

To: NECPUC

From: Carolyn O'Connor

Date: March 7, 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 activities that may be of interest to the States. For your convenience, when appropriate, I have identified dates when key discussions and votes are scheduled to occur at upcoming stakeholder meetings, as well as planned filings.

There is also a section highlighting upcoming ISO speaking engagements and meetings that may be of interest.

Issues and Updates

- [ISO-NE Discusses Metrics Report with Regional State Committees and FERC Commissioners](#)
- [Federal Affairs Update](#)
- [FERC Order on Tie Benefits](#)
- [Summary of the Vermont/New Hampshire Needs Assessment](#)
- [Salem Harbor Update](#)
- [Summary of February 16-17 Planning Advisory Committee Meetings](#)
- [2010 Economic Study Results](#)
- [2011 Economic Study Requests – Deadline April 1](#)
- [RGGI Being Reconsidered in New Hampshire](#)
- [Northern Pass Project](#)
- [Summary of Connecticut Legislation](#)
- [Wholesale Electricity Costs Up in January 2011](#)
- [Monthly Regional Network Load Cost Report](#)

ISO Speaking Engagements and Other Meetings of Interest Upcoming NEPOOL and ISO Meetings of Interest

Issues and Updates

ISO-NE Discusses Metrics Report with Regional State Committees and FERC Commissioners

On February 12, Gordon van Welie [discussed](#) the ISO-NE portion of the [2010 ISO/RTO Metrics Report](#) with fellow members of the ISO/RTO Council, representatives from Regional State Committees including the New England States' Committee on Electricity (NESCOE), and three Federal Energy Regulatory Commission (FERC) Commissioners. The meeting was held in conjunction with the National Association of Regulatory Utility Commissioners' (NARUC) winter meetings in Washington, DC.

Noting the successful investment made by the New England region in transmission infrastructure since 2002, Gordon lauded the work done by stakeholders and state officials, and pointed out that reliability transmission upgrades have led to a sharp reduction in congestion costs. He also highlighted that, of the \$5 billion in potential new transmission identified through the planning process, approximately \$3 billion has already been through the state siting process. Growth in Demand Resources (DR) in New England was noted including that by 2014, 10% of the region's capacity requirement will come from DR. DR dispatch and reduced production from oil-fired generation were also noted as future challenges, as well as the issues associated with becoming more heavily dependent on a single energy source (such as natural gas in New England). Gordon also mentioned the on-going project with the New York ISO to better optimize interchange flows between the regions. Responding to comments from the New Hampshire Public Utility Commission, Gordon agreed that better estimates are needed on the cost of transmission projects, and noted that developers are often challenged to provide accurate estimates early in the process. It was mentioned that there may be ways to create incentives to improve accuracy that include benefits for on- or below-budget performance.

Most of the presentations from the six FERC-regulated ISOs/RTOs contained several consistent themes. These included the relative success in building transmission for reliability purposes and the importance of operating efficient and transparent markets. State Commissioners were encouraged to respond to each presentation, and while most comments addressed region-specific challenges, there was a call to continue or increase stakeholder and regulator input in the planning process.

[Back to Top](#)

Federal Affairs Update

Kicking off the budget debate for Fiscal Year 2012 (which begins on October 1), in his [State of the Union](#) speech, President Obama called on the United States to achieve a goal of generating 80% of its energy in 2035 from "clean energy" sources (up from the current 40%). Although no legislative details have emerged, the Administration has stated this goal would include nuclear, natural gas, and clean coal/carbon capture and sequestration, along with traditional renewables. The President also set a goal of 1 million electric vehicles on the road by 2015 and dedicating new resources for energy research and development. On February 14, the Administration released its [FY12 budget outline](#) and while many agencies receive reductions or level-funding, the President targeted the U.S. Department of Energy (DOE) for an increase in funding to nearly \$30 billion, an increase of 12% over the DOE budget two years ago. Several DOE initiatives highlighted by the Administration include transforming the \$7,500 tax credit for purchasing an electric vehicle into an immediate point-of-sale rebate and the creation of a new Energy Innovation Hub dedicated to electric grid technologies.

