



memo

To: NECPUC
From: Carolyn O'Connor
Date: April 27, 2011
Subject: Update on Recent and Upcoming Regional Activities

This memo is prepared by ISO's External Affairs Department to provide an update on several regional issues and activities that may be of interest to you. For your convenience, when appropriate, I have identified dates when key discussions and votes are scheduled to occur at stakeholder meetings, as well as planned filings.

There are also sections highlighting [upcoming ISO speaking engagements](#) and [meetings](#) that may be of interest.

Issues and Updates

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ISO Studies

Nontransmission Alternatives Analysis

ISO is in the process of concluding a NH/VT nontransmission alternatives (NTAs) pilot study.¹ This study was undertaken in response to stakeholder requests to provide more information on NTAs as a supplement to the Needs and Solutions Assessments. For this analysis, both supply-side and demand-side resources were modeled as resources that could meet the precise needs identified by the [VT/NH Needs Assessment](#). This study was limited to a steady-state thermal assessment. Voltage and reactive capability were not analyzed and no economic assessments of the NTAs were performed. The computer simulations that ISO ran to produce the NTAs created theoretical solutions that represent optimally located, perfectly balanced, and constantly available supply-side resources. Any changes to the size, location or availability of these theoretical solutions may require the addition of MW to resolve the needs identified by the VT/NH Needs Assessment.

The NTA analysis divided the two states into 9 study sub-areas. Preliminary results for six of the nine sub-areas have been completed and include the following:

Table 1 below displays the amount of capacity needed to resolve thermal issues in six of the nine NH/VT study sub-areas.

Sub-area	Amount in MW
Northwestern Vermont	65
Central Vermont	140
Connecticut River Corridor	35
Southeastern Vermont and Western New Hampshire	270
Northern New Hampshire and Northern Vermont	80
Seacoast New Hampshire	310
Total	900

Table 2 below displays high-level estimates of the amount of effective demand-side capacity needed in four Dispatch Zones² to resolve thermal issues in six of the nine NH/VT study sub-areas.

Dispatch Zone	Amount in MW
DZ 1: Northwest Vermont	200
DZ 2: Vermont	110
DZ 3: New Hampshire	480
DZ 4: Seacoast	180
Total	970

¹ Preliminary results of this study were presented at the April 13, 2011 PAC meeting. See the PAC website for more information and the presentation materials: http://www.iso-ne.com/committees/comm_wkgrps/prtcpts_comm/pac/mtrls/2011/apr132011/index.html

² These are four of the 19 Demand Response Dispatch Zones that will become operational on June 1, 2011.

The supply resources that were modeled for any one of the six sub-areas would work to address the transmission needs identified in the Needs Assessment only if closely coordinated with supply resources in the other sub-areas.

Some stakeholders expressed a desire for a more granular analysis of NTAs, while others indicated that the level of detail provided in the analysis surpassed their expectations. PAC stakeholders indicated that siting, permitting and construction of generating facilities in certain identified areas would likely present many challenges. Stakeholders were particularly concerned about areas like the New Hampshire seacoast where 310 MW of supply-side resources would need to be constructed in a relatively small area.

Next Steps

ISO will finalize the NTA pilot and provide information on the three remaining sub-areas not covered in the April 13th PAC. Also, analyses will be performed to determine the incremental usefulness of the preliminary NTA solutions, specifically, the identification of transmission upgrades necessary for the NTAs to qualify as a capacity resource. The final results are to be presented at the May PAC meeting. The ongoing [Strategic Planning Discussion](#) process will provide further opportunity for a regional discussion on the role of market resources as potential NTAs.

2011 Economic Study Requests

Each year, the ISO conducts economic studies pursuant to the regional planning provisions of Attachment K of the ISO tariff. Stakeholders provide input to the prioritization of these studies. At the April 14, 2011 [PAC](#) meeting, Central Maine Power Co. (CMP); LS Power Transmission, LLC; and Renewable Energy New England (RENEW) presented requests for economic studies. ISO plans to present a draft scope of work to stakeholders in May.

