# NESCOE Order 1000 Framework: Enhancements to NESCOE Framework based on States' Consideration of Transmission Owners' Proposal

## Transmission Committee Meeting

May 24, 2012

# Presentation Overview

- **Summary of Process to Consider Public Policy in Planning Process To Date**
- **NESCOE Framework Enhancements Based on Consideration of TO Proposal**
  1. Clarity About State Opt-In Decision Points
  2. Inclusion of Limited-Use, Non-Binding State Policy Matrix for ISO-NE Analysis
  3. Clarity about Development Cost Recovery & Allocation

# Process To Date

- **August 2011 – January 2012**: States discuss Order 1000 & develop states' consensus approach to considering public policies in planning & associated cost allocation
- **January 2012**: NESCOE provides Public Policy Framework to ISO-NE & Order 1000 Work Group for discussion
- **February 28, 2012**: Stakeholder feedback to ISO-NE & NESCOE on NESCOE Framework
- **March 2012**:
  - ISO-NE distributes draft tariff language reflecting NESCOE Framework & reviews with TC on March 24, 2012
  - Transmission Owners inform stakeholders that sector will share that sector's Order 1000 preferences in April

# Process To Date, Cont.

- **April 2012**: States, ISO-NE, TOs & NEPOOL counsel meet on April 12th & 26th to hear & discuss TO sector preferred process
- **May 2012**:
  - **May 2, 2012**: TOs present TO sector preferred process to TC & identify areas of primary discussion between TOs & states (TOs labeled 'open issues'); NESCOE provides preliminary edits to ISO-NE & TC on draft tariff language reflecting NESCOE Framework
  - **May 4, 2012**: TOs provide feedback to states on 'open issues'
  - **May 11, 2012**: States, TOs, ISO-NE & NEPOOL Counsel discuss TO feedback & state reactions to 'open issues'
  - **May 17, 2012**: NESCOE distributes presentation that identifies enhancements to NESCOE Framework based on states' consideration of TO proposal for discussion at May 24th TC

# NESCOE Framework Enhancements

**The states spent considerable time understanding & assessing the TO proposal during April & May. All states appreciate the time & resources TOs dedicated to developing the TO proposal & to considering states' questions & concerns about it. After considering the TO proposal & discussion to date, the states collectively support three changes to the NESCOE Framework:**

1. **Clarity Around State Opt-In Decision Points**
2. **Provision by States to ISO-NE of a Limited Use, Non-Binding Policy Matrix**
3. **Provision for Project Development Cost Allocation by Planning Stage**

# Enhancement No. 1: Clarity Around State Opt-In Decision Points

**NESCOE Framework enables states to evaluate whether to continue participating in & funding planning in any given cycle at various points in the process. After reviewing TO proposal, states conclude that NESCOE Framework would be enhanced by adding clarity to state Opt In decision points**

- Planning consumes resources and costs ratepayers money. It should continue past the initial analysis stage if a project looks promising to each state's public policy objectives once states have the analysis to inform such decision

- Upon receipt of ISO-NE analysis, each state will determine for itself whether or not it wants to Opt In & be responsible for additional planning costs. A state choosing not to Opt In will not incur any further planning or project costs

- The decision of one or more states not to Opt In does *not* prevent other states from Opting In & moving the planning process forward

# Enhancement No. 2: Limited-Use, Non-Binding Policy Matrix

- Under NESCOE Framework, states consider stakeholder input & identify public policies that drive transmission needs & communicate states' views to ISO-NE for its use at outset of process
- Discussions with TOs persuaded states that states' providing additional information during the planning process may add clarity & assist ISO-NE, as well as project proponents *
- States support adding step to NESCOE Framework in which states will provide ISO-NE a limited-use, non-binding Policy Matrix
  - Policy Matrix is for the *limited purpose* of assisting ISO-NE in determining what proposed projects may best meet policy objectives & therefore warrant ISO-NE time & resources
  - Policy Matrix is *non-binding* on subsequent independent state evaluation of projects

* Ratepayers could benefit from diverse transmission project proposals advanced by various developers that offer a range of development opportunities &/or value propositions. NESCOE assumes for planning process purposes that the opportunity to propose transmission projects that could meet public policy objectives is not restricted to incumbent TOs pursuant to FERC policy preferences as articulated in Order 1000

# Enhancement No. 3: Clarity Around Development Cost Recovery

- Transmission planning/development costs can amount to tens of millions of dollars in ratepayer costs *per project* *
- Consideration of TO proposal persuaded states that NESCOE Framework would be enhanced by clarity around allocation of development costs
  - In general, at each Opt In decision point, those states that Opt In agree to share going forward study & planning costs to next Opt In decision point; this will require communication of estimate of planning costs for subsequent phase
  - Next slide illustrates concept
  - NESCOE working on specific development cost allocation method & will provide to TC before next meeting