The budget for the Environmental Protection Agency (EPA) was reduced by over \$1 billion, but in accompanying language the Administration strongly reiterated its support for reducing greenhouse gas

emissions, and noted other areas of the EPA's budget will see the reductions. These include the State Revolving Funds program, which provides financial assistance (through loans) for local clean water protection and improvement programs (cut \$950 million). The FERC is slated for a minor raise to \$305 million, with the budget noting the importance of growing demand response programs, supporting the growth of smart grid, and analyzing the 2010 metrics report. While the President's budget does receive significant attention, Congress is charged with passing the federal budget as well as annual spending bills.

Neither the Chairman of the Senate Energy and Natural Resources Committee (Sen. Jeff Bingaman (D-NM)) nor the Chairman of the House Energy and Commerce Committee (Cong. Fred Upton (R-MI)), reacted with much enthusiasm to the President's call for a Clean Energy Standard (CES). And at a joint NARUC/DOE forum on February 16, the Chairman of the influential Energy and Power Subcommittee, Cong. Ed Whitfield (R-KY), [stated](#) that his personal preference is to *not* enact a CES and predicted such a standard would not pass. Other speakers at the same forum predicted a standard may pass, including suggestions that restrictions on the EPA's ability to restrict emissions under the Clean Air Act could be included to entice those averse to a stand-alone CES.

Also on Capitol Hill, lawmakers are struggling to reach consensus on spending for the current fiscal year (2011) with none of the twelve annual appropriations bills having made their way through Congress. The government is currently operating under a continuing resolution (CR) through March 4, when lawmakers will either have to pass a spending bill through September 30, another short-term CR while negotiations continue, or risk the possibility of a government shut-down. The CR passed by the House of Representatives in the early hours of February 19 included language handcuffing the EPA from spending any future FY11 funding on the regulation of greenhouse gas emissions, and the actions of the EPA will almost certainly be a flashpoint for House/Senate negotiations on the overall bill in the coming weeks

On February 17, Sen. Bob Corker (R-TN) [introduced](#) the "Electric Transmission Consumer Protection Act" (S. 400) in response to FERC's June 2010 Notice of Proposed Rulemaking (NOPR) on interregional planning and cost allocation. Attempting to ensure that "consumers are not forced to pay for new transmission lines for which they receive no direct or meaningful benefit," Sen. Corker included language that directs FERC to ensure costs are allocated on a basis that is "reasonably proportionate to measurable economic or reliability benefits projected." In the 111th Congress, Sen. Corker successfully attached similar language to a sweeping energy bill (S. 1462), although the overall bill did not advance. Additionally, Sen. Corker, Sen. Richard Burr (R-NC) and Sen. Ron Wyden (D-OR) sent a [letter](#) to FERC Chairman, Jon Wellinghoff reiterating their concerns to the NOPR.

[Back to Top](#)

FERC Order on Tie Benefits

On February 28, FERC [approved](#) ISO's proposed changes to the methodology for calculating tie benefits. The changes affect the calculation of tie benefits for the final annual reconfiguration auction (ARA) associated with each Capacity Commitment Period. The changes also address certain "reserved issues" that were originally raised in a 2008 stakeholder process on tie benefits. Tie benefits represent an estimate of the amount of emergency energy that can be imported from interconnected regions over the transmission system and are an input to the calculation of the New England's Installed Capacity Requirement, which affects the amount of capacity to be procured through the Forward Capacity Market.

FERC determined that ISO's proposed methodology for calculating tie benefits for the final ARA using the "at criterion" methodology is just and reasonable.

Under the approved methodology, ISO will calculate tie benefits for all Forward Capacity Auctions (FCAs) assuming that New England and neighboring regions are "at criterion," i.e., each area has just enough resources to meet the reliability standard that requires firm customers not be disconnected from the bulk power system more than one day in ten years. ISO will use the "at criterion" assumption for each primary FCA and all ARAs. This methodology will first be applied to the tie benefits calculations for the final ARA in March 2012 before the FCA-3 Commitment Period begins in June 2012.

FERC rejected an alternative proposal to calculate tie benefits for the final ARA using an "as is" methodology that would have assumed neighboring systems may have excess capacity that could be available to New England. The alternative proposal also included a cap on tie benefits in an attempt to address concerns that tie benefits identified in planning studies may not be fully available to support New England under actual operating conditions. The Commission noted that all parties agreed that the "as is" approach would result in unacceptably high levels of tie benefits, and said that while some adjustments to an "as is" approach could be appropriate, it ultimately determined that the "at criterion" methodology has been shown to accurately reflect capacity that will be available from neighboring control areas.

