

Scope for Economic Study Process Working Group

DRAFT

Overview

The Economic Studies Process Working Group is intended to bring together interested stakeholders to establish the process for the review of the economic factors and modeling assumptions to be considered in the detailed evaluation of the benefits and costs of any potential Market Efficiency Transmission Upgrade (METU) under Attachment N and for the conduct of economic studies under Attachment K of the ISO New England Inc. (“ISO-NE”) Open Access Transmission Tariff (“OATT”).

Background: Tariff Language in Attachment N

“Market Efficiency Transmission Upgrades are upgrades designed primarily to provide a net reduction in total production cost to supply the system load.”(Attachment N, Section II.B)

“Although not used to evaluate the net economic benefit of the system Upgrade, analysis may be provided to illustrate the net cost to load with and without the transmission upgrade – considering additional factors such as locational ICAP, congestion costs, and impacts on bilateral prices for electricity” (Attachment N, Section II.B)

Background: Intent of Attachment K Economic Studies from Order Nos. 890 and 890-A

Primary objective:

“... to ensure that the transmission planning process encompasses more than reliability considerations.” (p542)

Other objectives:

“... to require transmission providers to prepare studies identifying “significant and recurring” congestion and post such studies on their OASIS” (P529) as well as “... to integrate new generation resources or loads on an aggregated or regional basis.” (P548)

“... to ensure that customers may request studies that evaluate potential upgrades or other investments that could reduce congestion or integrate new resources and loads on an aggregated or regional basis (e.g. wind developers), not to assign cost responsibility for those investments or otherwise determine whether they should be implemented.” (P544)

“... not to impose a costly study requirement that is unrelated to the real-world concerns of consumers.” (P546)

“By expanding the scope of [the economic planning studies] principle, we do not intend to supplant the existing process for individual customer to integrate new resources or loads through specific requests for interconnection or transmission service under the pro forma OATT. Rather, we contemplate that any such studies conducted pursuant to this principle, as explained above, would be for purposes of planning for the alleviation of congestion through integration of new supply and demand resources into the regional transmission grid or expanding the regional transmission grid in a manner that can benefit large numbers of customers, such as by evaluating transmission upgrades necessary to connect numbers of customers, such as by evaluating transmission upgrades necessary to connect major new areas of generation resources . . . Specific requests for service would continue to be studied pursuant to existing pro forma OATT responses.” (P549)

Draft Scope of Work

I. Attachment N

Technical Issues

Review and develop a common understanding of the factors for identifying METUs which are listed in Attachment N

Assess how base case conditions are determined in the economic modeling of an METU.

Questions to be answered:

- Should planned units be included in the economic studies?
- Should new resources displace existing resources? (i.e. should the system be modeled at criteria)
- What sensitivity cases should be evaluated and what role should the results play in the final determination?
- What study period should be used for the evaluation and should it be dependent on the in-service date of the upgrade being evaluated ?
- Review and determine if the economic model used should be widely used and available. Should a spreadsheet tool be available similar to the Scenario Analysis tool?

Policy Issues

Reach agreement on the methodology for calculating economic benefits for proposed additions

Questions to be answered:

Should the production cost standard for METU's currently in the tariff be changed, i.e. to LSE costs, or supplemented?

Should externalities be factored into any analysis as part of the standard? For example, RGGI requirements, the value and costs of RECs (and similar programs)

How should transmission project cost uncertainty be addressed in METU determinations and/or in how transmission costs are allocated?

Should there be a RTU/METU hybrid class? How might such a class be evaluated?

Evaluation Issues

Determine how to evaluate and choose among potentially competing alternative economic transmission projects

Reach agreement on the need for consistency between Attachment N and Attachment K evaluations

Reach agreement on a governance or decisional structure for METUs

Consider the appropriate role of the ISO

Which of these issues might be delegated to subgroups of the ESWG?

Implementation Issues

Determine whether modifications to Attachment N are desirable and/or necessary

Determine whether more detailed evaluation instructions should be reflected in an ISO Planning Procedure

II. Review current requested evaluation of a project as a METU under Attachment N

Evaluate the Maine Power Connection economic studies and associated processes, and provide input to the ISO as it executes its responsibilities under the existing Tariff.

III. Attachment K

Evaluate submittals and prioritization of Requests for Economic Studies under Attachment K and propose criteria for use in future years as appropriate.

Questions

Should Attachment K studies be more specific in future analyses?