

## New England States Committee on Electricity

**To:** ISO-NE, NEPOOL  
**From:** NESCOE  
**Date:** September 7, 2011  
**Subject:** Planning Analysis

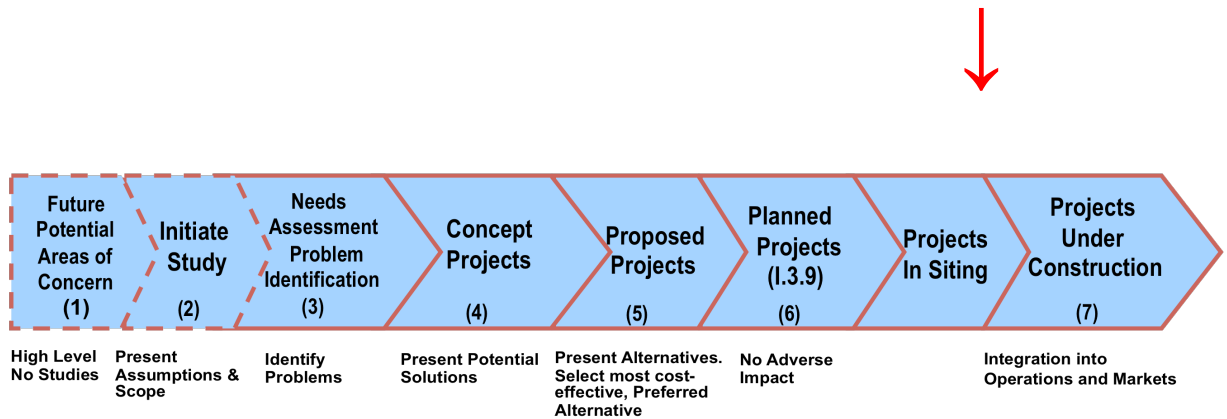
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In the Strategic Planning initiative, ISO-NE, market participants and the states are evaluating a series of challenges related to the continued reliable and efficient operation of the New England power system. In this context, ISO-NE and some stakeholders have opined that wholesale markets may not adequately reflect reliability needs that are identified through reliability planning and system operations and that better aligning system planning and markets could increase opportunities for market resources to meet reliability needs and more efficiently manage resource turnover. Some other stakeholders have requested that ISO-NE provide analysis on the potential for market resources to meet system reliability needs. Still others prefer a regional mechanism to enable market resources to be an alternative to transmission if they provide a lower-cost reliability solution. ISO-NE's Strategic Planning solutions' option list (effectively, a laundry list of any solution offered by any stakeholder during prior discussions) includes a wide range of solutions, from minor changes to the status quo to more comprehensive reorganization models, such as ISO-NE conducting integrated resource planning. The direction on this topic will influence the form of ISO-NE's planning analysis and the effectiveness and function of New England's wholesale markets.

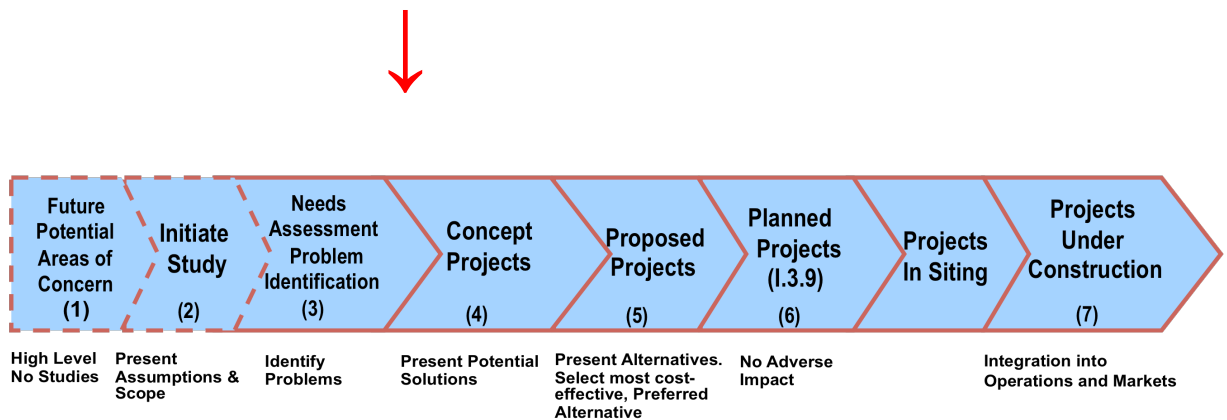
The New England states have considered these threshold directional issues and offer this memorandum to describe our intent and means to obtain Non-Transmission Alternative (NTA) analysis at a more useful point in the regional planning process than is done today. We provide this information early in the Strategic Planning conversations with the intention that it will inform consideration of other issues.