The order included determinations on the following "reserved issues."

Tie benefits for individual interconnections

ISO will expand the tie benefits calculation process to include individual tie lines or groups of tie lines that interconnect with New England's three neighboring regions: New York, Hydro Quebec, and New Brunswick. (Prior to the order, tie benefits were calculated only for the aggregate of transmission ties that make up an interface with neighboring regions.)

Modeling internal transmission constraints

ISO will model transmission constraints internal to New England if the constraints are identified in the latest Regional System Plan. ISO will model transmission constraints in neighboring control areas if the constraints are modeled in the Northeast Power Coordinating Council's annual assessment. FERC determined that this approach "will result in tie benefit values that more accurately reflect the operational and deliverability constraints that are likely to impact the actual availability of tie benefits support to New England."

Modeling capacity in non-adjacent control areas

FERC agreed with ISO's determination that tie benefit calculations should not model system conditions in non-adjacent control areas, specifically PJM and Ontario. FERC concluded that emergency energy delivery from remote control areas is "unknown and untested" and would be difficult to quantify. ISO determined that modeling non-adjacent areas would result in only minimal incremental increase to total tie benefits.

[Back to Top](#)

Summary of the Vermont/New Hampshire Needs Assessment

The [Vermont/New Hampshire Transmission System 2010 Needs Assessment](#) conducted by a study team led by ISO-NE with representatives of Northeast Utilities (NU), Vermont Electric Power Company (VELCO), and National Grid (NGRID) was recently posted. Because Needs Assessments are classified as

Critical Energy Infrastructure Information, a federal designation intended to protect the security of the power system, ISO prepared a publicly available [summary](#) of the Assessment's conclusions.

Background

ISO New England's initial Vermont Needs Assessment began in mid-2008. The preliminary results of the initial Vermont Needs Assessment were presented to ISO-NE's Planning Advisory Committee in February 2009. The initial study identified issues in neighboring states, so the study was revised to also include a broader look at New Hampshire and surrounding areas. The initial Needs Assessment studied scenarios with Vermont Yankee out of service and the subsequent Vermont/New Hampshire Transmission System Needs Assessment simulated the performance of the system under conditions that include the permanent retirement of Vermont Yankee.

Study Conclusions

The Vermont/New Hampshire Transmission System 2010 Needs Assessment found that by the year 2020, the Vermont and New Hampshire transmission systems will need additional resources, transmission system upgrades, or a combination of both to reliably serve the forecasted demand for electricity. These additional resources could include generation, demand resources, or voltage support. Under a variety of scenarios and demand levels, potential thermal overloads and voltage violations were observed in almost every area of Vermont and New Hampshire, with potential overloads and voltage violations also seen in north central and western Massachusetts.

Many of these potential violations occur at current levels of demand. These issues exist with or without Vermont Yankee in service, but generally (but not always) tend to be more widespread and severe without Vermont Yankee. Under some circumstances, loss of load—that is, loss of electricity service—could occur in portions of Vermont and New Hampshire.

The analysis shows many potential violations in the following areas or under the following conditions:

Regional Issues:

- Contingencies that result in the loss of a major source of generation within New England could cause potential widespread thermal and voltage violations in the study area of Vermont and New Hampshire.
- Under certain combinations of 345 kilovolt (kV) line outages, both Vermont and southwest New Hampshire would become disconnected from the rest of New England's 345 kV network. Thermal overloads would occur on 115 kV lines in New Hampshire and Vermont. Low-voltage conditions would occur in southwest New Hampshire and southern Vermont.

Vermont-Specific Issues:

- The Vermont transmission system requires additional local reactive support to help maintain voltage at stable levels.
- Following the outage of major 345 kV lines serving the area, the remaining 115 kV lines serving the state can become overloaded.

New Hampshire-Specific Issues:

- Many localized areas of the New Hampshire transmission system, from the Seacoast to northern New Hampshire, would experience potential low-voltage violations and potential thermal overloads on the remaining transmission lines after contingencies occur.

