UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Transmission Planning Process	**)**	**Docket No. AD 09-8-000**
Under Order 890	**)**	

REPLY COMMENTS
NEW ENGLAND STATES COMMITTEE ON ELECTRICITY
December 18, 2009

I. Introduction and General Observations on Initial Comments

The New England States Committee on Electricity (NESCOE) offers these Reply Comments in response to Initial Comments submitted on November 23, 2009 in connection with transmission planning processes under Order 890. NESCOE provides some general observations on recurrent themes in the Initial Comments, and then a brief response to several participants' specific requests for modifications to the planning process. In all cases, NESCOE's comments are in reference to New England's planning processes and market structure.

a. Transmission planning processes - and their results - vary across states and regions. Any modifications that follow from this proceeding should be narrowly tailored and applied to resolve transmission development impediments that states or regions identify as requiring federal action.

The diversity of Initial Comments emphasizes that there are distinct transmission planning processes - and results - across states and regions. This varied experience militates against a one-size-fits-all approach to modifying transmission planning processes under Order No. 890. Instead, modifications, if any, should be narrowly tailored to address only those impediments to transmission development that states and regions are unable to resolve.[1]

NESCOE concurs with those who recommend that the transmission planning process should build upon current efforts as well as the success of competitive markets and not replace market outcomes or substitute for resource planning.[2] NESCOE also agrees with respondents who state that New England's transmission planning process works to identify needed

[1] *See*, for example, Initial Comments by the New Jersey Board of Public Utilities.
[2] *See*, for example, Northeast Utilities Services Company at page 5, 11-12; Public Service Electric and Gas Company at page 4.

transmission and has resulted in a significant level of transmission projects moving from the proposed stage through to construction.[3]

With respect to renewable resource development, many New England participants also referenced the *New England Governors' Renewable Energy Blueprint*.[4] The *Blueprint*, together with the associated ISO-NE technical analysis (the Renewable Development Scenario Analysis), illustrate the substantial renewable resources available in and around New England, data associated with conceptual transmission infrastructure that would be required to access it, and the New England states' collective interest in helping to facilitate its development. Specifically, the *Blueprint* identified opportunities to synchronize renewable power procurement and long-term contract opportunities for renewable power, as well as potential means to coordinate states' review processes for siting of interstate transmission facilities. Since the New England Governors adopted the *Blueprint* in September, 2009, the New England states have formed a state Renewable Procurement Working Group to continue work on means to coordinate or synchronize competitive renewable energy procurement across the states and facilitate development of the cost-effective renewable resources in and/or proximate to the region. It is important that these efforts, as well as market activity in New England, not be interrupted by federally directed solutions to issues elsewhere.

b. Interconnection-wide planning should proceed on course. Any assessment of whether changes are necessary should be informed by experience.

In connection with transmission planning in general and in reply to the Request for Comment's question concerning the interconnection-wide planning processes anticipated pursuant to funding under the American Recovery and Reinvestment Act of 2009, many participants stated that the new interconnection-wide planning process will create a first-time opportunity for significant inter-regional planning communications. The Organization of MISO States (OMS) observed that state support for the proposed *Eastern Interconnection States' Planning Council* represents "an impressive and unprecedented level of cooperation among the states in the Eastern Interconnection…" and that it would be more disruptive than helpful for the Commission to do anything at this point but to give it time to proceed.[5] NESCOE agrees with OMS and the significant number of participants who encouraged the Commission to allow these new processes to mature before assessing whether any changes may be necessary.

[3] *See*, Massachusetts Attorney General at page 3-4; Independent System Operator-New England at pages 8-9; National Grid USA at page 3; Northeast Utilities Service Companies at pages 9 - 14; Massachusetts Department of Public Utilities at page 3; and, NEPOOL at pages 2-3.

[4] *See*, Massachusetts Attorney General at pages 7-8, National Grid USA at page 4-5, Independent System Operator-New England at page 5, Northeast Utilities Services Company at page 15, Massachusetts Department of Public Utilities at pages 7-8.

[5] *See*, Organization of MISO State Comments at page 5 and 10-11.

II. In New England, the regional system operator's transmission planning process has an important role to play with respect to the development of transmission to reach renewable resources; it is not, however, the means by which to identify which renewable resources will be developed.

The northeast is fortunate to have significant renewable power development opportunities across several states, including on- and off-shore wind power potential. It is similarly fortunate to have ready access to significant amounts of low-carbon power in the eastern Canadian provinces. Developing these local renewable energy resources and delivering their power to New England's load centers, and potentially exporting it to New England's neighbors, will require new transmission infrastructure. This point was central to the *Blueprint*:

> A number of potential transmission projects can be identified that would allow for the reliable transfer of power from off-shore and on-shore wind resource regions to load across New England, and for export to our neighbors. The length of such transmission is modest on a national scale given the region's relatively small geographic footprint. The cost associated with such transmission varies significantly depending on the level of overall resource development: a lower level of investment would result in renewable resources sufficient to meet our renewable energy goals while more aggressive investment could enable New England to export renewable power to neighboring regions.[6]

As discussed above and in NESCOE's Initial Comments, the New England states are uniformly committed to the development of the renewable resources located in and/or near to New England and are working on ways to facilitate development of the most cost-effective resources. As the *Blueprint* stated, harmonizing procurement would strengthen the region's ability to facilitate development of those low-carbon resources able to serve customers most cost-effectively.[7] Transmission entities and others are also working to bring forward projects that would enable New England consumers to be served with low-carbon resources. Any associated transmission project proposed to reach such resources would be fully evaluated by ISO-NE.

