

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Southwest Power Pool, Inc.

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ER10-1069-000

**COMMENTS BY
NEW ENGLAND STATES COMMITTEE ON ELECTRICITY
(May 17, 2010)**

I. Introduction

The New England States Committee on Electricity (NESCOE), New England's Regional State Committee, submits these brief comments in connection with Southwest Power Pool, Inc.'s (SPP) filing dated April 19, 2010 concerning revisions to its Open Access Transmission Tariff to modify its transmission cost allocation methodology (the Highway/Byway methodology). The Commission issued a Notice of Extension of Time on May 4, 2010 for Comments to be filed in this matter until May 17, 2010.

In sum, NESCOE takes no position on the merits of the specific cost allocation methodology that SPP concludes is appropriate for consumers within the SPP region. NESCOE presumes that the SPP approach represents an accommodation among stakeholders within the region that they believe will best serve their unique interests. Therefore, NESCOE requests that the Commission expressly limit any findings of reasonableness or appropriateness in connection with the SPP proposal to within the SPP region. Such an express limitation would be entirely consistent with the SPP observation that the Commission has long respected that regional differences exist among the varied Regional Transmission Operators (RTOs) and Independent

System Operators (ISOs) and has never mandated a "one-size-fits-all approach" to cost allocation. The Commission should take care in this case to preserve that approach.

II. The SPP Proposal

In brief, SPP proposes for its region a "Highway/Byway" methodology that allocates costs based on the voltage of the upgrade as follows: (1) facilities operating at 300 kV and above will be allocated 100% across the SPP Region; (2) facilities operating above 100 kV and below 300 kV will be allocated one-third regionally and two-thirds zonally; and (3) facilities operating at or below 100 kV will be allocated 100% zonally. (SPP Proposal at page 7). The proposal is applicable to SPP's territory, which includes all or parts of the states of Arkansas, Kansas, Louisiana, Mississippi, Missouri, Nebraska, New Mexico, Oklahoma, and Texas.

SPP sets forth several of that region's goals for the planning process and cost allocation methodology. They include: (1) integrating west to east portions of the SPP grid to enable renewable resources located primarily in the west to reach load centers located mostly in the east; (2) providing support for the Aggregate Transmission Service Study process; (3) providing relief to the generation interconnection queue; and (4) relieving known congestion. (SPP Proposal at page 14).

In its filing, SPP states that it is cognizant that the Commission determines the justness and reasonableness of various cost allocation methodologies across the different RTOs and ISOs. SPP describes the stakeholder process leading to development of the Highway/Byway methodology to address that region's needs and observes that while certain cost allocation methods may be just and reasonable for one region, others may be equally just and reasonable in

other regions. SPP notes that the Commission has long respected that regional differences exist among the varied RTOs and ISOs and has never mandated a "one-size-fits-all approach" to cost allocation. (SPP Proposal at pages 18-19)

III. Fundamental Differences between Regions Warrant Different Cost Allocation Methodologies

The SPP region is distinct from New England in a host of fundamental ways. The following are just a few examples. First, New England relies on competitive market structures and processes to identify resources that will serve customers most cost-effectively. In connection with the region's competitive market structure, most New England states have restructured such that many of New England's electric distribution companies have divested their generating assets. New England's market has over 10,000 MW of demand response, renewable and traditional generating resources competing in a market that needs only fraction of that amount over the next two decades.

Next, compared to SPP and most other regions of the country, New England has a relatively small geographic footprint. New England is unique and fortunate that within its small geographic region, load centers are relatively proximate to local renewable generation as well as significant amounts of no-and low-carbon power in Canada just across the border to the north. In a study conducted last year at the request of the six New England Governors, which is referred to as the *Renewable Development Scenario Analysis*, ISO-NE identified 10,000 MW of renewable power in and around New England¹. A few of the findings related to that study, as set forth in the *New England Governors' Renewable Energy Blueprint*, highlight New England's unique regional profile:

¹ ISO-NE's Renewable Development Scenario Analysis Final Report
http://www.nescoe.com/uploads/2009_Economic_Study_Final_Report.pdf

- There is a vast quantity of commercial-scale and advanced untapped renewable resources in the New England region; this includes more than ten thousand (10,000) MW of on-shore and off-shore wind power potential. Even if developed at conservative levels, there are ample renewable resources to enable New England to meet renewable energy goals and to reduce reliance on carbon-emitting generation. If developed more aggressively, New England could export renewable power to neighboring regions.
- In-region development of renewables and access to renewable energy from neighboring systems appears possible with significantly less capital investment for transmission infrastructure than would be required to import an equivalent quantity of power from more remote, out-of-region sources on new, high-voltage transmission lines.²

New England is working on mechanisms to facilitate such development, including the potential for joint or coordinated competitive solicitations of renewable resources. Competitive processes may result in downward price pressure and bring forward innovative proposals, some of which could potentially moderate the need for time-consuming, contentious debates on cost-allocation.³

New England also has a distinct history of working as a region to solve its policy objectives. In addition to the *New England Governors' Renewable Energy Blueprint* work described above, the Regional Greenhouse Gas Initiative (RGGI) is another good example of the way New England works effectively to solve environmental challenges and cooperatively implement means to achieve public policy objectives.

² New England Governors Renewable Energy Blueprint at pages 6-7.

³ As one example of a potential project in this category, NESCOE notes a proposal by Northeast Utilities and NSTAR Electric with Hydro Quebec to construct a merchant HVDC line would reportedly utilize a long-term contract that bundles transmission and energy costs into a combined, delivered-energy product. If the negotiations among the parties yield the results that they have described publicly, and the long-term, combined delivered price is competitive with the price of energy alone, this approach would demonstrate that there are circumstances in which transmission cost allocation issues need not presumptively impede new transmission facilities designed to meet objectives other than reliability. NESCOE discusses this project by way of example and not to suggest that a competitive solicitation process is the only way to build transmission to access renewables.

These basic differences between SPP and other regions such as New England emphasize the need to make sure that cost allocation methodologies are properly tailored to meet the different needs of consumers in different regions based on fundamental differences in market structures, geography, policy preferences and proximity of load centers to renewable resources. Any cost allocation approach the Commission may consider to meet the needs of SPP or other regions should respect New England's efforts to facilitate development of its renewable resources and associated transmission in a way that makes the most sense for our consumers.

NESCOE appreciates the opportunity to Comment and requests the Commission take its views into consideration.

Respectfully Submitted,

New England States Committee on Electricity

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document upon each party on the official service list compiled by the Secretary in this proceeding.

Dated at Brewster, Massachusetts, this seventeenth day of May, 2010.

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