CMP requested a study of the impact on production costs and wholesale electricity prices of relieving transmission constraints in western Maine. More than 1100 MW of renewable generation already exist or are proposed in the area. The constraints limit exports from the Wyman/Bigelow area to approximately 300 MW. CMP proposes modeling incremental improvements to the transfer capability to support development of up to 1500 MW of wind, biomass, and hydroelectric power in the Wyman/Bigelow area. CMP indicates that a comprehensive solution would result in a more economically efficient solution than a piecemeal approach to interconnecting individual generators. CMP suggested a study of the year 2016 to match the timeframe of the recent NESCOE request for information (RFI).

LS Power also requested a study of the impact of relieving transmission constraints in western Maine. LS Power requests a study of adding up to 650 MW of wind generation in the Wyman/Bigelow area and relaxing transfer limits out of the area and further south into New Hampshire. LS Power proposed studying a new 345 kV line to move renewable energy south of the Wyman area.

RENEW also requested a study of relieving transmission constraints to support near-term wind-power development. RENEW suggested studying the system in 2016 to address transmission congestion facing wind generation today and in the near future. A five-year timeframe was recommended to enhance certainty about the configuration of the transmission system and system resources clearing through the Forward Capacity Market (FCM) auction. The New England Wind Integration Study (NEWIS) Full Queue Build-out Scenario was suggested as a reasonable approximation of potential wind development in the next five years. Specifically evaluation of relieving transmission constraints that impact wind resources in in Maine and northern Maine, Vermont, New Hampshire, Western Massachusetts, and offshore Massachusetts and Rhode Island was requested.

The PAC suggested that the three requests be combined into a single study because of the similarities in geographic scope, timeframe, and resource assumptions and that all renewable generation be included. Market

participants also noted that evaluating the addition of wind should take into account the reliability and market effects of displacing other resources.

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Order on Capacity Market Paper Hearing

On April 23, 2010, the Federal Energy Regulatory Commission ruled on proposed changes to the region's FCM. At that time, FERC concluded that certain elements of proposed capacity market rule changes may not be just and reasonable, and set for paper hearing three general issues: (1) the Alternative Price Rule; (2) the modeling of capacity zones and related mitigation; and (3) the proper value of the Cost of New Entry (CONE).

In the five months following the April 2010 order which set these issues for paper hearing, the Commission received three sets of briefs from interested parties. These briefs addressed the questions posed by the Commission on each of the issues set for paper hearing, and were submitted in support of the initial proposed rule changes or included new proposals.

On April 13, 2011, the FERC issued an [order on the paper hearing](#) which requires the ISO make a compliance filing, by May 13, in which the ISO will “file a proposed schedule for filing market rules” and “address the timeframe for consideration of the two issues that we are requiring ISO-NE to further examine with stakeholders – the development of market rules to implement an offer-floor mitigation construct, and the proper offer floor price for long-lead-time resources.”

Among other things, the order also:

- “Retain[s] the price floor through the sixth FCA subject to extensions as necessary,”
- Rejects the Alternative Price Rule initially submitted in the proposed rules,
- Accepts the ISO's proposal to model all zones all the time,
- Accepts ISO's proposal to eliminate the CONE, and
- Accepts the proposal not to mitigate historical out-of-market resources going forward.

The ISO has released a preliminary schedule for the development and filing of market rules consistent with the paper hearing order. The preliminary schedule includes a plan to have revised rules approved and effective before June 2013, the qualification deadline for the 8th capacity auction.³ This schedule will be discussed at the April 27 Markets Committee. Information regarding April 27th Markets Committee is available [here](#).

