

New England States Committee on Electricity

To: ISO-NE
From: NESCOE
Date: January 19, 2015
Subject: Feedback on ISO-NE's draft 2015 Work Plan

NESCOE appreciates the opportunity to review ISO-NE's *draft* 2015 Work Plan and to have participated with NEPOOL officers and representatives of NECPUC in a preliminary discussion with ISO-NE about the January 2, 2015 draft. NESCOE provides this brief memorandum to memorialize feedback based on its review of the initial draft Work Plan. NESCOE looks forward to further discussion at the NEPOOL Participants Committee on February 6, 2015.

- **Gas Constraints-Electric Challenges:** ISO-NE has identified natural gas constraints as a current serious challenge to New England's power system. Such constraints are also causing significant economic disparity between New England consumers and those consumers who live in any other part of the continental United States, including neighboring states.

ISO-NE's draft Work Plan identifies implementation of out-of-market Winter Programs (slide 20) through which consumers will pay primarily for unused fuel oil at New England generating units, for commissioning additional dual fuel capacity and then over the longer-term, Pay for Performance (PfP) (slide 50). The latter is likely to result in greater use of fuel oil as a back-up fuel source when in place a few years from now. Increased reliance on fuel oil is, of course, at odds with New England states' policy objectives: it has a dirtier emissions profile and its increased use will reverse progress on states' shared environmental objectives. Fuel oil is also generally more costly than natural gas.

The Winter Programs have kept the lights on in New England in a way that the operation of the wholesale competitive electric market cannot, but neither those nor PfP are designed or expected to address New England's fundamental wholesale electric power system problem - the lack of New England generators' access to a reliable and affordable natural gas supply. While essential consumer services regulated by states will continue to have adequate natural gas supply, currently, there is no basis to expect essential services procured through the wholesale markets and regulated by the FERC to have the same.

Given the New England power system's long-identified problems are now seriously and adversely affecting retail customers across the region, the Work

Plan should make clear whether the Gas-Electric Coordination work items (Slide 21) will result in meaningful, cost-effective advancements for consumers on New England's core problem.

Further, if there are no other measure(s) ISO-NE plans to explore or propose to FERC in 2015 to improve wholesale market generators' access to reliable and affordable natural gas supplies, it would be helpful for ISO-NE to make that clear in the Work Plan to establish appropriate expectations.

- **Demand Response and Order 745:** The draft Work Plan properly observes the legal status and ambiguity in connection with demand resources in light of *EPSCA v. FERC* (slide 47). ISO-NE expresses the intent to begin discussing contingency plans in Quarter 2 to address potential impacts if the EPSCA decision is upheld.

Given the complexity of the subject matter, the lack of a wider regional discussion to date on alternatives and the important contribution of demand response to the New England power system, could ISO-NE schedule those conversations to commence at the beginning of Quarter 2?

- **Distributed Generation Forecast:** ISO-NE indicates that it continues to review how the Distributed Generation (DG) forecast should influence various planning studies, including calculation of the Installed Capacity Requirement (ICR) (slide 29). NESCOE considers the appropriate reflection of consumer investment in DG in ISO-NE planning studies a priority and appreciates ISO-NE's current internal work to enable progress on this matter.

ISO-NE should indicate in its revised Work Plan the expected timeframe for stakeholder discussions associated with the use of the DG forecast in determining the ICR for FCA 10.

- **Probabilistic Planning:** The draft Work Plan indicated that ISO-NE initiated discussions regarding probabilistic planning in 2014 and plans to review load modeling and unit availability assumptions in 2015 (slide 9).

The New England states have strong interest in advancing planning around probabilities and urges ISO-NE to make tangible progress on this matter in 2015.

- **NERC Standards:** The draft Work Plan indicates ISO-NE will study "new contingencies" (slide 24).

ISO-NE should provide more information about the type and extent of "new contingencies" it plans to study in 2015.

- **Economic Studies:** ISO-NE notes that no market participant or state sought an economic study in 2014 and that requests for studies in 2015 are due to ISO-NE, per the tariff, by April 1, 2015.

Consistent with prior dialogue at the Planning Advisory Committee, it would be constructive for ISO-NE to explore with states and market participants the reason(s) behind the lack of study requests in 2014 in order to inform the approach to potential studies in 2015.

- **Transmission Cost Estimation, Control and Tracking:** There is a continuing need for time and effort on improving transmission project cost estimations, controls and the ability to track transmission costs from estimates through project development.

NESCOE strongly encourages ISO-NE to include improving transmission cost estimates and enhancing controls in the Work Plan in light of its central connection to an ISO-NE core function and its importance to consumers. Cost estimating practices will take on a different kind of importance as the region moves to a framework in which transmission developers offer competing transmission proposals to satisfy the same need. Further, to the extent a stakeholder proposes changes to cost estimating practices or requirements (PP4), NESCOE encourages ISO-NE to allocate resources to advancing timely consideration of such proposal.