In some study scenarios, in second-contingency scenarios in particular, the continued operation of Vermont Yankee is a significant benefit to the overall reliability of the power system. After certain contingencies, Vermont's 345 kV transmission system, as well as parts of southwestern New Hampshire, would be separated from the rest of New England's transmission grid. Under these circumstances, with Vermont Yankee retired, many thermal and voltage issues would arise; with Vermont Yankee on line, these violations are much less severe and in some cases, no longer exist.

Next Steps

Continuing its work with transmission owners that would be affected, including VELCO, Northeast Utilities, and National Grid, ISO New England hopes to complete the Vermont/New Hampshire Solution Study by the second quarter of 2011. The solution study will develop alternative transmission solutions that are then tested to determine their effectiveness.

While the ISO's authority is confined to the identification and development of transmission solutions, at the request of stakeholders, ISO New England is conducting a high-level pilot study of non-transmission alternatives that could address the identified reliability needs in Vermont and New Hampshire. The results of that pilot study are expected by summer 2011.

[Back to Top](#)

Salem Harbor Update

Recent developments have confirmed speculation that Dominion's Salem Harbor power plant will soon retire. Below is a summary of the ISO's study of the greater Boston area and recent legal actions pertaining to the fourth and fifth Forward Capacity Market auctions (FCA-4 and FCA-5).

Greater Boston Study Update

The ISO has been studying the transmission system in Northeastern Massachusetts and the surrounding areas since 2008 as part of the regional transmission planning process. These studies have 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. Working with the state's utility companies, 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 Needs Assessment was presented to the Planning Advisory Committee (PAC) in the spring and summer of 2010; preliminary preferred alternatives were discussed with the PAC in December of 2010. The Greater Boston Solution Study, with preferred transmission solutions, is expected to be finalized in summer 2011.¹

Challenges to ISO's FCA-4 Filing

¹ Please see the [December 2010 memo](#) for more information on the Greater Boston Study.

In response to a protest of the ISO's [Fourth Forward Capacity Auction \(FCA-4\) Results Filing](#) that argued that the ISO had not sufficiently briefed the Reliability Committee with alternatives to Salem Harbor, the FERC issued an [order](#) on December 16 requiring the ISO to submit a compliance filing that identifies alternatives to resolve the reliability need for Salem Harbor Units 3 and 4 and the time to implement such solutions.² That information had already been developed and shared with stakeholders through the PAC process. The ISO submitted a [filing](#) with the Commission on December 22 explaining the details of its study of the greater Boston area and preliminary preferred solutions for eliminating the need for Salem Harbor generation.

On January 12, the Massachusetts Attorney General (AG) filed a protest to the ISO's compliance filing stating that the ISO violated its Tariff by failing to consider non-transmission alternatives before selecting a transmission solution to resolve the reliability need for Salem Harbor Units 3 and 4. Additionally, the AG asked the Commission to require the ISO to identify a least cost solution within 90 days. The ISO [responded](#) by stating that according to the Tariff and the FERC-approved planning process, the role of the ISO is to incorporate market responses that are brought forward by stakeholders. To date, such alternatives have not been offered or proposed, leaving the ISO to move forward with the development of a regulated transmission solution to the reliability issues in the greater Boston area.

New Developments for FCA-5

In October, Dominion submitted Permanent De-List Bids for Salem Harbor Units 1-4 for FCA-5 that commences June 6, 2011. On February 10, Dominion converted its Permanent De-List Bids to a Non-Price Retirement Request for the entire Salem Harbor power plant, effective June 1, 2014.³ The ISO is conducting a reliability study to determine if the 745 MW plant is needed for reliability during the 2014-2015 power year; the ISO has 90 days from the Request to make this determination. If the ISO determines that Salem Harbor is needed, Dominion may seek to recover its operating costs through a proceeding at the FERC; only costs approved by the Commission may be recovered. Even if the ISO determines that some portion of the plant is needed for reliability, Dominion may still choose to retire on June 1, 2014. Dominion will need to inform the ISO of its election to retire in the fourth quarter of 2011.