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Entergy Litigation

On April 18, 2011 Entergy, the owner of Vermont Yankee (VY) nuclear power station filed a lawsuit against the state of Vermont in federal district court in Vermont seeking declaratory and injunctive relief. Entergy asked the court to declare that Vermont has no authority over the operation of VY because they claim that the federal government has the sole authority to license and oversee the operation of nuclear power plants. Entergy claims that the state's laws and regulations concerning nuclear power stations are preempted by federal laws and regulations and that under the Supremacy Clause of the U.S. Constitution, should be invalidated. Entergy sought an injunction prohibiting Vermont from taking any action to stop or interfere with the operation of VY. These legal issues are without precedent and will likely result in lengthy litigation. It is unclear who will prevail in such litigation and also unclear whether or not the plant could operate while the courts resolve the issues, including any potential appeals.

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³ The ISO would prefer to have revised rules approved and effective by June 2012, shortly before the qualification deadlines for the 7th FCA. However, given the potential complexities of some of the issues and implementation aspects involved, and the short turnaround time since the issuance of the order, the ISO cannot commit to a June 2012 effective date at this time.

Planning Advisory Committee Update

Load Forecast

ISO has released a preliminary long-run forecast of peak electricity demand and overall electric energy consumption (energy) for New England, the six states, and 12 planning sub-areas. The long-run forecast includes projections for 2011–2020. ISO forecasts New England’s summer peak demand to grow 1.5% annually over the next ten years and energy consumption to grow 1.1% annually over the same period. (This year’s forecast is slightly higher than the 1.4% peak demand growth and 0.9% annual energy growth ISO forecasted last year for 2010–2019.) ISO forecasts New Hampshire to have the highest annual growth in peak demand (2.0%) and energy (1.6%). The ISO forecast for each state and sub-area is available on the [PAC](#) website for April 14.

The [load forecast data](#) has been posted on the ISO website. The final load forecast report is scheduled to be published in May in the *Capacity Energy Loads and Transmission (CELT) Report*, and will be incorporated into the 2011 Regional System Plan.

Transmission Project Listing

ISO presented a draft update of the Transmission Project Listing to the PAC in April. The Project List identifies approximately \$9.8 billion of transmission investment in the region. This includes approximately \$4.4 billion of projects that have been placed in service and \$5.4 billion of projects that are under study or under construction. The Project List is typically updated in April, July and October.

Vermont & New Hampshire Transmission Solutions Study

ISO presented the preliminary results of the Vermont & New Hampshire Transmission Solutions Study to the PAC on April 13th. Results of detailed solutions analyses and leading transmission alternatives were presented. A list of transmission alternatives that served as the basis for these analyses was first provided to the PAC for comment in February 2011. These transmission alternatives were designed to address the potential deficiencies identified in the NH/VT Needs Assessment.

Stakeholders expressed concerns about some aspects of the process that produces the solutions studies. Specifically questions were raised about the makeup of the study committee; the assumptions that go into the base case scenarios; and the ability of ISO to model solutions that may involve other control areas.

Next steps

ISO will complete the solutions study, which will involve a number of additional analyses as well as the development of cost estimates. Through the stakeholder process ISO will identify preferred transmission solutions.

Energy Efficiency

ISO presented preliminary findings from ongoing review of state-sponsored energy efficiency (EE) resources in the region. ISO has been working with stakeholders to explore potential improvements to forecasting and planning practices that may more accurately account for EE and investigate the possibility of creating a discrete EE forecast. ISO worked with the Program Administrators (PAs) responsible for implementing these programs.

ISO developed a data collection template, based on a tool created by the Northeast Energy Efficiency Partnership, to determine if the PAs have long-term projections of EE savings as well as to quantify the amount of EE resources that may be in the region, but not bid into the FCM. ISO held a series of meetings with regulators and PAs in each of the six New England States to discuss the data submitted on the templates.

Based on meetings with all of the states except Massachusetts and Rhode Island, the PAC was informed that there was little EE reported outside of what is offered into the FCM. Subsequent to the PAC, ISO met with MA & RI PAs and identified the existence of about 120 MW of EE in 2011 that was not captured by the FCM. The

PAs indicated that these EE savings were largely a result of increased funding that produced EE savings and were not bid into the FCM because the qualification period for the FCA had closed. The PAs were generally unable to predict future EE savings and indicated that the amount of EE they can produce is directly related to the levels of funding available from the states.

