

To: NECPUC

From: Carolyn O'Connor

Date: July 26, 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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Latest Advancements in Energy Efficiency Forecasting

At the June 30 [PAC](#) meeting, regional stakeholders learned about the energy efficiency (EE) forecasting methodology used by New York ISO (NYISO), currently the only ISO that creates a forecast of energy savings, and received an update on the development of an EE forecast for New England.

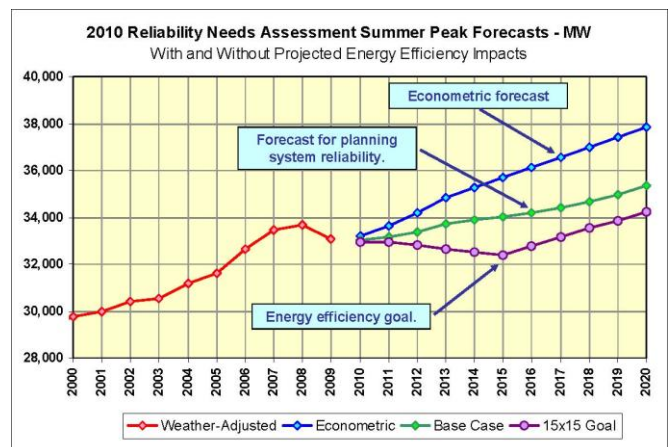
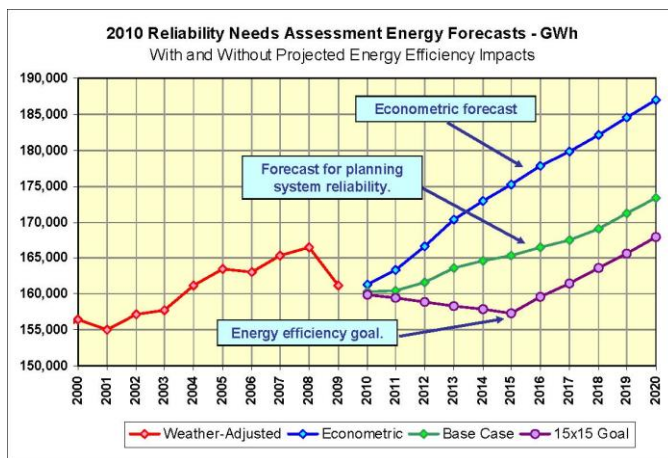
New York ISO

NYISO's Supervisor of Load Forecasting & Energy Efficiency Arthur Maniaci provided a detailed review of their methodology. In particular, he noted that the primary motivation for having an EE forecast is to inform state energy regulatory authorities of progress in meeting its EE goal. This goal calls for a 15% reduction in energy use by 2015 which amounts to a reduction of 26,885 GWh.¹

NYISO starts with a traditional econometric forecast (shown in blue in the following graphs). Next, NYISO prepares an EE forecast, which is subtracted from the traditional econometric forecast to produce a system forecast (also known as the base case forecast shown in green). This forecast is used for needs assessments.

NYISO also tracks NY's EE goal of 15% reduction in energy use by 2015. This is considered the technical potential for EE in New York and can be used to help determine the budgets required to achieve the goal based on current and forecasted savings costs (shown in purple).

NYISO EE Forecast Results



To provide the necessary inputs to the EE forecast, NYISO requests data from New York State Energy Development Authority (NYSERDA) and six regulated electric utilities. The types of data NYISO collects quarterly include:

- annual budget projections (by region, program and program administrator);
- current percentage of funds spent to program budgets;
- cost per MWh for programs;
- overall MWh goal for the program; and

¹ In New York, funding levels for EE programs through 2011 were established in 2008 by a Public Service Commission (PSC) Order. The PSC is expected to issue a new Order by the end of this year to provide future funding. Currently, the levels of funding and the number of years into the future the programs will run are uncertain.

- summer and winter ratios of peak to energy (load factors).

Using this information, NYISO takes a bottom-up approach to creating the EE forecast. Total state spending on EE and the cost of savings (\$/MWh) are the two primary variables in NYISO's EE forecast methodology. However, other factors such as the geographic differences in participation rates (i.e. less air-conditioning saturation rates in upstate NY, and a greater concentration of multifamily housing in downstate) are taken into account. Additionally different types of EE measures and their relative impact on peak savings are also considered. For example, compact florescent lighting (CFLs) programs constitute about 70% of the current energy savings from the state's EE programs.

