

New England States  
Committee on Electricity

**To:** PAC, ISO-NE  
**From:** NESCOE  
**Date:** February 17, 2017  
**Subject:** Keene Rd METU

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NESCOE provides these comments in response to ISO-NE's January 18, 2017 presentation to the Planning Advisory Committee (PAC) on the Keene Road Market Efficiency Transmission Upgrade (METU). We appreciate the work that ISO-NE has done on this matter to date.

At this time, NESCOE agrees with ISO-NE's recommendation not to proceed to a Request for Proposals (RFP) for this project.

As described in ISO-NE's presentation, in order for a project to meet the METU test, the upper bound for total project cost is between \$7.0M and \$10.4M. ISO-NE stated that "[p]revious reviews of potential upgrades necessary to relieve this interface showed costs above these thresholds, which would not qualify as a METU." No entity has offered any information at PAC to counter this statement.

As a general matter, NESCOE strongly supported the Federal Energy Regulatory Commission's efforts to introduce a framework that allows for meaningful competition in transmission development. NESCOE has encouraged ISO-NE to implement competitive solicitations with a focus on transmission cost discipline and in a way that makes sense for consumers. This requires careful deliberation of implementation details as consumers ultimately pay for the costs to execute an RFP.

In this case, if this project proceeded to an RFP, consumers would incur real costs. First, consumers would fund ISO-NE's first-time work to implement an RFP and evaluation process. Second, as required by the tariff, consumers would also have to pay for the incumbent transmission owner to develop a backstop solution. Those unavoidable costs have to be considered in the context of a very small project for which there is no present indication that an economic solution exists. In this case then, consumers would incur costs without the likelihood of achieving potential savings to offset those costs.

NESCOE also observes that at this time, ISO-NE has not yet worked through some critically important threshold mechanics of transmission solicitations, such as how to cap costs or what the threshold for acceptable bids should be. In this case, for example, would the threshold be \$7 million or less than that to allow for uncertainty in the calculations and assumptions?

Before issuing an initial solicitation and setting precedent for future solicitations, New England should sort through these threshold issues to increase the probability that competitive solicitations for transmission infrastructure make economic sense for consumers.

Finally, the potential project at issue in this case is very small and ISO-NE's analysis suggests that proposed projects would be uneconomic. Against that backdrop, it is reasonable to expect that no or very few developers might submit bids. This could create a false impression that transmission developers are not interested in participating in competitive solicitations in New England and affect ISO-NE's willingness to implement competitive solicitations when potential consumer benefits are far more likely.

Given the certainty of creating consumer costs, the low likelihood of consumer benefits in this case, and ISO-NE's need to work through some threshold questions about solicitation mechanics, NESCOE agrees with ISO-NE's recommendation not to proceed to an RFP in this instance.