

National Regulatory Research Institute (NRRI) Teleseminar  
FERC Order 1000: Themes and Impacts on States  
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***New England States' Approach to  
Order 1000 Compliance***

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# NESCOE

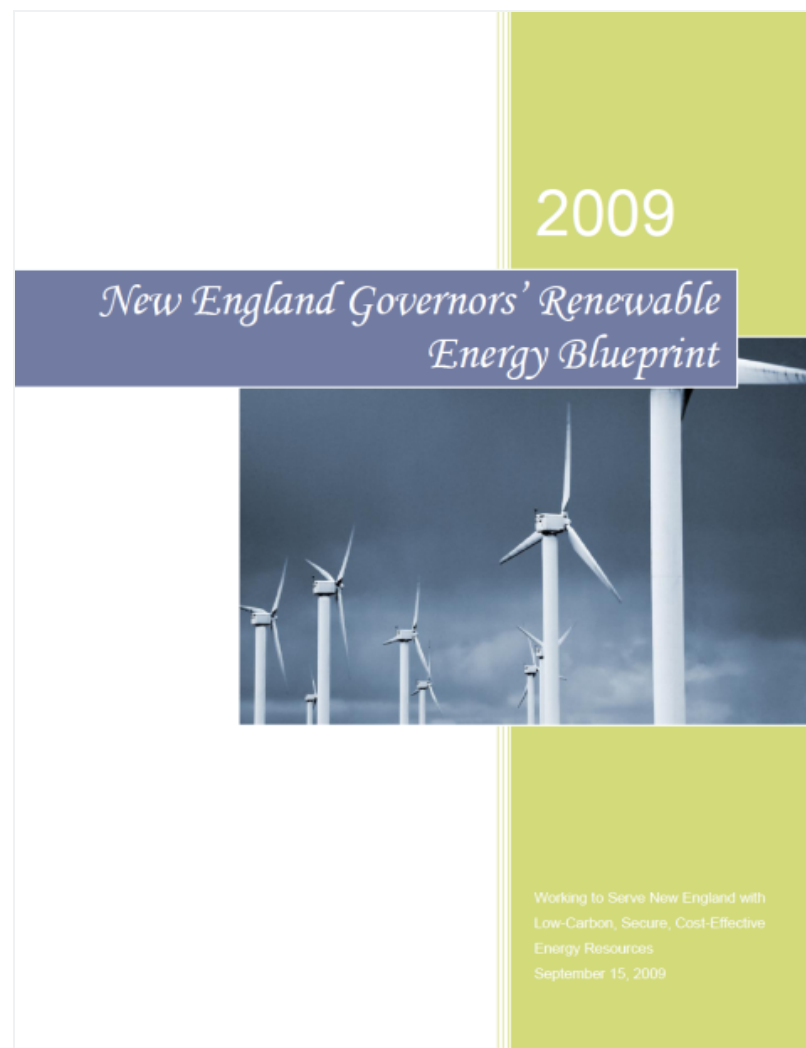
- ◆ New England's Regional State Committee governed by a Board of Managers appointed by each of the New England Governors to represent the collective views of the six New England states on regional electricity matters.
- ◆ Focus: Resource Adequacy, System Planning & Expansion.
- ◆ Active in NEPOOL and ISO-NE stakeholder processes and regularly participate in FERC proceedings (though litigation is not the primary means by which NESCOE seeks to achieve its objectives).
- ◆ States seek – and in nearly all instances have succeeded in reaching – consensus. Rare for complicated voting structure to come into play.

[www.nescoe.com](http://www.nescoe.com)

(filings and additional information)

# Background

- ISO-NE leads regional planning process, including ongoing assessment of system needs and determining which projects are included in the RSP.
  - Reliability project costs recovered regionally (pro rata)
- ~\$5 billion in transmission investment over last decade, with ~\$6 billion planned for the next 10 years.
- All states have RPS or comparable program.
  - Newer long-term contracting requirements in some states.
- Proactive regional state efforts to advance public policies
  - Coordinated Competitive Renewable Power Procurement per direction of New England Governors



# Regional Stakeholder Process

- ISO-NE/TO Compliance Obligation.
- New England generally considered to meet or exceed many Order 1000 requirements.
- Stakeholder discussion dominated by new requirements in Order 1000: considering public policies and ROFR removal.
  - ISO-NE: RSCs (e.g., NESCOE) should take the lead in public policy process; NEPOOL (organization of New England market participants): considerable deference should be accorded to states in this area.
- Significant regional effort led by ISO-NE to coalesce around single comprehensive filing package.