Stakeholders suggested that the states provide a long range estimate of EE spending as means for the ISO to better estimate future EE savings and that the impacts of smart grid technologies currently being deployed should also be considered by the ISO.

ISO also reported on recent conversations with other ISOs regarding any EE forecasting that they may conduct. PJM currently accounts for EE in a manner similar to ISO New England. The other ISO/RTOs with the exception of NYISO do little or no accounting or forecasting of EE. Stakeholders encouraged ISO to explore the NYISO model for forecasting EE.

Next Steps

ISO will complete the analysis of the data collection templates and report back to PAC on final findings. ISO will also work with NYISO to learn more about their EE forecast techniques and report back to PAC. ISO will continue to work with stakeholders including the states and NESCOE to develop a discrete EE forecast.

Upcoming Planning Advisory Committee meetings and preliminary agendas:

May 23 *Courtyard Marriott, Marlborough, MA*

- Reassessment of Advanced NEEWS Rhode Island Needs and Preferred Solution
- System overview and resource assumptions for RSP

May 26 *Courtyard Marriott, Marlborough, MA*

- Draft SOW for 2011 Economic Study requests
- Customer Service survey and PAC process
- Non-transmission Alternatives (NTA) analysis
- 2011 Regional System Plan (RSP) scope of work (SOW)

June 29 *Doubletree Hotel, Westborough, MA*

- Environmental issues

June 30 *Doubletree Hotel, Westborough, MA*

- Discussion of Energy Efficiency (EE) projections
- NEEWS Greater Hartford-Central CT Needs and Alternatives
- Southwest Connecticut Solution
- Greater Boston Critical Load Levels

July 21 *Doubletree Hotel, Westborough, MA*

- 2011 Economic Study

July 22 *Doubletree Hotel, Westborough, MA*

- Discussion of Energy Efficiency (EE)

August 11 *Doubletree Hotel, Westborough, MA*

- RSP page turn

September 8 *Colonnade Hotel, Boston*

- RSP public meeting

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Consumer Liaison Group

To provide a greater opportunity for consumers and consumer organizations to participate in Consumer Liaison Group (CLG) meetings in person, the CLG has committed to host meetings at locations throughout the region. On June 2, the CLG will meet in Essex, Vermont at [The Essex Resort](#). Please [click here](#) to register.

Special Room rates are available by calling the hotel at (800) 727-4295 and mentioning the CLG meeting.

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Reliability Committee Meeting on Salem Harbor

On May 9, the Reliability Committee will hold a special meeting to discuss results of the ISO's study to determine if the 745 MW Salem Harbor power plant is needed for reliability in the 2014-2015 power year. The study is being conducted as a result of Dominion (the plant's owner) submitting a Non-Price Retirement (NPR) Request in February for the entire plant. According to the FCM rules, the ISO has 90 days from the Request to make its reliability determination. The Request is for the NPR to be effective June 1, 2014, the start of the fifth Forward Capacity Market capacity commitment period.

The ISO is in the process of completing a study of the transmission system in Northeastern Massachusetts and surrounding areas. The Greater Boston Study has already determined that since sufficient market solutions have not become available, a portion of the Salem Harbor Power Plant is needed to ensure that the power system can operate reliably in this area until alternate transmission solutions are identified and implemented. The ISO has proposed two preliminary transmission solutions that include the construction of new transmission lines and associated upgrades to existing lines and facilities, to eliminate the need for Salem Harbor generation. The Greater Boston Solution Study, with preferred transmission solutions, is expected to be finalized in summer 2011.

The special RC meeting will be held Monday, May 9, 9:30 a.m. – 12:00 p.m. at the Doubletree Hotel in Westborough, MA. For more information, please go to: <http://www.iso-ne.com/calendar/detail.action?eventId=111796&link=yes&filter=off>. For more information on the history of Salem Harbor and the Greater Boston Study, please see the [February memo](#).