ISO New England

Also at the June 30 Planning Advisory Committee (PAC), the ISO gave an [update](#) on current efforts to develop an EE forecast for New England. ISO's research has shown that the Forward Capacity Market (FCM) captures the region's EE efforts as resources 1-4 years into the future. Therefore, the goal of this project is to forecast incremental EE beyond the last year of commitments in the FCM. It is envisioned that this forecast methodology will be similar to NYISO's in that it will likely be based primarily on budget and spending inputs as a means to calculate energy and peak demand savings. An outline of the forecast methodology was presented to PAC. It focused on total EE budget dollars, the percent of those dollars spent and the costs of EE savings.

Next Steps

A draft form to collect quarterly and annual budget and other data from the states on their EE programs has been developed and provided to NESCOE for comment. It will also be provided to PAC in August for their review and comment before being finalized. ISO expects to begin the data collection process in September and develop a proof of concept EE forecast methodology in October.

Comparison of EE Forecast Approaches	
New York	New England
Single EE goal (15% x 2015)	6 state goals (some qualitative)
10 year forecast	10 year forecast, not including FCM timeframe
Budget based methodology	
Based on data requests	
Bottom-up approach evaluating program elements	
Difficulties in projecting long-range EE budgets	

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Upcoming PAC Meetings & Draft RSP11

Draft RSP11 for Stakeholder Review

ISO New England has posted a draft of the 2011 Regional System Plan (RSP11) for review by the PAC. The draft RSP identifies system needs and includes solutions and processes required to ensure the reliable and economic performance of the New England power system. The draft RSP11 summarizes information presented to New England stakeholders through the PAC.

The draft RSP11 is password-protected and posted at: <http://www.iso-ne.com/trans/rsp/2011/index.html>

Upcoming PAC Meetings

Date	Location	Topics
August 11	Doubletree Hotel, Westborough, MA	Draft 2011 RSP page turn
September 8	Colonnade Hotel, Boston, MA	RSP public meeting

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Demand Response Compliance Filing

On June 27, ISO New England [requested an extension of time](#) to submit its compliance filing on demand response compensation. The ISO specifically requested that FERC extend the July 22, 2011 compliance deadline to August 19, 2011 – a 4 week extension request.

In its June 27 filing, the ISO noted that it has been active in stakeholder outreach and that a short delay in submitting the compliance package will not delay overall implementation of the rules. On July 8, FERC “granted an extension of time to and including August 19, 2011”² for the ISO to submit its compliance filing.

Proposed market rules governing demand response participation and compensation in the energy market were voted upon at the July 19 NEPOOL Markets Committee. Among other issues, the committee considered:

- the appropriate compensation for facilities that have behind-the-meter and demand response capability;³
- the Real-Time Demand Reduction Obligation limit;⁴ and
- cost allocation for demand resource participation in the energy market.⁵

With vastly differing views on these issues, the ISO proposal received only about half of the votes at the July 19 Markets Committee. The NEPOOL Participants Committee will vote on this issue on August 12.

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² See http://www.iso-ne.com/regulatory/ferc/orders/2011/jul/rm10-17-000_7-8-11_order_grant_ext_of_time.pdf.

³ The ISO believes electricity sent to the grid from behind-the-meter generation should be paid just like a generator and if the customer consumes energy from the grid (and has a baseline established for normal consumption levels) and reduces their energy usage, they should be paid full LMP for the amount of demand reduction (subject to a net benefits test) – ISO believes this provides comparability by ensuring that resources producing the same balancing product receive the same compensation.

⁴ The ISO has proposed a 200% limit – which means that DR can produce in real-time and receive compensation for up to twice as much as their offer.

⁵ Though some suggest that cost be allocated based on regional network load, the ISO believes that cost should be allocated to Real-Time Load at the time of the reduction which is a requirement of [Order 745](#).

Semi-Annual Status Report on ISO's Load Response Programs

On June 30, 2010, the ISO filed with the FERC the [Semi-Annual Status Report on Load Response Programs of ISO New England Inc.](#) The report covers the six-month period from October 2010 through March 2011.