Against this backdrop and New England's competitive market structure, NESCOE disagrees entirely with the notion that regional transmission organizations, at least in New England, should identify for development specific transmission pathways to certain renewable resources.[8] It is wholly appropriate for ISO-NE to provide analytical assistance to inform policymakers and market participants about transmission needed to reach renewable resources. In the context of the Renewable Development Scenario Analysis, ISO-NE did just that at the

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[6] *See*, *New England Governors' Renewable Energy Blueprint* dated September 15, 2009 at page 6.
[7] *See*, *New England Governors' Renewable Energy Blueprint* dated September 15, 2009 at page 7.
[8] *See*, for example, Initial Comments by National Grid USA (NGRID) at page 5 asserting that the Commission should direct independent transmission providers to modify their planning processes to enable the expansion of transmission infrastructure, including cost allocation policies, to carry out national and state policy objectives for renewable generation.

request of the Governors: ISO-NE examined a series of *conceptual*, non-specific transmission pathways in and around New England that could access various levels of renewable resources both on- and off-shore and in the eastern Canadian provinces. The analysis provided economic and environmental data associated with various hypothetical renewable resource development scenarios, including conceptual transmission. This kind of work is appropriate and informative. It is also fundamentally different from ISO-NE being tasked to identify specific transmission pathways where renewable resources may develop and to authorize construction of transmission facilities to reach some of them, as NGRID and others suggest.

ISO-NE has an important role to play in the development of transmission to reach renewable resource rich areas. ISO-NE's role in the transmission planning process, however, is to support continued reliance upon competitive markets and/or competitive solicitation outcomes. National transmission planning should not replace the decisions by regions or states about the type, quantity and/or location of future renewable power supply sources.

III. New England's transmission planning process already contemplates that ISO-NE will provide information to the market to allow participants to assess the level, type and location of resources that could satisfy or defer the need for regulated transmission solutions.

NRG offered two observations that warrant brief comment. First, NRG set forth the following recommendation for the Commission's consideration:

> "NRG recommends that the Commission require each RTO, as part of its regular planning process, to:
>
> 1. identify generic generation or DSM solutions, not already proposed by market participants, which could alleviate or eliminate the need for a planned transmission upgrade; and
>
> 2. provide the necessary economic and reliability analysis of the proposed transmission solution and the generic non-transmission alternative(s) to allow a State to adopt the solution best suited to the needs of its ratepayers."[9]

With respect to the first recommendation above, ISO-NE's tariff contemplates that ISO-NE provides such information. Specifically, Attachment K to ISO-NE's tariff requires that New England's annual Regional System Plan specify the physical characteristics of the physical solutions that can meet the identified needs and include information on market responses that can address them. In addition, ISO-NE is directed by tariff to provide sufficient information to allow market participants to assess the quantity, general locations, operating characteristics and required availability criteria of the type of incremental supply or demand-side resources, or

[9] *See*, NRG at page 7.

merchant transmission projects, that would satisfy the identified needs or that may serve to modify, offset or defer proposed regulated transmission upgrades.

The analysis NRG seeks is contemplated by and achievable through ISO-NE's current planning tariff. In NESCOE's view, the useful information NRG identifies calls for focus on potential refinements to the tariff's execution, rather than modification.

Second, NRG noted:

> "The Commission should reform the planning process and require RTO transmission planners to evaluate transmission, generation and DSM solutions to forecasted reliability problems, and allow these different options to "compete" on the basis of price and performance."[10]

In New England, generation and demand side management resources already compete in the competitive power market. Through market mechanisms, the region has developed, permitted, sited, and integrated over 10,000 MW of new efficient generating capacity. That represents more than a third of the region's existing fleet. Additionally, the region's competitive market has worked to bring forth significant demand resources - almost 3,000 MW of demand resources cleared New England's second Forward Capacity Auction for the 2011/2012 delivery year - and at prices that have reduced overall capacity prices for the region.

One area of improvement related to NRG's observations may be appropriate. In some siting proceedings, it is possible that a state may not accept alternatives to proposed transmission solutions due, in part, to regional funding made available to transmission projects. This can occur even though there may be alternative solutions that do not have access to market or regulated transmission revenues, yet have societal costs that are lower than the proposed transmission solution. As such, planning that can improve the availability of cost information for use by states with respect to alternatives may have merit.

IV. Conclusion

The New England states share the Commission's interest in continuing to refine the transmission planning process and to remove barriers to the development and integration of renewable resources into our power system. We also appreciate the opportunity for ongoing dialogue about the means to achieve our energy and environmental objectives in a way that makes economic sense for consumers. We respectfully request that the Commission take our views into consideration in this proceeding.

[10] *See*, NRG at page 6.

Respectfully Submitted,

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