# States Achieve Consensus on Public Policy Structure

- In January 2012, NESCOE proposed Draft Framework for Public Policy Projects & associated Cost Allocation.
  - Reflected compromise among states, underscoring states' collective interest in addressing challenges as a region.
  - Order 1000 may be one way, but not the only way, projects that further public policy objectives could move forward in New England (e.g., competitive coordinated procurement moving forward irrespective of Order 1000).
    - Potential to complement existing state policies
  - Framework refined through 2012, differences narrowed with competing proposals.
    - Added competitive process

# States' Core Principles and Elements

- **Central Role of States** in identifying policies, if any, and moving projects through the study process.
  - Final state analysis & decisions by Participating States' regulatory authorities.
    - Open, formal process determining project cost/benefit *before* cost allocation.
    - Transmission project cost estimates, control & assurance of benefits critical to states' cost/benefit analysis.
- **Stakeholder input** at each step in the process is key.
- For efficiency & practicality, where possible, **make use of existing planning processes and mechanisms.**
- Public Policy Project **analysis should include other system needs**, like reliability.
- **Competition:** All qualified project proponents should have comparable project development & cost recovery opportunity.

# Advocating for a Process States will Use

- ✓ ISO-NE/TO Multi-Step Public Policy Study Process incorporated many fundamental elements of NESCOE's framework.
- However, compliance filing **deviated in material respects** from process supported by states, including omitting provisions ensuring cost containment/discipline at every relevant step of the process.

NESCOE's Protest highlights these and other material differences, with a focus on designing a process states will consider a useful tool to advance policies.

- Order 1000 has potential to advance states' interest in minimizing the cost of achieving their public policy goals, but no useful purpose served unless states have confidence that process truly furthers their policies.

# Promoting Meaningful Competition

Compliance Filing asserts Mobile-Sierra (except for Public Policy Projects)

1000-A Contingent Filing implements 5-year rolling “ROFR”

- NESCOE/Others: Mobile-Sierra not applicable and cannot withstand scrutiny under public interest standard in any case.
- “Immediate need” reliability projects may justify some ROFR window, but needs to be sufficiently supported.
  - Opportunities to narrowly tailor.
- Contingent Filing’s “baby ROFR” fails to make compelling case for restraining competition and may effectively bar non-incumbents.
  - Stakeholder analysis of 3 vs. 5 as compromise.

❖ 83% of NEPOOL Participants—all but the PTOs—supported an alternative proposal providing greater opportunities for competition and addressing concerns about the proposed public policy process. NESCOE supported many of the modifications reflected in the alternative proposal.

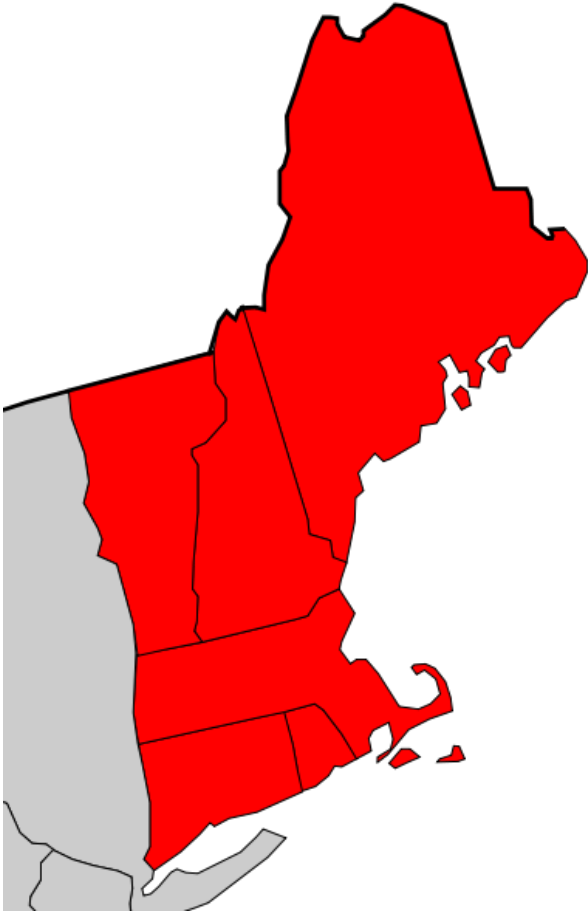


# New England States' Continued Engagement on Order 1000

- NESCOE & individual commissions representing five of the six states filed January 8, 2013 response to certain protests and comments on the proposed structure to consider public policies.
  - Six-state consensus and one voice *throughout* stakeholder process; post compliance filings, Maine fully supported NESCOE Protest on ROFR but took different approach—both from NESCOE and ISO-NE/PTOs—on process for considering public policies.
- Involvement in compliance efforts on inter-regional requirements.
- Too early to predict impact of collective tariff changes on N.E. PUCs and agencies, but cost and policy implications require scrutiny.

# Meanwhile . . .

## *N.E. States Moving Forward on Regionally Coordinated Efforts*



- July 2012 N.E. Governors' Resolution: Directed NESCOE to develop & implement a *Work Plan* to advance competitive coordinated procurement of renewable power.
- Governors' Goal: Issue RFP by December 2013.
- August 10, 2012: Draft *Work Plan* issued for comment.
- November 21, 2012: Adopted Final *Work Plan*.
- Implementation underway and on schedule.