Among other things, this report summarizes load reductions and payments and details the estimated effects of the load response programs on wholesale prices.

Load reductions and payments

From October 1, 2010 through March 31, 2011, there was almost 69,000 MWh of load response interruptions. The average payment for a MW of interruption across all zones in the region was just over \$73/MWh. Almost \$5.5 million was paid for interruptions throughout the region over the six month period and the largest payments were made to Maine, which accounted for and received approximately 40% of the reductions and payments distributed throughout the region.

Interruptions and Payments for All Load Response Programs by Zone October 2010 through March 2011					
Zone	MWh Interrupted	% of MWh Interrupted throughout the Region	Payments	% of Total Payments Made for Interruptions throughout the Region	\$/MWh
ME	27,120	39%	\$2,085,632	39%	\$76.90
NH	3,807	6%	\$311,531	6%	\$81.82
VT	3,844	6%	\$307,172	6%	\$79.90
CT	9,570	14%	\$736,299	14%	\$76.94
RI	3,642	5%	\$304,456	6%	\$83.15
SEMA	3,662	5%	\$276,813	3%	\$79.24
WCMA	9,038	13%	\$709,768	13%	\$78.53
NEMA	8,311	12%	\$652,344	12%	\$78.49
Regional Total	68,994	100%	\$5,401,965	100%	\$78.30

Estimated effects of load response on wholesale prices

During the first three months of the reporting period, the load response program reduced real-time LMPs by approximately \$0.51/MWh across the entire wholesale market in New England. The largest average decrease, \$0.72/MWh, was seen in Maine. During the latter three months of the Reporting Period, the program reduced real-time LMPs by approximately \$1.01/MWh across the entire market, with the largest average decrease of approximately \$1.12/MWh seen in Connecticut.

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Upcoming Markets Committee Meetings

The Markets Committee will meet for its annual summer meeting in August in Newport, Rhode Island. A preliminary look at issues to be discussed and potential votes to be taken by the committee during these meetings is summarized below and posted [here](#). Among other things, NECPUC may be interested to note that Forward Capacity Market reform discussions will take place in August.

August 17, 18 and 19, 2011, Hyatt Regency Newport Hotel, Newport, Rhode Island⁶

Voting Items:

- **FCM Unavailable Resource Obligations**
- Financial Assurance Issue for Demand Resources

Discussion Items:

- FCM Redesign
ISO's proposal to address the various subjects within the FCM Redesign effort
- FCM Rejected De-list Bids
ISO's proposal to conform Market Rule 1 to open access transmission tariff revisions that address rejected de-list bids within the existing planning procedures and processes
- FCM Demand Response Impacts from Energy Market Changes
ISO's proposal to address DR impacts on FCM due to energy market changes
- FCM Supplemental Availability Bilaterals
ISO's proposal to allow a supplemental capacity resource to supplement a resource in another location if the bilateral is counter to the constraint
- FCM Enhancements to Bilateral Transactions
Potential enhancements regarding bilateral transactions for Capacity Supply and Load Obligations
- Inter-Regional Interchange Scheduling (IRIS) Tariff Changes
Roadmap for Market Rule 1 change effort and the NCPC/export fees subject
- FCM – Capacity Transfer Rights (applicability to export constrained zones)
- FCM – Demand Response Resource Auditing

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ISO New England Training

The ISO will again offer a one-day training for state and regional regulatory officials, legislators, consumer advocates and consumer representatives that will cover, at a high level, an overview of New England's bulk transmission system, ISO New England's functions and responsibilities, and New England's wholesale electricity markets, including the Forward Capacity Market. The training is intended to be an introductory course for individuals relatively new to the industry and a refresher course for others. The course will be comprehensive, but not in-depth on any individual topic. This training is also intended to provide help for individuals determining their future training needs.

ISO New England 101 will be Tuesday, September 27, 8:30 a.m. – 5:00 p.m. at the Doubletree Hotel in Westborough, Massachusetts. To register for this training, please [click here](#).

Additionally, individuals associated with a state agency are eligible to receive market training at a 50% discount. To register for a training event, please [click here](#).