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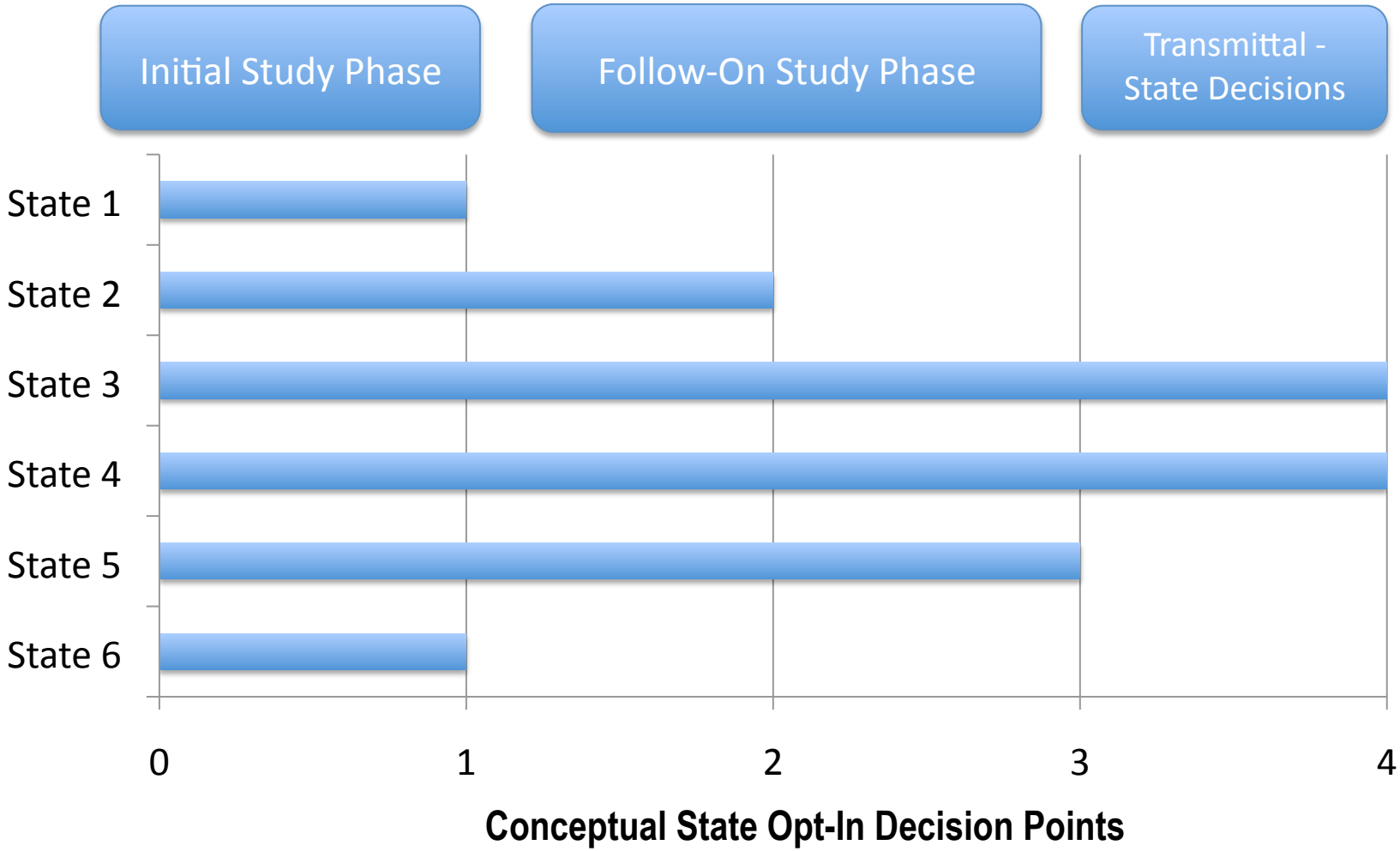
# Illustration of Potential Development Cost Recovery & Allocation between States that Opt In at Decision Points



# NEXT STEPS

- Discuss NESCOE Framework Enhancements with ISO-NE, TC
- NESCOE provide specific development cost recovery & allocation language to TC for discussion at June 8th TC meeting
- NESCOE consider & offer views of other proposals, such as Synapse's presentation, at June 8th TC
- Further discussion with ISO-NE & TC concerning tariff language for compliance filing