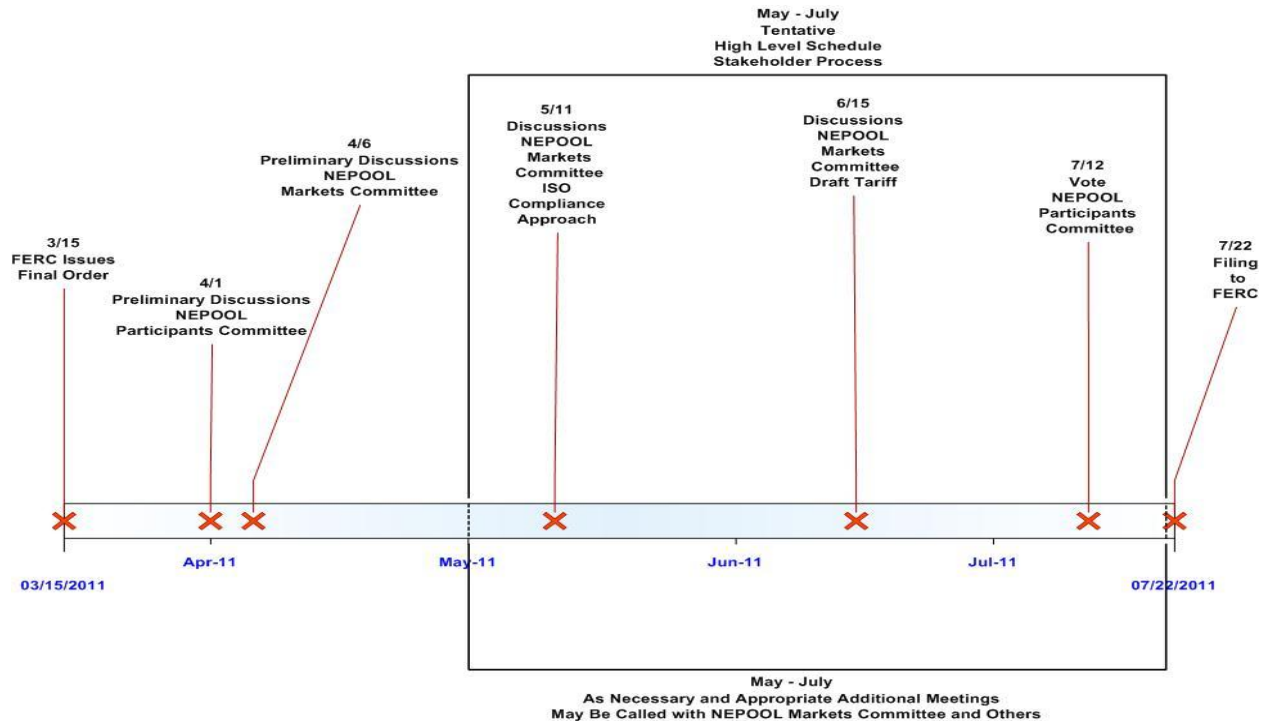
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Demand Response Rulemaking Stakeholder Process

Last month, the Federal Energy Regulatory Commission (FERC) issued a final rule in [Docket RM10-17-000](#) (130 FERC ¶ 61,213, "Demand Response Compensation in Organized Wholesale Energy Markets").

In the final rule issued March 15, 2011, FERC stated that demand response resources should be compensated for reductions they bid into the energy market at the LMP provided that the dispatch of these resources satisfies a "net benefits test."

The final rule provides that each RTO and ISO must submit a compliance filing by July 22, 2011. The tentative schedule for upcoming stakeholder meetings is included in the timeline below.



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Monthly Regional Network Load Cost Report

The [Monthly Regional Network Load Cost Report for February 2011](#) was recently posted. This report provides a rolling 13-month perspective of regional network load (RNL) costs. Among other things, it provides information on reliability costs, average cost by state, and load served by transmission owner.

The report showed that in February, pool-aggregate RNL costs decreased 5.5% from January 2011 and increased 3.3% from February 2010. February's average RNL cost for New England also decreased 1.9% from January 2011 values – and increased 3.3% from February 2010. The January RNL costs were approximately 14.2% of total wholesale costs.