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Federal Court Decision on Vermont Yankee's Motion for Preliminary Injunction

As part of Entergy's (the owner of the Vermont Yankee Nuclear Power Station (VY)) legal challenge⁷ to the state of Vermont's authority over the operation of VY, Entergy asked the court for a preliminary injunction that would stop the state from enforcing statutes that would require VY to cease operations after March 21, 2012. A hearing on this motion was held on June 23 and 24, 2011 and a decision handed down on July 18, 2011. In order to prevail on a motion for preliminary injunction, a party must show that it is likely to suffer irreparable harm if the injunction is not granted, and that it is likely to succeed on the merits of the case at trial (this case is set for a trial on September 12, 2011).

⁶ The voting and discussion items listed are tentative and subject to change.

⁷ See the [April 2011 NECPUC](#) memo for more background on this litigation.

Entergy argued that it is likely to suffer irreparable harm resulting from: refueling investments that may not pay off if the plant closes in March 2012; the attrition of its workforce; or an impaired ability to enter into long-term power purchase agreements. The court denied Entergy's motion because it failed to show that any irreparable harm it may incur between now and a decision on the merits would be ameliorated by a preliminary injunction in the short time before the September trial.

The court's decision was based in part on testimony provided by Entergy that indicated that Entergy may decide to go ahead with refueling even if they did not secure a preliminary injunction. Because the court found that there was no irreparable harm, it expressly declined to determine if Entergy was likely to succeed on the merits at trial. For a copy of this decision please [click here](#).

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Consumer Liaison Group

The next [Consumer Liaison Group](#) meeting will be Wednesday, September 28 at the Courtyard Marriott Hotel in Marlborough, Massachusetts. Preliminary topics will include remarks by Massachusetts Attorney General, Martha Coakley; an update on wholesale market issues and initiatives; and conclude with a panel discussion among state officials and electricity industry representatives on the region's efforts to balance electricity cost concerns with environmental goals and standards, and grid reliability. To register for this meeting, please [click here](#).

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Wholesale Electricity Costs

The average Day-Ahead and Real-Time Hub prices in June 2011 were \$44.39/MWh and \$43.13/MWh respectively. The average Day-Ahead Hub prices rose 4% from the May average and the average Real-Time Hub prices had a modest 1% decline from the May monthly average of \$43.55/MWh.

	June 2011	June 2011 Compared to May 2011	June 2011 Compared to June 2010
Average Day-Ahead LMP (hub)	\$44.39/MWh	4%	-8%
Average Real-Time LMP (hub)	\$43.31/MWh	-1%	-15%
Average Natural Gas Price	\$4.91/MMBtu	6%	-6%
Peak Real-Time Load	23,322 MWh	18%	-4%
Average Real-Time Load	14,906 MW	11%	-4%

June's average natural gas price was \$4.91/MMBtu – up 6% from May. Monthly average Oil (#6) prices also rose 6% from May to June. Similarly, the monthly Average and Peak Real-Time Loads were up from May to June.

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Federal Affairs Update

Efforts to Improve Federal Regulations

In January 2011, the Obama Administration released [Executive Order 13563](#), an effort to streamline and improve the federal regulatory process. Federal agencies were urged to examine existing regulations and determine if they can be improved, made more efficient, or eliminated, and apply lessons learned to future regulations. On July 11, the Administration released another [Executive Order](#), urging independent agencies (like the Federal Energy Regulatory Commission, which by their independent nature were not subject to EO 13563) to undertake a similar review. In the second EO, the President called on agencies like FERC to announce a public plan within 4 months to demonstrate they will also examine their own processes for creating and issuing regulations.

On July 7, a House Energy and Commerce Committee panel heard from several witnesses to discuss “The Views of Independent Agencies on Regulatory Reform,” with members hoping to learn if independent agencies have made any modifications as a result of EO 13563. FERC Chairman Jon Wellinghoff [testified](#) that FERC “has taken, and continues to take, a number of steps,” to improve its regulatory process. This includes the Notice of Inquiry released in May seeking comment on transmission incentive regulations and initiating several ongoing rulemakings to remove barriers to emerging technologies.

Review of Nuclear Regulatory Commission Regulations

On July 12, the Nuclear Regulatory Commission (NRC) released the [report](#) from its Near-Term Task Force created to review existing NRC regulations following the earthquake/tsunami in Japan (a brief summary of the report can be found [here](#)). The report was careful to note that some short-term measures have been taken in the U.S. as a result of the events in Japan, and that “continued operation and continued licensing activity do not pose an imminent risk to public health and safety.” However, further improvements can be made from lessons learned, similar to incident-specific improvements to NRC regulations made after 9/11 and Three Mile Island.

