to the FERC technical conferences, New England stakeholders are addressing the gas and electric coordination issues unique to our region. A multi-industry New England Gas Electric Focus Group has convened to discuss coordination issues, with NESCOE's Executive Director co-chairing, along with representatives of the gas industry and the generation sector of NEPOOL. Separately, ISO-NE has commissioned a study to examine potential electric reliability issues associated with increasing natural gas dependence, published a series of whitepapers outlining strategic risks to the electric sector including this issue, and is pursuing several market rule changes to address the gas and electric coordination issues. ISO-NE, NEPOOL, and the New England Gas Electric Focus Group continue to work on coordination issues with several active proceedings underway.

Gas and Electricity study

As previously mentioned, ISO-NE identified as a strategic risk to New England's power system the increased reliance on natural gas-fired generation resources. ISO-NE suggests that current and expected levels of gas usage and the potential for gas unavailability during periods of high seasonal demand or stressed system conditions may also threaten the reliability of the electric system due to infrastructure limitations and/or potential gas supply interruptions. To confirm the nature of this asserted risk, including its timing, degree, and the likelihood of adverse implications for the electric power system, NESCOE has commissioned an analysis of the current and future natural gas supply for the electric sector.

Phase I of the analysis, an independent summary and verification of the conclusions in recent studies and papers concerning the adequacy of the natural gas infrastructure to meet New England's forecasted demand in the near future, was completed on December 21, 2012. The Phase I analysis concluded 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. Further, the Phase I analysis identified information gaps and missing elements in prior studies and papers, which have different scopes and purposes.

Based on the Phase I conclusions and recommendations, NESCOE has initiated Phase II of the study to obtain additional information and analysis. An example of further information that would provide significant value is an evaluation of the timing and magnitude of any natural gas deficiency, as well as differences between western and eastern New England gas markets. To the extent any number of potential solutions related to natural gas infrastructure are necessary to preserve electric system reliability, an assessment of their costs and benefits will be critically important. Should Phase II indicate that additional work is warranted to assess such costs and benefits, Phase III would include the use of computer simulation techniques and cost estimates for the region's consideration some time in the summer of 2013.

Conclusion

As the Regional State Committee for New England, NESCOE will continue to advance policies that will provide electricity at the lowest reasonable cost over the long term, consistent with maintaining reliable service and environmental quality, and seek to provide a regional point of view, as appropriate, on the electricity matters described above and a host of others that directly impact New England consumers.