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Wholesale Electricity Costs March 2011

The average Day-Ahead and Real-Time Hub prices in March 2011 were \$45.61/MWh and \$44.51/MWh respectively – a sharp decline from the monthly average for the prior two months.

March prices are significantly below the average Day-Ahead and Real-Time prices for December 2010 of \$71/MWh. In fact, the average monthly Day-Ahead and Real-Time LMP dropped over \$25/MWh over the

	March 2011	March 2011 Compared to February 2011	March 2011 Compared to March 2010
Average Day-Ahead LMP (hub)	\$45.61/MWh	-18%	20%
Average Real-Time LMP (hub)	\$44.51/MWh	-22%	14%
Average Natural Gas Price	\$5.15 MMBtu	-18%	9%
Peak Real-Time Load	18,790 MWh	-6%	3%
Average Real-Time Load	14,389 MW	-7%	3%

past two months. March's average natural gas price was almost 20% below the February 2011 average. For more information see ISO's [website](#).

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Regional Greenhouse Gas Initiative Bills

The New Hampshire House of Representatives resoundingly passed [HB 519](#) – a bill that seeks to repeal the state's participation in the Regional Greenhouse Gas Initiative (RGGI). Though this bill passed the House, it will be subject to significant scrutiny in the Senate – because the Senate contains a handful of members that helped get legislation passed establishing RGGI a few years back.

Even if HB 519 is passed by the Senate, Governor Lynch, who signed RGGI into law in 2008, will have the opportunity to veto the legislation – subject to a House and Senate override.

Similarly, Maine is considering legislation – [LD 793](#) – to repeal RGGI. The legislation is before the Joint Standing Committee on Energy, Utilities and Technology.

The importance of HB 519 and LD 793 should not be understated. Some RGGI proponents are concerned that the RGGI compact could unravel if a few states opt out of the regional effort. Not surprisingly, policy makers in other states in RGGI are looking to the Maine and New Hampshire legislatures to see how they handle these bills.

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ISO Speaking Engagements and Other Meetings of Interest

April 27, 2011

Joint Meeting of ISO/CT DPUC to consider Strategic Planning Issues

April 28, 2011

Joint Meeting of ISO/NH PUC to consider Strategic Planning Issues

April 28, 2011

New England Women in Energy and the Environment Meeting, Portland, Maine
ISO Speaker: Anne George, Vice President, Corporate Communications and External Affairs

April 28 and 29, 2011

Platts Northeast Power Markets Forum, Arlington, Virginia
ISO Speaker: Bob Ethier, Vice President, Market Development
For more information, please see the [forum website](#).

May 5, 2011

Joint Meeting of ISO/RI PUC to consider Strategic Planning Issues

May 9, 2011

Joint Meeting of ISO/ME PUC to consider Strategic Planning Issues

May 17, 2011

Joint Meeting of ISO/VT PSB to consider Strategic Planning Issues

May 18, 2011

Northeast Energy and Commerce Association and the Connecticut Power and Energy Society 18th Annual New England Energy Conference and Exposition, Groton, Connecticut
ISO Speaker: John Norden, Director, Operations

For more information, please see the [conference website](#).

June 8, 2011

Joint Meeting of ISO/MA DPU to consider Strategic Planning Issues

June 15, 2011

Vermont System Planning Committee, Montpelier, Vermont
 ISO Speaker: Stephen Rourke, Vice President System Planning
 For more information, please see the [Committee's website](#).

June 20 – 22, 2011

NECPUC Symposium, Bretton Woods, New Hampshire
 For more information, please see the [conference website](#).

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Upcoming NEPOOL Stakeholder and ISO Meetings of Interest

	Participants Committee	Markets Committee	Reliability Committee	Planning Advisory Committee	Transmission Committee	NECPUC Conference Call	Consumer Advocate Conference Call
April		27, 28			26		20
May	6	10, 11	25	26	24	9	16
June	10	2, 14, 15	21	29, 30	28	13	16

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