The report notes that the current regulatory approach has been cobbled together from various regulations over decades, and the result is “a patchwork” of requirements that is difficult to navigate. The report indicates improvements are possible to make regulations more “logical, systematic, coherent, and better understood.” The 12 categories for recommended changes include addressing shortcomings in current rules and safeguards for seismic and flooding activity (both short-term patches and long-term systematic improvements); strengthening station blackout mitigation capabilities and strategies; strengthening the make-up of existing spent fuel pools; and reassessing and improving emergency response plans.

Energy Efficiency Effort Advances

An energy efficiency bill co-authored by Sen. Jeanne Shaheen (D-NH) was overwhelmingly approved by the Senate Energy and Natural Resources Committee on July 14. The bill focuses on achieving greater efficiency for a number of household appliances and equipment, as well as improving energy efficiency in residential, commercial, and industrial buildings. Several changes were made to the original version of the measure prior to its passage, including ensuring that the building codes remain voluntary for states, removing initiatives that were duplicative or the jurisdiction of other Senate committees, and reducing the authorization levels. The measure now awaits action by the full Senate.

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FERC Order 1000 – Final Transmission Rules

On June 17, 2010, the Federal Energy Regulatory Commission issued a Notice of Proposed Rulemaking (Docket No. RM10-23) seeking comments to its transmission planning and cost allocation proposed rules. After extensive stakeholder feedback, on July 21, 2011, FERC issued a final rule – Order No. 1000. The final order reforms the planning, cost allocation, and non-incumbent developer policies.

Planning Reforms

The order establishes three requirements for transmission planning:

- Each public utility transmission provider must participate in a regional transmission planning process that satisfies produces a regional transmission plan.
- Local and regional transmission planning processes must consider transmission needs driven by public policy requirements established by state or federal laws or regulations. Each public utility transmission provider must establish procedures to identify transmission needs driven by public policy requirements and evaluate proposed solutions to those transmission needs.
- Public utility transmission providers in each pair of neighboring transmission planning regions must coordinate to determine if there are more efficient or cost-effective solutions.

Cost Allocation Reforms

- Each public utility transmission provider must participate in a regional transmission planning process that has a regional cost allocation method for new transmission facilities selected in the regional transmission plan for purposes of cost allocation.
- Public utility transmission providers in neighboring transmission planning regions must have a common interregional cost allocation method for new interregional transmission facilities that the regions determine to be efficient or cost-effective.

Non-incumbent Developer Reforms

- Subject to certain limitations, public utility transmission providers must remove from FERC-approved tariffs and agreements a federal right of first refusal for a transmission facility selected in a regional transmission plan for purposes of cost allocation.

Order No. 1000 and other information regarding the rule are available [here](#).

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ISO Speaking Engagements and Other Meetings of Interest

August 6, 2011

Council of State Governments/Eastern Regional Conference, Offshore Wind Seminar,
Halifax, Nova Scotia. ISO speaker: Eric Johnson, Senior External Affairs Representative

September 8, 2011

Regional System Plan Public Meeting, Colonnade Hotel, Boston, MA

September 27, 2011

ISO New England 101, Doubletree Hotel, Westborough, MA

October 5

CPES & CBIA “What’s the Deal?” Energy Conference, Cromwell, CT

November 1, 2011

New York ISO/ISO New England Joint Symposium, Hilton New York City, New York, NY.

November 3

NECA 10th Annual Power Markets Conference, Boston, MA

ISO speaker: Gordon van Welie, President & CEO

November 4

NECBC Annual Energy Conference, Boston, MA

May 20-22, 2012

Save the date: 2012 NECPUC Symposium, The Samoset, Rockport, ME

Upcoming NEPOOL and ISO Meetings of Interest

	<u>Participants Committee</u>	<u>Markets Committee</u>	<u>Reliability Committee</u>	<u>Planning Advisory Committee</u>	<u>Transmission Committee</u>	NECPUC Conference Call	Consumer Advocate Conference Call
Aug.	12	17-19	23	11	30	9	15
Sep.	9	13, 14	20	21	26	6	19

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