In sum, the New England states are uniformly interested in obtaining analysis of

alternatives to regulated backstop transmission solutions earlier in the planning process than occurs in most states today. To illustrate, the TOs currently produce NTA analysis for consideration in the siting phase of the regulated backstop transmission solution development process, which is far along in the regional planning process, or about here:



The states are interested in alternative resource analysis at a time that leaves no bias, *in timing*, among resource types so that full information is available to states and market participants at a meaningful point in the process - as they review proposed regulated backstop transmission solutions. In the planning model laid out about above, that time is more or less at the same time transmission alternatives are being planned, or here:



Evaluating NTA analysis earlier in the planning process is not, of course, alone sufficient to move regional planning forward in a way that meets the challenges identified in the Strategic Planning initiative. The New England states are, therefore, simultaneously interested in investigating new market designs, rules or mechanisms to provide additional financial surety for

NTAs that can meet identified needs. Market design improvements should better align the timing of market outcomes with the timing of transmission solution development. They should also better integrate market resource analysis into system planning studies and the design of markets and market product definitions. In short, the states are interested in a process that better relays information from planning analyses into the definition of market products and/or market redesigns.

To this end, the New England states will:

- 1) Seek NTA analysis from Transmission Owners (TOs) earlier in the planning process than is done today, as discussed further below;
- 2) Continue to request that ISO-NE, consistent with Attachment K requirements, refine the Regional System Plan (RSP) so that it identifies in a more straightforward way in the RSP document, the physical characteristics of the physical solutions that could meet the needs identified in each Needs Assessment<sup>1</sup>; and,
- 3) Work with ISO-NE and market participants in the Strategic Planning initiative to identify improvements to market design, as discussed above.

The following is a high level summary of the process to accommodate consideration of NTA analysis:

- 1. Needs Assessment:** ISO-New England (ISO-NE) and the Transmission Owner (TO) continue to develop a Needs Assessment pursuant to the process set forth in Attachment K, with appropriately transparent input from states and stakeholders.
- 2. Development of Regulated Backstop Transmission Solution:** ISO-NE and the affected TO continue to develop and cost-out, up to and including the Transmission Cost Allocation (TCA) stage, the regulated backstop transmission solution to meet needs identified in Needs Assessment.

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<sup>1</sup> NESCOE has previously asked ISO-NE to present the specific analysis required to be in the RSP by Attachment K. The notion that such analysis exists across multiple sections of the RSP and in other planning documents but not in relation to a particular Needs Assessment and not in the body of the RSP does not result in an RSP contemplated by Attachment K or one that provides the best possible information to market participants.

**3. NTA Analysis:** At the conclusion of the Needs Assessment, the state(s) with whom a siting petition will be filed will require the TO to develop - at the same time as the development of the transmission alternative solutions - and file with the state siting authority and ISO-NE an NTA analysis associated with the identified need.

Consistent with regional planning principles, the NTA analysis will be transparent and made available to market participants during the regional planning process. This will also provide ISO-NE an early opportunity to review the NTA analysis and opine as to whether any NTA would meet the reliability need.

To ensure uniform and comprehensive NTA analysis is produced across the region in a way that satisfies the states' objectives, the states will further develop and discuss with the TOs the specific elements of the NTA analysis, its timing and form of presentation.

In broad terms, the point of such NTA analysis will be the production of an analysis of the potential for NTA solutions that could meet reliability needs or that could affect the timing of regulated backstop transmission solutions; together with an analysis of combined regulated backstop transmission solutions and NTA solutions. The elements of such a study could include, for example, an Energy Efficiency/Demand Response Potential Study; a Generation Option Assessment; an assessment of the potential for energy efficiency, demand response and generation, or combinations thereof, to remedy the need; and an assessment of the comparative economics of alternatives and of market price implications. As noted, the states will discuss the specifics in greater detail with TOs to achieve comparable analyses across the region.

**4. RSP Listing Adjusted Following State Siting Process:** The regulated backstop transmission project will be placed in the Regional System Plan (RSP) on a provisional basis, much as it is today: when the state siting authority issues a decision on a petition to approve a proposed backstop regulated transmission solution, those elements of the transmission proposal the state siting authority approves - either portions of or the entirety of the regulated backstop transmission solution - would remain in the RSP and

any or all portion(s) of the backstop solution not approved by the state siting authority (i.e., those that will be met through NTAs) would be so identified in the RSP.

**5. NTA Execution:** Each individual state will determine whether or not any NTA is the electricity resource best suited to serve its customers. If the NTA is not going to be provided by a private vendor in response to wholesale market price signals, the individual state or states shall pursue it.

We look forward to discussing the range of Strategic Planning issues in the upcoming months.