As a result of Dominion's Non-Price Retirement Request and the possibility that Dominion may seek full cost of service recovery if the ISO finds that Salem is needed for reliability, the Conservation Law Foundation (CLF) submitted a filing requesting "that the Commission order ISO-NE to submit a new compliance filing within 30 days that fully meets the terms of the Commission's December 16, 2010 order and prevents the imposition of unjust and unreasonable rates."⁴ As the ISO has noted to the Commission, the ISO's compliance filing more than met the requirements of the December 16th order and the ISO believes the CLF submission to be substantively without merit as it has not identified deficiencies in the ISO's filing or identified any rates that are unjust or unreasonable.

[Back to Top](#)

² For FCA-4, Dominion submitted Static De-List Bids for all four of Salem Harbor's units. The ISO rejected the bids for Units 3 and 4 (an approximate combined total of 585 MW) as they were deemed necessary for reliability.

³ A *Non-Price Retirement Request* is a "binding request to retire the entire capacity of a Generating Capacity" ([ISO-NE Tariff](#) Section III.13.1.2.3.1.5). Once the request is submitted it cannot be withdrawn and supersedes any prior De-List Bid for the same Capacity Commitment Period, such as the Permanent De-List Bids submitted by Dominion for FCA-5.

⁴ *Conservation Law Foundation, Motion for Leave to Reply and Reply of Conservation Law Foundation*, Docket No. ER10-2477-001 (February 18, 2011)

Summary of February 16-17 Planning Advisory Committee Meetings

Load Forecast

Moody's [Economy.com](#) is forecasting New England's real gross domestic product (GDP) to outperform the U.S. in the near term and forecasts the region's wages and salaries to remain near or above the U.S. average. Moody's also is forecasting slower population growth in the region. At the February 16 PAC meeting, Moody's [briefed](#) New England stakeholders on the U.S. and regional economic recovery.

Looking back

ISO's preliminary 2011 load forecast shows last year's energy consumption in New England increased from 2009 levels and was higher than the April 2010 forecast. Specifically, 2010 energy consumption increased about 1.3% compared to 2009 and increased about 2.2% above the April 2010 forecast.

ISO's preliminary 2011 load forecast shows last years' peak demand of approximately 27,100 MW, which occurred on July 6, was about 100 MW lower than the April 2010 forecast.

Looking ahead

ISO's preliminary 2011 load forecast shows a higher energy forecast over the next decade and similar forecasts of peak loads, compared with last year's forecast. Specifically, ISO forecasts New England's energy consumption to grow 1.1% annually over the next decade, compared with the 0.9% rate forecasted in April 2010. ISO forecasts the region's peak demand to grow 1.5% annually over the next decade, compared with the 1.4% rate forecasted in April 2010. ISO forecasts peak demand of 27,550 MW in 2011, increasing to 30,875 MW in 2019, under expected weather conditions.

Next steps

ISO will present the state- and subarea-level forecasts at an upcoming PAC meeting.

Future PAC meetings

The next PAC meeting is scheduled for March 16, at the Doubletree Hotel in Westborough, MA, beginning at 9 a.m. Preliminary list of topics:

- Update on interregional economic studies
- Seabrook (NH) substation needs
- Scope of work for the Southeastern Massachusetts/Rhode Island Needs Assessment
- Scope of work for the Greater Hartford/Central Connecticut Needs Assessment
- Holyoke Gas & Electric Lyman Street Substation Needs and Solution

Additional meetings are planned for April 13 and 14, May 26, June 29 and 30, and July 21. The annual page turn on the draft regional system plan is scheduled for August 11. The annual RSP public meeting is scheduled for September 8 in Boston. Preliminary future PAC agendas are posted in the Agenda and Administrative Items presentation for each meeting.

[Back to Top](#)

2010 Economic Study Results

Electric energy production from natural gas would *increase* in future scenarios that replace the region's older fleet of carbon-heavy coal- and oil-burning generators with new, efficient combined cycle natural-gas-fired generators. However, scenarios that replace carbon-heavy resources with renewable resources, such as wind,

solar and hydro imports, would result in a *drop* in energy from natural-gas-fired generators. Those are some of the preliminary findings of an economic study performed by ISO at the request of NESCOE. The study looks at a hypothetical New England system in the 2030 timeframe and builds on an earlier economic study performed at the request of the states in support of the [New England Governors' Renewable Energy Blueprint](#) in 2009. ISO presented the preliminary result of the 2010 economic study to stakeholders [February 16](#) at the PAC.

The states developed the assumptions for the scenario with technical support from ISO. The study assumed, for example, the retirement of all coal and oil units, 50 years or older, in 2030, which amounts to approximately 8,500 MW. The study assumed three renewable scenarios to replace the carbon-heavy resources: a wind-weighted scenario, a solar-weighted scenario, and a hydro-import-weighted scenario.

The study base case assumes more than 10,000 MW of demand resources from: 5,000 MW of passive demand resources, 4,300 MW of active demand resources, and 800 MW of real-time emergency generation. It also assumes that nearly 2 million plug-in electric vehicles (PEV) would add nearly 3,000 MW of load to the system. The study assumed that smart-grid technologies would need to be deployed to enable the large amount of DR and PEV integration assumed in the study. The study did not make assumptions about specific smart-grid technologies.

The results also show potential reductions in CO₂, SO_x, and NO_x emissions from power plants for the different scenarios.

The findings show that the renewable-weighted scenarios would significantly depress wholesale electric energy prices; however, the study did not address market design issues that would be raised by displacing large amounts of energy from flexible natural-gas-fired generation. The ISO's recently-published [New England Wind Integration Study](#) found that maintaining a flexible generation fleet is essential to successfully integrating large amounts of variable energy resources.

[Back to Top](#)

2011 Economic Study Requests – Deadline April 1

ISO New England conducts economic planning studies each year as outlined in Attachment K of the ISO tariff.⁵ Study requests are reviewed with stakeholders through the Planning Advisory Committee (PAC). The deadline to submit economic study requests is April 1.

Timeline for 2011 Economic Study Requests:

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|---|----------------|
| • Deadline to submit economic study requests: | April 1 |
| • ISO will contact requestors to confirm presentations: | April 4 |
| • Deadline to submit presentation materials: | April 7 |
| • Stakeholder presentations at PAC: | April 14 |
| • Discuss draft scope of work with PAC: | May 26 |

All communications to the ISO should be made to PACMatters@ISO-NE.com.

⁵ See http://www.iso-ne.com/regulatory/tariff/sect_2/oatt/1-23-10_sect_ii.pdf page 626 for Attachment K of the ISO Open Access Transmission Tariff.

For additional information on the process for submitting study requests, please see [materials](#) presented to PAC on February 17, 2011.

[Back to Top](#)

RGGI Being Reconsidered in New Hampshire

Last year in New Hampshire, over \$3 million created from Regional Greenhouse Gas Initiative (RGGI) auctions was reallocated away from investment in energy efficiency programs and into the General Fund, the state's operating budget. This has prompted some in the state, including legislators, to contemplate the state's continued participation in the 10-state RGGI compact. In fact legislation, [HB519](#), has been introduced in the New Hampshire House of Representatives that seeks to repeal the state's participation in RGGI. RGGI advocates are encouraging legislators to kill this bill, noting that RGGI has helped improve energy efficiency and that RGGI is an important long-term environmental and energy policy. Conversely, opponents of RGGI view the regional initiative as a burdensome mandate and a hidden tax.

On February 23rd, the House of Representatives voted 246-104 to support HB 519. After the vote, the bill was sent to House Ways and Means to consider the fiscal implications associated with the bill's passage. If HB 519 again passes the House and then in the Senate, it is still subject to the Governor's veto. Governor John Lynch initially signed RGGI into law and in a [letter](#) to the House Science, Technology and Energy Committee, he indicates support for New Hampshire's continued participation in RGGI.

RGGI discussion will continue in New Hampshire over the next few weeks and months.

[Back to Top](#)

Northern Pass Project

Northeast Utilities, Hydro-Québec and NSTAR have proposed a transmission project to deliver 1,200 MW of hydropower from Québec to New England through New Hampshire. The project, known as the Northern Pass, is a direct current line which will stretch throughout the state. Most of the project will utilize existing rights of way; however there are additional rights of ways needed in northernmost New Hampshire.

The Northern Pass project has come under fire recently from citizens and environmental groups who are concerned with the impact that the line will have. Among other things, these groups have voiced concern over the lines' affect on property values, tourism and the environment. Some opponents of the project have voiced frustration with the state being used as a transmission corridor for power that is not needed in New Hampshire but is wanted in southern New England. However proponents of the project argue that the project will bring much-needed renewable power to the region and provide economic benefits such as new tax revenue, construction jobs and competitively priced power for New Hampshire.

[Back to Top](#)

Summary of Connecticut Legislation

Governor proposes reorganization of energy agencies

Governor Dannel Malloy proposes to merge the Department of Public Utility Control (DPUC) and the Department of Environmental Protection into a new Department of Energy and Environmental Protection (DEEP) and has named Yale professor Daniel Esty to be the commissioner of the new agency. The five appointed commissioner positions within the existing DPUC would continue under the DEEP. The merger is

part of the governor’s plan to better coordinate the state’s energy and environmental policies with a focus on promoting clean energy and reducing electricity costs and rates. The agency proposal and the nomination are subject to legislative approval. The governor also proposes merging the Office of Consumer Counsel into the existing Department of Consumer Protection.

New tax on generation

Governor Malloy proposes to raise \$58 million in each of the next two years by imposing a new tax on generation in Connecticut equal to two-tenths of a cent per kilowatt-hour (\$0.002/kWh). The tax would be effective July 1, 2011. The proposal would apply to the net kWh of electricity generated for sale to the regional electric grid. It would exempt fuel cells and alternative energy systems that utilize solar, wind, water or biomass energy in providing space heating or cooling, water heating or generation of electricity.

The governor’s budget office says generators in the state sell power to the regional grid and not directly to the electric distribution companies and, therefore, the budget office argues the tax will not raise electricity rates for consumers. However, some legislators disagree and insist that the tax will increase retail rates.

Moratorium on wind farms

The legislature is considering a moratorium on wind turbines in the state that would require the siting council to develop regulations for the projects. The moratorium was prompted by applications to develop several 3-5 MW wind farms using 1.6 MW turbines.

[Back to Top](#)

Wholesale Electric Costs Up in January 2011

The average Day-Ahead and Real-Time Hub prices in January were between \$71 and \$72/MWh – up approximately 10% over December 2010 and 15% over January 2010 levels. Peak and average Real-Time loads increased from December 2010 to January 2011. Similarly, natural gas and oil prices increased as well.

	January 2011	January 2011 Compared to December 2010	January 2011 Compared to January 2010
Average Day-Ahead LMP (hub)	\$71.31/MWh	9%	17%
Average Real-Time LMP (hub)	\$71.79/MWh	14%	14%
Average Natural Gas Price	\$8.53 MMBtu	6%	12%
Peak Real-Time Load	21,060 MWh	2%	6%
Average Real-Time Load	15,555 MW	1%	1%

[Back to Top](#)

Monthly Regional Network Load Cost Report

The [Monthly Regional Network Load Cost Report for December 2010](#) 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 December, the average RNL cost for New England was \$5,960/MW-month, a 0.1% increase from November 2010 values and an increase of 5.5% from the prior year. Reliability costs

averaged \$274/MW-month, reflecting an increase of 1.4%, from November values and a decrease of 35.4% from the prior year. Reliability costs were approximately 5% of overall RNL costs.

[Back to Top](#)

ISO Speaking Engagements and Other Meetings of Interest

March 10, 2011

ISO Webinar

ISO to review issues and background related to the [2011 Strategic Planning Initiative](#).

March 10, 2011

U.S. Department of Energy Electricity Advisory Committee, Arlington, VA

ISO Speaker: Gordon van Welie, President and CEO

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

April 19, 2011

6th Annual Renewable Energy Conference, Halifax, Nova Scotia

ISO Speaker: Anne George, Vice President, Corporate Communications and External Affairs

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

[Back to Top](#)

Upcoming NEPOOL and ISO Meetings of Interest

Dates for upcoming stakeholder meetings and other meetings of interest (dates are subject to change):

	Participants Committee	Markets Committee	Reliability Committee	Planning Advisory Committee	Transmission Committee	NECPUC Conference Call	Consumer Advocate Conference Call
March	4	8, 9	15	16	23	14	22
April	1	5, 6	12	13, 14	26	11	20

[Back to Top](#)